SEAWRIGHT HOLDINGS INC
Form SB-2
July 17, 2006

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 17, 2006
REGISTRATION NO. 333-[______]

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

FORM SB-2

REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933

SEAWRIGHT HOLDINGS, INC.

(Name of small business issuer in its charter)

Delaware	2086	54-1965220
(State of other jurisdiction of incorporation)	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification Number)

600 Cameron Street
Alexandria, Virginia 22314
(703) 340-1629
(Address and telephone number of principal executive offices)

600 Cameron Street
Alexandria, Virginia 22314
(703) 340-1629
(Address of principal place of business or intended principal place of business)

Joel P. Sens, Chief Executive Officer
600 Cameron Street
Alexandria, Virginia 22314
(703) 340-1629
(Name, address and telephone number of agent for service)

Copies of communications to:

Charles A. Sweet, Esq.
Matthew K. Van Der Weide, Esq.
McKee Nelson LLP
1919 M Street, NW
Washington, DC 20036

(202) 775-1880

Approximate date of proposed sale to the public: as soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. x

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

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CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered[(1)]	Proposed Maximum offering price per security[(2)]	Proposed Maximum Amount of Aggregate offering price	Amount of Registration Fee
Common stock, no par value per share[(3)]	6,000,000	$ 0.85	$ 5,100,000.00	$ 545.70
Common stock, no par value per share[(4)]	4,304,332	$ 0.85	$ 3,658,682.20	$ 391.48
Common stock, no par value per share[(5)]	1,575,000	$ 0.85	$ 1,338,750.00	$ 143.25
Common stock, no par value per share[(6)]	1,725,882	$ 0.85	$ 1,466,999.70	$ 156.97
Common stock, no par value per share[(7)]	887,400	$ 0.85	$ 754,290.00	$ 80.71

(1) Pursuant to Rule 416(a) of the Securities Act of 1933, as amended, this registration statement shall be deemed to cover additional securities that may be offered or issued to prevent dilution resulting from stock splits, stock dividends or similar transactions.

(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c). For the purposes of this table, we have used the average of the closing bid and ask prices of the common stock as traded in the over the counter market and reported on the OTC Electronic Bulletin Board on July 14, 2006.

(3) Shares of common stock to be offered in connection with an equity line of credit arrangement.

(4) Shares of common stock being registered for resale that are owned by certain selling shareholders.

(5) Represents shares of common stock being registered for resale that may be acquired upon the exercise of stock options by certain selling shareholders at exercises prices ranging from $0.50/share to $2.00/share.

(6) Represents shares of common stock being registered for resale that have been or may be acquired upon the conversion of Series A Convertible Promissory Notes due 2009 at a conversion price of $0.85/share issued to certain selling stockholders named in the prospectus.

(7) Represents shares of common stock being registered for resale that have been or may be acquired upon the exercise of common stock purchase warrants at an exercise price of $0.85/share issued to certain selling stockholders named in the prospectus.

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

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

PROSPECTUS

SEAWRIGHT HOLDINGS, INC.

This prospectus relates to the sale of up to 14,492,615 shares of our common stock by our stockholders. We are not selling any securities in this offering and therefore will not receive any proceeds from this offering. We will, however, receive proceeds from the sale of securities under an investment agreement that we have entered into with one of the selling stockholders, Dutchess Private Equities Fund, L.P., which permits us to "put" up to $5,000,000 in shares of our common stock to Dutchess Private Equities Fund, L.P. Additionally, we may receive funds from the exercise of warrants and options held by certain selling stockholders. All costs associated with this registration will be borne by us.

The shares of common stock are being offered for sale by the selling stockholders at prices established on the Over-the-Counter Bulletin Board or in negotiated transactions during the term of this offering. Our common stock is quoted on the Over-the-Counter Bulletin Board under the symbol "SWRI.OB". On July 14, 2006, the last reported sale price of our common stock was $0.95 per share.

Dutchess Private Equities Fund, L.P. and Jones, Byrd and Attkisson, Inc. are "underwriters" within the meaning of the Securities Act of 1933, as amended, in connection with the resale of common stock under the investment agreement. Dutchess will pay us 95% of the lowest closing best bid price of the common stock during the five trading days immediately following the date of our notice to them of our election to put shares pursuant to the investment agreement.

THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD PURCHASE SECURITIES ONLY IF YOU CAN AFFORD A COMPLETE LOSS. SEE "RISK FACTORS" BEGINNING ON PAGE 11.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

SUBJECT TO COMPLETION, THE DATE OF THIS PROSPECTUS IS JULY 17, 2006

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SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this prospectus. Because it is a summary, it does not contain all of the information you should consider before making an investment decision. References in this prospectus to "we," "us," and "our" refer to Seawright Holdings, Inc. and its direct and indirect subsidiaries. References to "Seawright Holdings" refer to Seawright Holdings, Inc. and its subsidiaries.

Seawright Holdings, Inc.

Seawright Holdings, Inc. was incorporated in the State of Delaware in October 1999 under the name Pre-Settlement Funding Corporation. In September 2003 we changed our name to Seawright Holdings, Inc. to re-focus our business plan and enter the business of producing and selling spring water.

Our principal executive offices are located at 600 Cameron Street, Alexandria, Virginia 22314. Our telephone number is (703) 340-1629.

The Offering

On September 12, 2005, we entered into an investment agreement with Dutchess Private Equities Fund, L.P., or Dutchess, that provides us with an Equity Line of Credit. The investment agreement provides that, following notice to Dutchess, we may require Dutchess to purchase, or put, up to $5,000,000 in shares of our common stock for a purchase price equal to 95% of the lowest closing best bid price of our common stock on the Over-the-Counter Bulletin Board, or the OTCBB, during the five trading days following that put notice. We may, at our election, require Dutchess to purchase an amount equal to no more than either (a) 200% of the average daily volume of our common stock for the 10 trading days prior to the put notice date, multiplied by the average of the three daily closing bid prices immediately preceding the put notice date or (b) $100,000; provided that in no event will the amount Dutchess is required to purchase exceed $1,000,000 with respect to any single put. We are obligated to register for resale the shares of common stock issuable pursuant to the investment agreement pursuant to a registration rights agreement dated as of September 12, 2005, between Dutchess and us.

In addition to the shares issued pursuant to the investment agreement, shares will also be offered by our current stockholders. The majority of our stockholders acquired their securities through a private offering we closed in February 2005. This offering, sold to 78 accredited investors, consisted of 999 units at a price of $3,000 per unit. Each unit consisted of the following:

- 2,500 shares of our common stock;
- $1,500 of 11% convertible promissory notes, Series A, maturing on September 1, 2009, and convertible into shares of common stock at an exercise price of $0.85 per share any time after six months from the date of issuance; and
- A warrant to purchase 300 shares of our common stock that is exercisable for a period of five years from issuance at $0.85 per share.

As compensation for its services as placement agent of the private offering, Jones, Byrd and Attkisson received 594,000 warrants exercisable for 594,000 shares of common stock. Those warrants were then transferred to Ronald Attkisson, one of our directors, and John Pope Jones, and are being registered under this registration statement.

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Other selling stockholders include Joel Sens, our president and chief executive officer, Stafford Street Capital LLC, a company wholly-owned by Joe Sens, National Financial Communications Corp., which acquired options to acquire 75,000 shares of common stock pursuant to a consulting agreement entered into with us on May 1, 2006, and Michael Donohue, Michael Fitzgerald and the William T. Stephens Jr. Revocable Trust, each of which acquired shares of our common stock in a private transactions with us on April 27, 2006.

The selling stockholders consist of:

Stockholder	# of Shares
Dutchess Private Equities Fund, L.P.	6,000,000[(1)]
Joel Sens	5,429,334[(2)]
Ron Attkisson	300,000[(3)]
John Pope Jones	294,000[(4)]
RBC Dain Rauscher Cust William Dunn IRA	267,796[(5)]
RBC Dain Rauscher Cust Eugenia Medlock IRA	258,667[(6)]
RBC Dain Rauscher Cust James T. Lewis IRA	238,886[(7)]
IFS Holdings, Inc.	203890[(8)]
RBC Dain Rauscher Cust Cynthia Lee McDonald IRA	197,804[(9)]
RBC Dain Rauscher Cust Barry Dunn SEP/IRA	181,067[(10)]
Stafford Street Capital LLC	175,000[(11)]
Matthew K. Becksteadd TTEE Matthew K. Beckstead Revocable Trust	152,157[(12)]
John R. Velky	152,157[(13)]
RBC Dain Rauscher Cust Nancy Kines IRA	147,592[(14)]
RBC Dain Rauscher Cust Louis Mulherin Jr. IRA	136,941[(15)]
RBC Dain Rauscher Cust Horace G. Blalock IRA	130,855[(16)]
Jana S. Pine	117,161[(15)]
RBC Dain Rauscher Cust Kenneth D. Simpson IRA	114,118[(17)]
RBC Dain Rauscher Cust Henry Alperin IRA	106,509[(18)]
Echols J. Martin DMD PSP	106,509[(18)]
RBC Dain Rauscher Cust Caroline T. Richardson IRA	97,380[(19)]
RBC Dain Rauscher Cust Charles Daniel IRA	94,338[(20)]
RBC Dain Rauscher Cust Robert Edmond IRA	82,165[(21)]
RBC Dain Rauscher Cust Jackie Brooks Roth IRA	80,643[(22)]
RBC Dain Rauscher Cust John R. Velky IRA	79,121[(23)]
Henry Alperin	77,600[(24)]
National Financial Communications Corp.	75,000[(25)]
Kimberly S. Sligh	73,035[(26)]
Michael Donohue	66,666[(27)]
Michael Fitzgerald	66,666[(27)]
William T. Stephens Jr. Revocable Trust	66,666[(27)]
Thomas D. Thompson	60,862[(28)]
RBC Dain Rauscher Cust J. Lavern McCullough IRA	56,298[(29)]
RBC Dain Rauscher Cust Ted A. Poor IRA	48,691[(30)]

Carolyn H. Byrd	48,690[30]
RBC Dain Rauscher Cust William A. Smith IRA	47,168[31]
RBC Dain Rauscher Cust Robert J. Ferrara IRA	45,647[32]
RBC Dain Rauscher Cust Pamela K. Richardson Roth IRA	45,647[32]
RBC Dain Rauscher Cust Geraldine N. Videtto IRA	45,647[32]
RBC Dain Rauscher Cust Jack T. Williams IRA	45,647[32]
Robert C. Wilson	45,647[32]
RBC Dain Rauscher Cust Burgess M. Allen Jr. Roth IRA	39,561[33]
RBC Dain Rauscher Cust Sonan L. Ashley Roth IRA	38,039[34]
Valerie Biskey	38,039[34]
Robert L. Bower	38,039[34]
RBC Dain Rauscher Cust Nancy Locklear IRA	38,039[34]
M. Dixon McKay	38,039[34]
RBC Dain Rauscher Cust Hilton E. Vaughn Sr. IRA	38,039[34]
Tammy Corley	32,714[35]
William D. Corley	32,714[35]
RBC Dain Rauscher Cust A. Louis Hook Jr. IRA	30,432[36]
RBC Dain Rauscher Cust Dorth G. Falls IRA	27,388[37]
RBC Dain Rauscher Cust Robert F. Heishman IRA	27,388[37]
RBC Dain Rauscher Cust Patsy A. Fisher Roth IRA	25,867[38]
RBC Dain Rauscher Cust Phillip R. Mason IRA	25,867[38]
RBC Dain Rauscher Cust Joseph H. May IRA	25,867[38]
RBC Dain Rauscher Cust Kenneth J. Remington IRA	24,345[39]
Robert L. Abshire	22,824[40]
RBC Dain Rauscher Cust Barbara Sue Bramlett IRA	22,824[40]
Furman Terry Richardson	22,824[40]
Stuart R. Wilson	22,824[40]
Waymon E. Ragan and Lorena B. Ragan Jt. Ten./WROS	22,824[40]
RBC Dain Rauscher Cust Joanne I. Leonard IRA	16,738[41]
Bryan Coats	15,215[42]
RBC Dain Rauscher Cust Faye S. Jennings IRA	15,215[42]
James R. Kelley	15,215[42]
Alice McCoy	15,215[42]
RBC Dain Rauscher Cust Thomas D. Thompson IRA	15,215[42]
Ken Wilson	15,215[42]
A Boardman Co LLC	13,694[43]
RBC Dain Rauscher Cust Lawrence E. Mobley III SEP/IRA	13,694[43]
Michael C. Rogers & Pam K. Roger Jt. Ten.	13,694[43]
RBC Dain Rauscher Cust Ken Wilson Roth IRA	12,172[44]
RBC Dain Rauscher Cust Verda Elrod Roth IRA	9,129[45]
Gerry Rhodes	9,129[45]
RBC Dain Rauscher Cust Phoebe Tuten IRA	9,129[45]
Mark D. Anderson	7,608[46]
RBC Dain Rauscher Cust Milton O. Dickson Sr. Roth IRA	7,608[46]

Kevin Fogarty & Michelle Fogarty Jt. Ten.	7,608(46)
Randall Redmond	7,608(46)
George M. Willson & Crystal J. Willson	6,086(47)
RBC Dain Rauscher Cust Franklin D. Hart Jr. Roth IRA	4,565(48)
RBC Dain Rauscher Cust Wanda Hart Roth IRA	4,565(48)
Elisabeth T. Keller	4,565(48)
T. Barrett Trotter	4,565(48)

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(1) Consists of shares that may be issued pursuant to the Equity Line of Credit.

(2) Consists of 3,929,334 shares of common stock, 400,000 shares that may be acquired at $0.50 per share upon the exercise of options, 300,000 shares that may be acquired at $1.00 per share upon the exercise of options, 300,000 shares that may be acquired at $1.75 per share upon the exercise of options and 500,000 shares that may be acquired at $2.00 per share upon the exercise of options.

(3) Consists of 300,000 shares that may be acquired at $0.85 per share upon exercise of warrants

(4) Consists of 294,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(5) Includes 103,529 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 17,600 shares that may be acquired at $0.85 per share upon exercise of warrants.

(6) Includes 100,000 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 17,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(7) Includes 92,353 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 15,700 shares that may be acquired at $0.85 per share upon exercise of warrants.

(8) Includes 78,823 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 13,400 shares that may be acquired at $0.85 per share upon exercise of warrants.

(9) Includes 76,471 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 13,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(10) Includes 70,000 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 11,900 shares that may be acquired at $0.85 per share upon exercise of warrants.

(11) Consists of 175,000 shares of common stock.

(12) Includes 58,824 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 10,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(13) Includes 57,059 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 9,700 shares that may be acquired at $0.85 per share upon exercise of warrants.

(14) Includes 52,941 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 9,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(15)

Includes 50,588 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 8,600 shares that may be acquired at $0.85 per share upon exercise of warrants.

(16) Includes 45,294 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 7,700 shares that may be acquired at $0.85 per share upon exercise of warrants.

(17) Includes 44,118 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 7,500 shares that may be acquired at $0.85 per share upon exercise of warrants.

(18) Includes 41,176 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 7,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(19) Includes 37,647 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 6,400 shares that may be acquired at $0.85 per share upon exercise of warrants.

(20) Includes 36,471 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 6,200 shares that may be acquired at $0.85 per share upon exercise of warrants.

(21) Includes 31,765 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 5,400 shares that may be acquired at $0.85 per share upon exercise of warrants.

(22) Includes 31,176 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 5,300 shares that may be acquired at $0.85 per share upon exercise of warrants.

(23) Includes 30,588 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 5,200 shares that may be acquired at $0.85 per share upon exercise of warrants.

(24) Includes 30,000 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 5,100 shares that may be acquired at $0.85 per share upon exercise of warrants.

(25) Consists of 75,000 shares that may be acquired at $0.85 per share upon exercise of options.

(26) Includes 28,235 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 4,800 shares that may be acquired at $0.85 per share upon exercise of warrants.

(27) Consists of 66,666 shares of common stock.

(28) Includes 23,529 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 4,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(29) Includes 21,765 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 3,700 shares that may be acquired at $0.85 per share upon exercise of warrants.

(30) Includes 18,824 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 3,200 shares that may be acquired at $0.85 per share upon exercise of warrants.

(31) Includes 18,235 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 3,100 shares that may be acquired at $0.85 per share upon exercise of warrants.

(32) Includes 17,647 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 3,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(33) Includes 15,294 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 2,600 shares that may be acquired at $0.85 per share upon exercise of warrants.

(34)

Includes 14,706 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 2,500 shares that may be acquired at $0.85 per share upon exercise of warrants.

(35) Includes 12,647 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 2,150 shares that may be acquired at $0.85 per share upon exercise of warrants.

(36) Includes 11,765 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 2,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(37) Includes 10,588 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 1,800 shares that may be acquired at $0.85 per share upon exercise of warrants.

(38) Includes 10,000 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 1,700 shares that may be acquired at $0.85 per share upon exercise of warrants.

(39) Includes 9,412 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 1,600 shares that may be acquired at $0.85 per share upon exercise of warrants.

(40) Includes 8,824 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 1,500 shares that may be acquired at $0.85 per share upon exercise of warrants.

(41) Includes 6,471 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 1,100 shares that may be acquired at $0.85 per share upon exercise of warrants.

(42) Includes 5,882 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 1,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(43) Includes 5,294 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 900 shares that may be acquired at $0.85 per share upon exercise of warrants.

(44) Includes 4,706 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 800 shares that may be acquired at $0.85 per share upon exercise of warrants.

(45) Includes 3,529 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 600 shares that may be acquired at $0.85 per share upon exercise of warrants.

(46) Includes 2,941 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 500 shares that may be acquired at $0.85 per share upon exercise of warrants.

(47) Includes 2,353 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 400 shares that may be acquired at $0.85 per share upon exercise of warrants.

(48) Includes 1,765 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 300 shares that may be acquired at $0.85 per share upon exercise of warrants.

Our Capital Structure and Shares Eligible for Future Sale

The following tables outline our capital stock as of May 31, 2006:

Common Stock Outstanding:

Before the offering	9,075,474 shares[(1)]
After the offering	19,263,756 shares[(2)]

(1) Assumes:

- No conversion of convertible promissory notes outstanding as of May 31, 2006:

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Promissory Note Holder	Exercise Price		# of Common Stock Shares
RBC Dain Rauscher Cust William Dunn IRA	$	0.85	103,529
RBC Dain Rauscher Cust Eugenia Medlock IRA	$	0.85	100,000
RBC Dain Rauscher Cust James T. Lewis IRA	$	0.85	92,353
IFS Holdings, Inc.	$	0.85	78,823
RBC Dain Rauscher Cust Cynthia Lee McDonald IRA	$	0.85	76,471
RBC Dain Rauscher Cust Barry Dunn SEP/IRA	$	0.85	70,000
Matthew K. Becksteadd TTEE Matthew K. Beckstead Revocable Trust	$	0.85	58,824
John R. Velky	$	0.85	58,824
RBC Dain Rauscher Cust Nancy Kines IRA	$	0.85	57,059
RBC Dain Rauscher Cust Louis Mulherin Jr. IRA	$	0.85	52,941
RBC Dain Rauscher Cust Horace G. Blalock IRA	$	0.85	50,588
Jana S. Pine	$	0.85	45,294
RBC Dain Rauscher Cust Kenneth D. Simpson IRA	$	0.85	44,118
RBC Dain Rauscher Cust Henry Alperin IRA	$	0.85	41,176
Echols J. Martin DMD PSP	$	0.85	41,176
RBC Dain Rauscher Cust Caroline T. Richardson IRA	$	0.85	37,647
RBC Dain Rauscher Cust Charles Daniel IRA	$	0.85	36,471
RBC Dain Rauscher Cust Robert Edmond IRA	$	0.85	31,765
RBC Dain Rauscher Cust Jackie Brooks Roth IRA	$	0.85	31,176
RBC Dain Rauscher Cust John R. Velky IRA	$	0.85	30,588
Henry Alperin	$	0.85	30,000
Kimberly S. Sligh	$	0.85	28,235
Thomas D. Thompson	$	0.85	23,529
RBC Dain Rauscher Cust J. Lavern McCullough IRA	$	0.85	21,765
RBC Dain Rauscher Cust Ted A. Poor IRA	$	0.85	18,824
Carolyn H. Byrd	$	0.85	18,824
RBC Dain Rauscher Cust William A. Smith IRA	$	0.85	18,235
RBC Dain Rauscher Cust Robert J. Ferrara IRA	$	0.85	17,647
RBC Dain Rauscher Cust Pamela K. Richardson Roth IRA	$	0.85	17,647
RBC Dain Rauscher Cust Geraldine N. Videtto IRA	$	0.85	17,647
RBC Dain Rauscher Cust Jack T. Williams IRA	$	0.85	17,647
Robert C. Wilson	$	0.85	17,647
RBC Dain Rauscher Cust Burgess M. Allen Jr. Roth IRA	$	0.85	15,294
RBC Dain Rauscher Cust Sonan L. Ashley Roth IRA	$	0.85	14,706
Valerie Biskey	$	0.85	14,706
Robert L. Bower	$	0.85	14,706
RBC Dain Rauscher Cust Nancy Locklear IRA	$	0.85	14,706
M. Dixon McKay	$	0.85	14,706
RBC Dain Rauscher Cust Hilton E. Vaughn Sr. IRA	$	0.85	14,706
Tammy Corley	$	0.85	12,647
William D. Corley	$	0.85	12,647
RBC Dain Rauscher Cust A. Louis Hook Jr. IRA	$	0.85	11,765
RBC Dain Rauscher Cust Dorth G. Falls IRA	$	0.85	10,588
RBC Dain Rauscher Cust Robert F. Heishman IRA	$	0.85	10,588
RBC Dain Rauscher Cust Patsy A. Fisher Roth IRA	$	0.85	10,000
RBC Dain Rauscher Cust Phillip R. Mason IRA	$	0.85	10,000
RBC Dain Rauscher Cust Joseph H. May IRA	$	0.85	10,000
RBC Dain Rauscher Cust Kenneth J. Remington IRA	$	0.85	9,412

Robert L. Abshire	$	0.85	8,824
RBC Dain Rauscher Cust Barbara Sue Bramlett IRA	$	0.85	8,824
Furman Terry Richardson	$	0.85	8,824
Stuart R. Wilson	$	0.85	8,824

Waymon E. Ragan and Lorena B. Ragan Jt. Ten./WROS	$	0.85	8,824
RBC Dain Rauscher Cust Joanne I. Leonard IRA	$	0.85	6,471
Bryan Coats	$	0.85	5,882
RBC Dain Rauscher Cust Faye S. Jennings IRA	$	0.85	5,882
James R. Kelley	$	0.85	5,882
Alice McCoy	$	0.85	5,882
RBC Dain Rauscher Cust Thomas D. Thompson IRA	$	0.85	5,882
Ken Wilson	$	0.85	5,882
RBC Dain Rauscher Cust Lawrence E. Mobley III SEP/IRA	$	0.85	5,294
A Boardman Co LLC	$	0.85	5,294
Michael C. Rogers & Pam K. Roger Jt. Ten.	$	0.85	5,294
RBC Dain Rauscher Cust Ken Wilson Roth IRA	$	0.85	4,706
RBC Dain Rauscher Cust Verda Elrod Roth IRA	$	0.85	3,529
Gerry Rhodes	$	0.85	3,529
RBC Dain Rauscher Cust Phoebe Tuten IRA	$	0.85	3,529
Mark D. Anderson	$	0.85	2,941
RBC Dain Rauscher Cust Milton O. Dickson Sr. Roth IRA	$	0.85	2,941
Kevin Fogarty & Michelle Fogarty Jt. Ten.	$	0.85	2,941
Randall Redmond	$	0.85	2,941
George M. Willson & Crystal J. Willson	$	0.85	2,353
RBC Dain Rauscher Cust Franklin D. Hart Jr. Roth IRA	$	0.85	1,765
RBC Dain Rauscher Cust Wanda Hart Roth IRA	$	0.85	1,765
Elisabeth T. Keller	$	0.85	1,765
T. Barrett Trotter	$	0.85	1,765

· No conversion of options outstanding as of May 31, 2006:

Option Holder		Option Price	# of Common Stock Shares
Joel Sens	$	0.50	400,000
Joel Sens	$	1.00	300,000
Joel Sens	$	1.75	300,000
Joel Sens	$	2.00	500,000
National Financial Communications Corp.	$	0.85	75,000

· No conversion of warrants outstanding as of May 31, 2006:

Warrant Holder		Exercise Price	# of Common Stock Shares
Ron Attkisson	$	0.85	300,000
John Pope Jones	$	0.85	294,000
RBC Dain Rauscher Cust William Dunn IRA	$	0.85	17,600
RBC Dain Rauscher Cust Eugenia Medlock IRA	$	0.85	17,000
RBC Dain Rauscher Cust James T. Lewis IRA	$	0.85	15,700
IFS Holdings, Inc.	$	0.85	13,400
RBC Dain Rauscher Cust Cynthia Lee McDonald IRA	$	0.85	13,000
RBC Dain Rauscher Cust Barry Dunn SEP/IRA	$	0.85	11,900
Matthew K. Becksteadd TTEE Matthew K. Beckstead Revocable Trust	$	0.85	10,000
John R. Velky	$	0.85	10,000
RBC Dain Rauscher Cust Nancy Kines IRA	$	0.85	9,700

RBC Dain Rauscher Cust Louis Mulherin Jr. IRA	$	0.85	9,000
RBC Dain Rauscher Cust Horace G. Blalock IRA	$	0.85	8,600
Jana S. Pine	$	0.85	7,700

RBC Dain Rauscher Cust Kenneth D. Simpson IRA	$	0.85	7,500
RBC Dain Rauscher Cust Henry Alperin IRA	$	0.85	7,000
Echols J. Martin DMD PSP	$	0.85	7,000
RBC Dain Rauscher Cust Caroline T. Richardson IRA	$	0.85	6,400
RBC Dain Rauscher Cust Charles Daniel IRA	$	0.85	6,200
RBC Dain Rauscher Cust Robert Edmond IRA	$	0.85	5,400
RBC Dain Rauscher Cust Jackie Brooks Roth IRA	$	0.85	5,300
RBC Dain Rauscher Cust John R. Velky IRA	$	0.85	5,200
Henry Alperin	$	0.85	5,100
Kimberly S. Sligh	$	0.85	4,800
Thomas D. Thompson	$	0.85	4,000
RBC Dain Rauscher Cust J. Lavern McCullough IRA	$	0.85	3,700
RBC Dain Rauscher Cust Ted A. Poor IRA	$	0.85	3,200
Carolyn H. Byrd	$	0.85	3,200
RBC Dain Rauscher Cust William A. Smith IRA	$	0.85	3,100
RBC Dain Rauscher Cust Robert J. Ferrara IRA	$	0.85	3,000
RBC Dain Rauscher Cust Pamela K. Richardson Roth IRA	$	0.85	3,000
RBC Dain Rauscher Cust Geraldine N. Videtto IRA	$	0.85	3,000
RBC Dain Rauscher Cust Jack T. Williams IRA	$	0.85	3,000
Robert C. Wilson	$	0.85	3,000
RBC Dain Rauscher Cust Burgess M. Allen Jr. Roth IRA	$	0.85	2,600
RBC Dain Rauscher Cust Sonan L. Ashley Roth IRA	$	0.85	2,500
Valerie Biskey	$	0.85	2,500
Robert L.Bower	$	0.85	2,500
RBC Dain Rauscher Cust Nancy Locklear IRA	$	0.85	2,500
M. Dixon McKay	$	0.85	2,500
RBC Dain Rauscher Cust Hilton E. Vaughn Sr. IRA	$	0.85	2,500
Tammy Corley	$	0.85	2,150
William D. Corley	$	0.85	2,150
RBC Dain Rauscher Cust A. Louis Hook Jr. IRA	$	0.85	2,000
RBC Dain Rauscher Cust Dorth G. Falls IRA	$	0.85	1,800
RBC Dain Rauscher Cust Robert F. Heishman IRA	$	0.85	1,800
RBC Dain Rauscher Cust Patsy A. Fisher Roth IRA	$	0.85	1,700
RBC Dain Rauscher Cust Phillip R. Mason IRA	$	0.85	1,700
RBC Dain Rauscher Cust Joseph H. May IRA	$	0.85	1,700
RBC Dain Rauscher Cust Kenneth J. Remington IRA	$	0.85	1,600
Robert L. Abshire	$	0.85	1,500
RBC Dain Rauscher Cust Barbara Sue Bramlett IRA	$	0.85	1,500
Furman Terry Richardson	$	0.85	1,500
Stuart R. Wilson	$	0.85	1,500
Waymon E. Ragan and Lorena B. Ragan Jt. Ten./WROS	$	0.85	1,500
RBC Dain Rauscher Cust Joanne I. Leonard IRA	$	0.85	1,100
Bryan Coats	$	0.85	1,000
RBC Dain Rauscher Cust Faye S. Jennings IRA	$	0.85	1,000
James R. Kelley	$	0.85	1,000
Alice McCoy	$	0.85	1,000
RBC Dain Rauscher Cust Thomas D. Thompson IRA	$	0.85	1,000
Ken Wilson	$	0.85	1,000
RBC Dain Rauscher Cust Lawrence E. Mobley III SEP/IRA	$	0.85	900
A Boardman Co LLC	$	0.85	900

Michael C Rogers & Pam K. Roger Jt. Ten.	$	0.85	900
RBC Dain Rauscher Cust Ken Wilson Roth IRA	$	0.85	800
RBC Dain Rauscher Cust Verda Elrod Roth IRA	$	0.85	600
Gerry Rhodes	$	0.85	600

RBC Dain Rauscher Cust Phoebe Tuten IRA	$	0.85	600
Mark D. Anderson	$	0.85	500
RBC Dain Rauscher Cust Milton O. Dickson Sr. Roth IRA	$	0.85	500
Kevin Fogarty & Michelle Fogarty Jt. Ten.	$	0.85	500
Randall Redmond	$	0.85	500
George M. Willson & Crystal J. Willson	$	0.85	400
RBC Dain Rauscher Cust Franklin D. Hart Jr. Roth IRA	$	0.85	300
RBC Dain Rauscher Cust Wanda Hart Roth IRA	$	0.85	300
Elisabeth T. Keller	$	0.85	300
T. Barrett Trotter	$	0.85	300

(2) For the purpose of determining the number of shares subject to registration with the SEC, we have assumed that we will issue not more than 6,000,000 shares pursuant to the exercise of our put rights under the investment agreement, although the number of shares that we will actually issue pursuant to that put right may be more than or less than 6,000,000, depending on the trading price of our common stock and the number of times we draw down on the Equity Line of Credit. We currently have no intent to exercise the put right in a manner that would result in our issuance of more than 6,000,000 shares, but if we were to exercise the put right in that manner, we would be required to file a subsequent registration statement with the SEC and for that registration statement to be deemed effective prior to the issuance of any such additional shares.

Use of Proceeds

We will not receive any proceeds from the sale by the selling stockholders of our common stock. We will receive proceeds from the investment agreement. We may also receive proceeds from the exercise of warrants or options under certain circumstances. See “Use of Proceeds” below.

Symbol for Our Common Stock

Our common stock trades on the OTCBB under the symbol “SWRI.OB”.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors, other information included in this prospectus and information in our periodic reports filed with the SEC. If any of the following risks actually occur, our business, financial condition or results of operations could be materially and adversely affected and you may lose some or all of your investment.

Special Note Regarding Forward-Looking Statements

This prospectus contains certain forward-looking statements based on our current expectations, assumptions, estimates and projections about our business and our industry. We generally use words such as “believe,” “may,” “could,” “will,” “intend “expect,” “anticipate,” “plan,” and similar expressions to identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the statements, including, but not limited to:

- market acceptance of our products;
- our ability to provide for our obligations;
- our ability to attract customers at a steady rate and maintain customer satisfaction;
- the amount and timing of operating costs and capital expenditures relating to the initial conduct and expansion of our business, operations and infrastructure and the implementation of marketing programs, key agreements and strategic alliances;
- our ability to obtain additional financing needed for any future acquisitions of assets or companies;
- our ability to meet competitive challenges and technological changes;
- general economic conditions specific to the beverage market and specifically the spring water industry; and
- other risks detailed in our periodic report filings with the SEC or specifically listed in the risk factors below.

Risks Related To Our Business

We have had losses since our inception, expect losses to continue in the future and may never become profitable

We have historically generated substantial losses, which, if continued, could make it difficult to fund our operations or successfully execute our business plan, and could adversely affect our stock price. For the period from inception through March 31, 2006, we have accumulated losses totaling $2,320,979. We experienced net losses of $306,795 for the three months ended March 31, 2006, $151,045 for the three months ended March 31, 2005, $1,116,047 for the year ended December 31, 2005 and $331,449 for the year ended December 31,

2004. We experienced negative cash flow from operations of $96,510 for the three months ended March 31, 2006, positive cash flow from operations of $202,117 for the three months ended March 31, 2005, positive cash flow from operations of $410,297 for the year ended December 31, 2005, and negative cash flow from operations of $1,894,662 for the year ended December 31, 2004. We anticipate that we will generate net losses in the near term and we may not be able to achieve or maintain profitability or positive cash flow at any time in the future.

We have a limited operating history and may never achieve or sustain profitable operations

We have only been operating for a short time and have not yet achieved significant sales or made a profit from operations. We have generated limited revenues from our current products of $3,114 from inception through March 31, 2006.

In addition, we have a limited history of competing in the intensely competitive bottled water industry. Our products may not be successfully commercialized or marketed. As a result, we may never achieve or sustain profitable operations.

We will also be incurring costs to develop, introduce and enhance our spring water operations and products, to develop and market an interactive website, to establish marketing relationships, to acquire and develop products that will complement each other, and to build an administrative organization. To the extent that such expenses are not followed by commensurate revenue, our business, results of operations and financial condition will be materially and adversely affected.

Quarterly results may fluctuate significantly due to a variety of factors

Our quarterly operating results may fluctuate significantly in the future as a result of a variety of factors, most of which are outside our control, including:

· the level of public acceptance of our spring water operations and business;

· the demand for spring water services and related products;

· seasonal trends in demand;

· the amount and timing of capital expenditures and other costs relating to the initial conduct of our business and the expansion of our operations;

· the introduction of new services and products by us or our competitors;

· price competition or pricing changes in the industry;

· technical difficulties; and

· general economic conditions as well as economic conditions specific to the beverage industry.

Our quarterly results may also be significantly affected by the impact of the accounting treatment of acquisitions, financing transactions or other matters. Particularly at our early stage of development, such accounting treatment can have a material impact on our results for any quarter. Due to the foregoing factors, among others, it is likely that our operating results will fall below our expectations or our investors' expectations in some future quarter.

Our accountants have indicated that if we do not generate enough cash from operations to sustain our business we may have to liquidate assets or curtail our operations

The accompanying financial statements have been prepared assuming we will continue as a going concern. Since inception, we have accumulated substantial losses. Conditions exist that raise substantial doubt about our ability to continue as a going concern unless we are able to generate sufficient cash flows to meet our obligations and sustain our operations.

We may be subject to product liability claims and our insurance may not be adequate to cover such claims

The marketing and selling of our products will expose us to product liability risk. Any future claim against us for product liability could materially and adversely affect our business, financial condition, and results of operations and result in negative publicity. Even if we are not found liable, the costs of defending a lawsuit can be high.

We currently carry insurance for this type of liability, which provides coverage in the amount of $1,000,000. However, we may experience legal claims outside of our insurance coverage or in excess of our insurance coverage.

We are subject to substantial competition and so may not have the ability or the capital to compete effectively

The industry in which we expect our products to be sold is highly competitive. We may not have the ability or the capital to compete effectively in this environment.

The significant competition in our industry could harm our ability to win business and increase the price pressure on our products. We face strong competition from a wide variety of firms, including large, multinational firms with far greater resources than we possess.

Many of our competitors have considerably greater financial, marketing and technological resources than we do, which may make it difficult to sell our products. Many of our competitors also have longer operating histories and presence in key markets, greater name recognition, larger customer bases and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources. As a result, these competitors may also be able to devote greater resources to the promotion and sale of their products.

We must comply with environmental regulations or we may have to pay expensive penalties or clean up costs

We are subject to federal, state and local laws, and regulations regarding protection of the environment, including air, water, and soil. We do not maintain insurance for pollutant cleanup and removal. If we are found responsible for any hazardous contamination, we may have to pay expensive fines or penalties or perform costly clean-up. Even if we are charged and later found not responsible for such contamination or clean up, the cost of defending the charges could be high.

If we do not comply with government regulations, we may be unable to ship our products or have to pay expensive fines or penalties

We are subject to regulation by state and federal governments and governmental agencies. If we fail to obtain regulatory approvals or suffer delays in obtaining regulatory approvals, we may not be able to market our products and services and generate product and service revenues. Although we do not anticipate problems satisfying any of the regulations involved, we cannot foresee the possibility of new regulations that could adversely affect our business.

If land we recently acquired is not favorably re-zoned, we may be unable to lease the land for commercial purposes

In May of 2005 and in April of 2006, respectively, we completed the purchase of two parcels of land located in Staunton, Virginia. We are considering leasing both of these properties for commercial purposes. Currently, both properties are not zoned for commercial use. We expect both sites will be re-zoned to commercial use from general agricultural use based upon our review of the master zoning plan of the city of Staunton, Virginia. If the sites are not re-zoned, we will not be able to lease the properties for commercial purposes and we will have to consider alternative uses or selling the properties. If we sell the properties, we may have to sell them at a loss.

Insiders can exert significant control over our policies and affairs

As of March 31, 2006, our chief executive officer and principal stockholder, Joel Sens, beneficially owned approximately 43% of our outstanding common stock on a fully-diluted basis. As a result, Mr. Sens effectively controls all of our affairs and policies, including matters requiring stockholder approval, such as amendments to our certificate of incorporation, fundamental corporate transactions including mergers, acquisitions and the sale of the company, and other matters involving the direction of our business and affairs. Although you may vote your shares, you will have limited influence on our business and management.

We currently have one employee and we may not be able to execute our business plan without his services

Mr. Sens is presently our sole employee and is employed without any formal contract establishing terms of employment or compensation. We are therefore dependent upon Mr. Sens, who works for us as an at will employee, with respect to our operations and management. If Mr. Sens is unable to devote substantial time and attention to our operations for whatever reason or decides to change his employment, our business will be materially and adversely affected.

We believe that, as our activities increase and change in character, additional, experienced personnel will be required to implement our business plan. Competition for such personnel is intense and we may not be able to attract and retain such personnel.

We may not be able to successfully manage growth of our business

Our future success will be highly dependent upon our ability to successfully manage the anticipated expansion of our operations. Our ability to manage and support growth effectively will be substantially dependent on our ability to implement adequate financial and management controls, reporting systems and other procedures, and attract and retain sufficient numbers of qualified technical, sales, marketing, financial, accounting, administrative and management personnel.

Our future success also depends upon our ability to address potential market opportunities while managing expenses to match our ability to finance our operations. This need to manage our expenses will place a significant strain on our management and operational resources. If we are unable to manage our expenses effectively, our business, results of operations and financial condition will be materially and adversely affected.

Risks associated with acquisitions	Although we do not presently intend to do so, as part of our business strategy in the future, we could acquire assets and businesses relating to or complementary to our operations. Any acquisitions by us would involve risks commonly encountered in acquisitions of assets or companies. These risks would include, among other things, the following: · we could be exposed to unknown liabilities of the acquired companies; · we could incur acquisition costs and expenses higher than anticipated; · fluctuations in our quarterly and annual operating results could occur due to the costs and expenses of acquiring and integrating new businesses or technologies; · we could experience difficulties and expenses in assimilating the operations and personnel of any acquired businesses; · our ongoing business could be disrupted and our management's time and attention diverted; and · we could be unable to integrate with any acquired businesses successfully.

Risks Related to this Offering and Our Stock

"Penny Stock" rules may make buying or selling our securities difficult	Trading in our securities is subject to the SEC's "penny stock" rules and it is anticipated that trading in our securities will continue to be subject to the penny stock rules for the foreseeable future. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than $5.00 per share, subject to certain exceptions. These rules require that any broker-dealer who recommends our securities to persons other than prior customers and accredited investors must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser's written agreement to execute the transaction.

Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from recommending transactions in our securities, which could severely limit the liquidity of our securities and consequently adversely affect the market price for our securities.

Existing stockholders may experience significant dilution from the sale of securities pursuant to the investment agreement with Dutchess and the sale of securities by the selling stockholders

The sale of shares pursuant to the investment agreement with Dutchess will have a dilutive impact on our stockholders. As a result, our net income per share, if any, could decrease in future periods, and the market price of our common stock could decline. In addition, the lower our stock price at the time we exercise our put rights, the more shares we will have to issue to Dutchess to draw down on the full Equity Line of Credit with Dutchess. If our stock price decreases, then our existing stockholders would experience greater dilution.

In addition, through our prior private placement that closed in February 2005, we sold warrants and convertible promissory notes that are convertible into our common stock. We have also issued options convertible into our common stock to certain of the selling stockholders Some of these securities are still outstanding and any exercise of them will have a dilutive impact on our stockholders.

Finally, if cash generated by our operations is insufficient to satisfy our liquidity requirements, we may be required to sell additional equity or debt securities. The sale of additional equity or convertible debt securities would result in additional dilution to our stockholders.

Because Dutchess will pay less than the then-prevailing market price of our common stock and the other selling stockholders listed in this prospectus may pay less than the then-prevailing market price of our common stock our stock price may decline

The common stock to be issued under our agreement with Dutchess will be purchased at a 5% discount to the lowest closing best bid price for the five trading days immediately following our notice to Dutchess of our election to exercise our put right. The other selling stockholders may exercise their conversion rights of the warrants and promissory notes at $0.85 per share, which may be less than the then-prevailing market price of our common stock. These discounted sales could cause the price of our common stock to decline, and you may not be able to sell our stock for more than you paid for it.

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Our securities have been thinly traded on the OTCBB, which may not provide liquidity for our investors

Our securities are quoted on the OTCBB. The OTCBB is an inter-dealer, over-the-counter market that provides significantly less liquidity than the NASDAQ Stock Market or other national or regional exchanges. Securities traded on the OTCBB are usually thinly traded, highly volatile, have fewer market makers and are not followed by analysts. The SEC's order handling rules, which apply to NASDAQ-listed securities, do not apply to securities quoted on the OTCBB. Quotes for stocks included on the OTCBB are not listed in newspapers. Therefore, prices for securities traded solely on the OTCBB may be difficult to obtain and holders of our securities may be unable to resell their securities at or near their original acquisition price, or at any price.

Investors must contact a broker-dealer to trade OTCBB securities. As a result, you may not be able to buy or sell our securities at the times you wish

Even though our securities are quoted on the OTCBB, the OTCBB may not permit our investors to sell securities when and in the manner that they wish. Because there are no automated systems for negotiating trades on the OTCBB, trades are conducted via telephone. In times of heavy market volume, the limitations of this process may result in a significant increase in the time it takes to execute investor orders. Therefore, when investors place an order to buy or sell a specific number of shares at the current market price it is possible for the price of a stock to go up or down significantly during the lapse of time between placing a market order and its execution.

We may not be able to access sufficient funds under the Equity Line of Credit with Dutchess when needed

We will depend on external financing to fund our planned initial operations and expansion. We expect that these financing needs will be substantially met by our agreement with Dutchess. However, due to the terms of the investment agreement, this financing may not be available in sufficient amounts or at all when needed. As a result, we may not be able to grow our business as planned.

We do not intend to pay dividends in the foreseeable future; therefore, you may never see a return on your investment

We do not anticipate the payment of cash dividends on our common stock in the foreseeable future. We anticipate that any profits from our operations will be devoted to future operations. Any decision to pay dividends will depend upon our profitability at the time, cash available and other factors. Therefore, you may never see a return on your investment. Investors who anticipate a need for immediate income from their investment should not purchase the securities offered in this prospectus.

Our stock price is volatile and you may not be able to sell your shares for more than what you paid

Our stock price has been subject to significant volatility, and you may not be able to sell shares of common stock at or above the price you paid for them. The trading price of our common stock has been subject to wide fluctuations in the past. During the three-month period ended March 31, 2006, our common stock traded at prices as low as $0.45 per share and as high as $0.75 per share. During our fiscal year ending 2005, our common stock traded at prices as low as $0.40 per share and as high as $1.05 per share. During our fiscal year ending December 31, 2004, our common stock traded at prices as low as $0.16 per share and as high as $1.50 per share. Prior to January 9, 2004, there was no public trading market for our securities.

The market price of the common stock could continue to fluctuate in the future in response to various factors, including, but not limited to:

· quarterly variations in operating results;

· our ability to control costs and improve cash flow;

· announcements of technological innovations or new products by us or by our competitors;

· changes in investor perceptions; and

· new products or product enhancements by us or our competitors.

The stock market in general has continued to experience volatility which may further affect our stock price. As such, you may not be able to resell your shares of common stock at or above the price you paid for them.

USE OF PROCEEDS

This prospectus relates to shares of our common stock that may be offered and sold from time to time by certain selling stockholders. We will not receive proceeds from the sale of shares of common stock in this offering. However, we will receive the proceeds from the sale of shares of common stock to Dutchess under the investment agreement. The purchase price of the shares purchased under the investment agreement will be equal to 95% of the lowest closing best bid price of our common stock on the OTCBB for the five trading days immediately following the date of our notice of election to exercise our put.

For illustrative purposes, we have set forth below our intended use of proceeds for the range of net proceeds indicated below to be received under the investment agreement.

	Proceeds if 100% Sold	Proceeds if 50% Sold
Gross proceeds	$ 5,000,000	$ 2,500,000
Estimated professional fees and SEC filing fees of offering	$ 125,000	$ 125,000
Net proceeds	$ 4,875,000	$ 2,375,000

	Priority	Proceeds if 100% Sold	Proceeds if 50% Sold
Working capital and general corporate expenses	1st	$ 4,325,000	$ 1,825,000
Payment of mortgage on Mt. Sidney property[(1)]	2nd	$ 350,000	$ 350,000
Facilities and capital expenditures	3rd	$ 200,000	$ 200,000
		$ 4,875,000	$ 2,375,000

(1) We intend to pay off the remaining amount owed on a $350,000 interest-only mortgage loan on our Mt. Sidney property. As described under “Plan of Operation—Comparison of Financial Results—Liquidity and Capital Resources” below, the mortgage loan accrues interest at a rate of 15.00% per annum, and matures on December 8, 2006. We have been using the proceeds of this mortgage loan for general working capital.

Additionally, we may receive proceeds from the exercise of warrants exercisable for 893,700 shares of our common stock at $0.85 per share. Warrants exercisable for 889,200 shares of common stock were issued in the year ended December 31, 2004 and the remaining warrants were issued in January 2005. The warrants expire five years from the date of issue.

We cannot accurately predict when or whether we will receive proceeds pursuant to the warrants or options because we do not know when the holders will choose to exercise the warrants or options. If the holders choose to exercise their warrants or options, we cannot predict whether any of those holders will opt for a cashless exercise. It is also possible that the warrants or certain of the options will expire without being exercised. If we receive proceeds from the warrants or options, we intend to use the proceeds for the purposes listed in the above chart.

DETERMINATION OF OFFERING PRICE

The shares of common stock are being offered for sale by the selling stockholders at prices established on the OTCBB or in negotiated transactions during the term of this offering. These prices will fluctuate based on the demand for the shares.

INVESTMENT AGREEMENT WITH DUTCHESS

The following is a summary of the material terms of the investment agreement. This summary is not complete and is qualified in its entirety by reference to the investment agreement. You should read carefully the investment agreement in its entirety as it is the legal document that governs the Equity Line of Credit.

Overview

On September 12, 2005, we entered into an investment agreement with Dutchess in order to provide us with a possible source of funding. The investment agreement establishes what is sometimes referred to as an Equity Line of Credit.

Under the investment agreement, Dutchess has agreed to provide us with up to $5,000,000 of funding during the 36-month period following the date the registration statement, of which this prospectus is a part, is declared effective. During this 36 month period, we may request a draw down under the Equity Line of Credit by which we would sell shares of our common stock to Dutchess, which is obligated to purchase the shares under the investment agreement. We are under no obligation to draw down under the Equity Line of Credit.

Calculation of Draw Down Amount, Purchase Price and Number of Shares Sold

We may exercise our right to draw down our Equity Line of Credit by sending a written put notice to Dutchess stating the dollar amount we wish to draw down. The put notice date is generally considered to be the trading day following the day on which Dutchess receives the notice.

We may, at our election, require Dutchess to purchase an amount equal to no more than either (a) 200% of the average daily volume of our common stock for the 10 trading days prior to the put notice date, multiplied by the average of the three daily closing bid prices immediately preceding the put notice date or (b) $100,000; provided that we may not request more than $1,000,000 in any single put notice.

On the trading day following the put notice date, a pricing period of five trading days will begin. The purchase price for the common stock identified in the put notice will be equal to 95% of the lowest closing best bid price of our common stock during the pricing period.

We may submit additional put notices after each closing date but only if the shares sold during the prior pricing period have been paid for and issued.

Payment for Shares Issued

The shares purchased during the pricing period will be issued and paid for no later than the seventh trading day following the date of the drawdown notice.

Closing Conditions

We can only put shares to Dutchess under the investment agreement when we meet certain conditions, including, but not limited to, the following:

- delivery of the certificates being purchased by Dutchess;
- a registration statement has been declared effective and remains effective for the resale of the common stock subject to the Equity Line of Credit;
- the registration statement, as required to be filed under the registration rights agreement, and any amendments do not contain any untrue statements of a material fact or omit to state any material fact;
- we have complied with our obligations under the investment agreement and the registration rights agreement;
- no injunction has been issued and remains in force, or action commenced by a governmental authority which has not been stayed or abandoned, prohibiting the consummation of any of the transactions contemplated by the investment agreement; and
- the issuance of the common stock will not violate any shareholder approval requirements of any exchange or market where our securities are traded.

Suspension of the Investment Agreement

The investment agreement will be suspended upon any of the following events, and will remain suspended until the event is rectified:

- the trading of our common stock is suspended by the SEC, the OTCBB or the National Association of Securities Dealers, or NASD, for a period of two consecutive trading days; or
- our common stock is de-listed from the OTCBB.

Indemnification

Pursuant to the investment agreement, Dutchess is entitled to customary indemnification from us for any losses or liabilities it suffers based upon (1) any misrepresentation or breach of any representation or warranty, (2) any breach of any covenant, agreement or obligation or (3) any cause of action, suit or claim, arising out of or resulting from the performance of the investment agreement or any other document contemplated by the investment agreement.

Termination

The investment agreement will terminate when either of the following events occur:

- Dutchess has purchased an aggregate of $5,000,000 of our common stock; or
- thirty-six months after the SEC declares the registration statement, of which this prospectus is a part, effective.

SELLING SECURITY HOLDERS

Based upon information available to us as of May 31, 2006, the following table sets forth the name of the selling stockholders, the number of shares owned, the number of shares registered by this prospectus and the number of outstanding shares that the selling stockholders will own after the sale of the registered shares, assuming all of the shares are sold. The information provided in the table and discussions below has been obtained from the selling stockholders. The selling stockholders may have sold, transferred or otherwise disposed of, or may sell, transfer or otherwise dispose of, at any time or from time to time since the date on which they provided the information regarding the shares beneficially owned, all or a portion of the shares of common stock beneficially owned in transactions exempt from the registration requirements of the Securities Act of 1933, or the Securities Act. As used in this prospectus, “selling stockholder” includes donees, pledgees, transferees or other successors in interest selling shares received from the named selling stockholder as a gift, pledge, distribution or other non-sale related transfer.

Beneficial ownership is determined in accordance with Rule 13d-3(d) promulgated by the SEC under the Securities Exchange Act of 1934, or the Exchange Act. Unless otherwise noted, each person or group identified possesses sole voting and investment power with respect to the shares, subject to community property laws where applicable.

Stockholder	Number of Shares Beneficially Owned Before the Offering	Number of Shares Being Offered	Number of Shares Beneficially Owned After The Offering[1]
Dutchess Private Equities Fund, L.P.	0	6,000,000[2]	0
Joel Sens	5,429,334	5,429,334[3]	0
Ronald Attkisson	300,000	300,000[4]	0
John Pope Jones	294,000	294,000[5]	0
RBC Dain Rauscher Cust William Dunn IRA	267,796	267,796[6]	0
RBC Dain Rauscher Cust Eugenia Medlock IRA	258,667	258,667[7]	0
RBC Dain Rauscher Cust James T. Lewis IRA	238,886	238,886[8]	0
IFS Holdings, Inc.	203,890	203,890[9]	0
RBC Dain Rauscher Cust Cynthia Lee McDonald IRA	197,804	197,804[10]	0
RBC Dain Rauscher Cust Barry Dunn SEP/IRA	181,067	181,067[11]	0
Stafford Street Capital LLC	175,000	175,000[12]	0

Matthew K. Becksteadd TTEE Matthew K. Beckstead Revocable Trust	152,157	152,157(13)	0
John R. Velky	152,157	152,157(13)	0
RBC Dain Rauscher Cust Nancy Kines IRA	147,592	147,592(14)	0
RBC Dain Rauscher Cust Louis Mulherin Jr. IRA	136,941	136,941(15)	0
RBC Dain Rauscher Cust Horace G. Blalock IRA	130,855	130,855(15)	0
Jana S. Pine	117,161	117,161(17)	0
RBC Dain Rauscher Cust Kenneth D. Simpson IRA	114,118	114,118(18)	0
RBC Dain Rauscher Cust Henry Alperin IRA	106,509	106,509(19)	0
Echols J. Martin DMD PSP	106,509	106,509(19)	0
RBC Dain Rauscher Cust Caroline T. Richardson IRA	97,380	97,380(20)	0
RBC Dain Rauscher Cust Charles Daniel IRA	94,338	94,338(21)	0
RBC Dain Rauscher Cust Robert Edmond IRA	82,165	82,165(22)	0
RBC Dain Rauscher Cust Jackie Brooks Roth IRA	80,643	80,643(23)	0
RBC Dain Rauscher Cust John R. Velky IRA	79,121	79,121(24)	0
Henry Alperin	77,600	77,600(25)	0
National Financial Communications Corp.	75,000	75,000(26)	0
Kimberly S. Sligh	73,035	73,035(27)	0
Michael Donohue	66,666	66,666(28)	0
Michael Fitzgerald	66,666	66,666(28)	0
William T. Stephens Jr. Revocable Trust	66,666	66,666(28)	0
Thomas D. Thompson	60,862	60,862(29)	0
RBC Dain Rauscher Cust J. Lavern McCullough IRA	56,298	56,298(30)	0
RBC Dain Rauscher Cust Ted A. Poor IRA	48,691	48,691(31)	0
Carolyn H. Byrd	48,690	48,690(31)	0
RBC Dain Rauscher Cust William A. Smith IRA	47,168	47,168(32)	0
RBC Dain Rauscher Cust Robert J. Ferrara IRA	45,647	45,647(33)	0
RBC Dain Rauscher Cust Pamela K. Richardson Roth IRA	45,647	45,647(33)	0
RBC Dain Rauscher Cust Geraldine N. Videtto IRA	45,647	45,647(33)	0
RBC Dain Rauscher Cust Jack T. Williams IRA	45,647	45,647(33)	0
Robert C. Wilson	45,647	45,647(33)	0
RBC Dain Rauscher Cust Burgess M. Allen Jr. Roth IRA	39,561	39,561(34)	0
RBC Dain Rauscher Cust Sonan L. Ashley Roth IRA	38,039	38,039(35)	0
Valerie Biskey	38,039	38,039(35)	0
Robert L. Bower	38,039	38,039(35)	0
RBC Dain Rauscher Cust Nancy Locklear IRA	38,039	38,039(35)	0
M. Dixon McKay	38,039	38,039(35)	0

RBC Dain Rauscher Cust Hilton E. Vaughn Sr. IRA	38,039	38,039(35)	0
Tammy Corley	32,714	32,714(36)	0
William D. Corley	32,714	32,714(36)	0
RBC Dain Rauscher Cust A. Louis Hook Jr. IRA	30,432	30,432(37)	0
RBC Dain Rauscher Cust Dorth G. Falls IRA	27,388	27,388(38)	0
RBC Dain Rauscher Cust Robert F. Heishman IRA	27,388	27,388(38)	0
RBC Dain Rauscher Cust Patsy A. Fisher Roth IRA	25,867	25,867(39)	0
RBC Dain Rauscher Cust Phillip R. Mason IRA	25,867	25,867(39)	0
RBC Dain Rauscher Cust Joseph H. May IRA	25,867	25,867(39)	0
RBC Dain Rauscher Cust Kenneth J. Remington IRA	24,345	24,345(40)	0
Robert L. Abshire	22,824	22,824(41)	0
RBC Dain Rauscher Cust Barbara Sue Bramlett IRA	22,824	22,824(41)	0
Furman Terry Richardson	22,824	22,824(41)	0
Stuart R. Wilson	22,824	22,824(41)	0
Waymon E. Ragan and Lorena B. Ragan Jt. Ten./WROS	22,824	22,824(41)	0
RBC Dain Rauscher Cust Joanne I. Leonard IRA	16,738	16,738(42)	0
Bryan Coats	15,215	15,215(43)	0
RBC Dain Rauscher Cust Faye S. Jennings IRA	15,215	15,215(43)	0
James R. Kelley	15,215	15,215(43)	0
Alice McCoy	15,215	15,215(43)	0
RBC Dain Rauscher Cust Thomas D. Thompson IRA	15,215	15,215(43)	0
Ken Wilson	15,215	15,215(43)	0
A Boardman Co LLC	13,694	13,694(44)	0
RBC Dain Rauscher Cust Lawrence E. Mobley III SEP/IRA	13,694	13,694(44)	0
Michael C. Rogers & Pam K. Roger Jt. Ten.	13,694	13,694(44)	0
RBC Dain Rauscher Cust Ken Wilson Roth IRA	12,172	12,172(45)	0
RBC Dain Rauscher Cust Verda Elrod Roth IRA	9,129	9,129(46)	0
Gerry Rhodes	9,129	9,129(46)	0
RBC Dain Rauscher Cust Phoebe Tuten IRA	9,129	9,129(46)	0
Mark D. Anderson	7,608	7,608(47)	0
RBC Dain Rauscher Cust Milton O. Dickson Sr. Roth IRA	7,608	7,608(47)	0
Kevin Fogarty & Michelle Fogarty Jt. Ten.	7,608	7,608(47)	0
Randall Redmond	7,608	7,608(46)	0
George M. Willson & Crystal J. Willson	6,086	6,086(48)	0
RBC Dain Rauscher Cust Franklin D. Hart Jr. Roth IRA	4,565	4,565(49)	0
RBC Dain Rauscher Cust Wanda Hart Roth IRA	4,565	4,565(49)	0
Elisabeth T. Keller	4,565	4,565(49)	0
T. Barrett Trotter	4,565	4,565(49)	0

(1) The numbers assume that the selling stockholders have sold all of the shares offered hereby prior to completion of this offering.

(2) Represents shares we may issue to Dutchess pursuant to the Equity Line of Credit. Since we are not obligated to use the Equity Line of Credit and the amount of shares that we may issue pursuant to the Equity Line of Credit is partly based on the future market price of our common stock, we cannot predict with accuracy the actual number of shares we may issue to Dutchess.

Michael Novielli and Douglas Leighton are the Managing Members of Dutchess Capital Management, which is the general partner of Dutchess and, accordingly, may be deemed to have voting and dispositive power over securities held for the account of Dutchess.

(3) Consists of 3,929,334 shares of common stock, 400,000 shares that may be acquired at $0.50 per share upon the exercise of options, 300,000 shares that may be acquired at $1.00 per share upon the exercise of options, 300,000 shares that may be acquired at $1.75 per share upon the exercise of options and 500,000 shares that may be acquired at $2.00 per share upon the exercise of options.

(4) Consists of 300,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(5) Consists of 294,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(6) Includes 103,529 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 17,600 shares that may be acquired at $0.85 per share upon exercise of warrants.

(7) Includes 100,000 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 17,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(8) Includes 92,353 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 15,700 shares that may be acquired at $0.85 per share upon exercise of warrants.

(9) Includes 78,843 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 13,400 shares that may be acquired at $0.85 per share upon exercise of warrants.

(10) Includes 76,471 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 13,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(11) Includes 70,000 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 11,900 shares that may be acquired at $0.85 per share upon exercise of warrants.

(12) Consists of 175,000 shares of common stock.

(13) Includes 58,824 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 10,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(14) Includes 57,059 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 9,700 shares that may be acquired at $0.85 per share upon exercise of warrants.

(15) Includes 52,941 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 9,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(16) Includes 50,588 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 8,600 shares that may be acquired at $0.85 per share upon exercise of warrants.

(17) Includes 45,294 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 7,700 shares that may be acquired at $0.85 per share upon exercise of warrants.

(18) Includes 44,118 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 7,500 shares that may be acquired at $0.85 per share upon exercise of warrants.

(19) Includes 41,176 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 7,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(20) Includes 37,647 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 6,400 shares that may be acquired at $0.85 per share upon exercise of warrants.

(21) Includes 36,471 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 6,200 shares that may be acquired at $0.85 per share upon exercise of warrants.

(22) Includes 31,765 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 5,400 shares that may be acquired at $0.85 per share upon exercise of warrants.

(23) Includes 31,176 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 5,300 shares that may be acquired at $0.85 per share upon exercise of warrants.

(24) Includes 30,588 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 5,200 shares that may be acquired at $0.85 per share upon exercise of warrants.

(25) Includes 30,000 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 5,100 shares that may be acquired at $0.85 per share upon exercise of warrants.

(26) Consists of 75,000 shares that may be acquired at $0.85 per share upon exercise of options.

(27) Includes 28,235 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 4,800 shares that may be acquired at $0.85 per share upon exercise of warrants.

(28) Consists of 66,666 shares of common stock.

(29) Includes 23,529 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 4,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(30) Includes 21,765 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 3,700 shares that may be acquired at $0.85 per share upon exercise of warrants.

(31) Includes 18,824 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 3,200 shares that may be acquired at $0.85 per share upon exercise of warrants.

(32) Includes 18,235 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 3,100 shares that may be acquired at $0.85 per share upon exercise of warrants.

(33) Includes 17,647 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 3,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(34) Includes 15,294 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 2,600 shares that may be acquired at $0.85 per share upon exercise of warrants.

(35) Includes 14,706 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 2,500 shares that may be acquired at $0.85 per share upon exercise of warrants.

(36) Includes 12,647 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 2,150 shares that may be acquired at $0.85 per share upon exercise of warrants.

(37) Includes 11,765 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 2,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(38) Includes 10,588 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 1,800 shares that may be acquired at $0.85 per share upon exercise of warrants.

(39) Includes 10,000 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 1,700 shares that may be acquired at $0.85 per share upon exercise of warrants.

(40)

Includes 9,412 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 1,600 shares that may be acquired at $0.85 per share upon exercise of warrants.

(41) Includes 8,824 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 1,500 shares that may be acquired at $0.85 per share upon exercise of warrants.

(42) Includes 6,471 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 1,100 shares that may be acquired at $0.85 per share upon exercise of warrants.

(43) Includes 5,882 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 1,000 shares that may be acquired at $0.85 per share upon exercise of warrants.

(44) Includes 5,294 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 900 shares that may be acquired at $0.85 per share upon exercise of warrants.

(45) Includes 4,706 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 800 shares that may be acquired at $0.85 per share upon exercise of warrants.

(46) Includes 3,529 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 600 shares that may be acquired at $0.85 per share upon exercise of warrants.

(47) Includes 2,941 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 500 shares that may be acquired at $0.85 per share upon exercise of warrants.

(48) Includes 2,353 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 400 shares that may be acquired at $0.85 per share upon exercise of warrants.

(49) Includes 1,765 shares that may be acquired upon conversion of convertible promissory notes at $0.85 per share and 300 shares that may be acquired at $0.85 per share upon exercise of warrants.

Relationship between Certain Selling Stockholders and Seawright Holdings

The following selling stockholders have, or have had within the last three years, a material relationship with Seawright Holdings. Joel Sens is our chief executive officer, president, secretary and treasurer and is also one of our directors. Stafford Street Capital is wholly owned by Joel Sens. Ronald Attkisson is one of our directors and is a director of Jones, Byrd and Attkisson, which was the placement agent of our private placement, is our placement agent with respect to the securities to be issued to Dutchess under the Equity Line of Credit, and is an underwriter of this offering. John Pope Jones is also a director of Jones, Byrd and Attkisson.

PLAN OF DISTRIBUTION

The selling stockholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. The selling stockholders may sell the shares from time to time in transactions on the OTCBB or on any national securities exchange or U.S. inter-dealer system of a registered national securities association on which our common stock may be listed or quoted at the time of sale, or in private transactions and transactions otherwise than on these exchanges or systems or in the over-the-counter market. These transactions may occur at prices related to prevailing market prices, in negotiated transactions or in a combination of such methods of sale, or any other method permitted by law.

The selling stockholders may effect such transactions by offering and selling the shares directly to or through securities broker-dealers, and such broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling stockholders and/or the purchasers of the shares for whom such broker-dealers may act as agent or to whom the selling stockholders may sell as principal, or both, which compensation as to a particular broker-dealer might be in excess of customary commissions.

Dutchess, Jones, Byrd and Attkisson and any other broker-dealers who act in connection with the sale of the shares pursuant to the Equity Line of Credit are "underwriters" within the meaning of the Securities Act, and any discounts, concessions or commissions received by them and profit on any resale of the shares as principal may be deemed to be underwriting discounts, concessions and commissions under the Securities Act. Additionally, the other selling stockholders listed in this document may be deemed "underwriters."

On or prior to the effectiveness of the registration statement to which this prospectus is a part, we will advise the selling stockholders that the anti-manipulation rules under the Exchange Act may apply to sales of shares in the market and to the activities of the selling security owners and any of their affiliates. We have informed the selling stockholders that they may not:

· engage in any stabilization activity in connection with any of the shares;

· bid for or purchase any of the shares or any rights to acquire the shares;

· attempt to induce any person to purchase any of the shares or rights to acquire the shares other than as permitted under the Exchange Act; or

· effect any sale or distribution of the shares until after the prospectus shall have been appropriately amended or supplemented, if required, to describe the terms of the sale or distribution.

We have advised the selling stockholders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling stockholders and their affiliates. In addition, we will make copies of this prospectus available to the selling stockholders and we have informed them of the need for delivery of copies of this prospectus to purchasers at or prior to the time of any sale of the shares offered hereby. We have informed the selling stockholders that they must effect all sales of shares in broker's transactions, through broker-dealers acting as agents, in transactions directly with market makers, or in privately negotiated transactions where no broker or other third party, other than the purchaser, is involved.

The selling stockholders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act. Any commissions paid or any discounts or concessions allowed to any broker-dealers, and any profits received on the resale of shares, may be deemed to be underwriting discounts and commissions under the Securities Act if the broker-dealers purchase shares as principal.

In the absence of the registration statement to which this prospectus is a part, certain of the selling stockholders would be able to sell their shares only pursuant to the limitations of Rule 144 promulgated under the Securities Act.

We engaged Jones, Byrd and Attkisson as our placement agent with respect to the securities to be issued to Dutchess under the Equity Line of Credit. To our knowledge, Jones, Byrd and Attkisson has no affiliation or business relationship with Dutchess. Under a placement agent agreement, we agreed to pay Jones, Byrd and Attkisson 1% of the gross proceeds from each put. The placement agent agreement terminates when the investment agreement terminates pursuant to its terms. Ronald Attkisson, one of the principals of Jones, Byrd and Attkisson, is currently a director of Seawright Holdings.

CAPITALIZATION

The following table sets forth our cash and capitalization as of March 31, 2006. You should read the following table in conjunction with the section captioned “Management’s Discussion and Analysis and Plan of Operation” and our audited consolidated financial statements and unaudited interim consolidated financial statements and the notes thereto included elsewhere in this prospectus.

As of March 31, 2006		
		Actual[(1)]
Cash and cash equivalents	$	26,447
Short-Term Liabilities[(2)]	$	555,617
Long-Term Liabilities[(3)]	$	1,137,491
Stockholders Equity	$	677,273
Total Capitalization[(4)]	$	2,370,381

(1) Certain of the shares that are part of this offering have not yet been issued by us and are not reflected in this table.
(2) Short-term liabilities consist of current amounts due under notes payable as well as interest payable on long-term debt.
(3) Long-term liabilities consist of notes payable to various individuals and other long-term liabilities.
(4) Total capitalization is stated by not including cash and cash equivalents.

DIVIDEND POLICY

We do not pay dividends on our common stock and we do not anticipate paying dividends on our common stock in the foreseeable future. We intend to retain our future earnings, if any, to finance the growth of our business.

MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

The following discussion contains forward-looking statements that are subject to significant risks and uncertainties about us, our current and planned products, our current and proposed marketing and sales, and our projected results of operations. There are several important factors that could cause actual results to differ materially from historical results and percentages and results anticipated by the forward-looking statements. We have sought to identify the most significant risks to our business, but we cannot predict whether or to what extent any of these risks may be realized nor can there be any assurance that we have identified all possible risks that might arise. See "Risk Factors" in this prospectus. Investors should carefully consider all of these risks before making an investment decision with respect to our stock. The following discussion and analysis should be read in conjunction with our financial statements and notes thereto. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment from our management.

Plan of Operation

In 2003, we purchased property containing a spring located in Mt. Sidney, Virginia in the Shenandoah Valley with the intention of developing a spring water distribution business. The spring has a flow in excess of 1,000,000 gallons of water daily.

We have chosen to develop and acquire packaging for selling our water under the brand names Seawright Springs and Quibell. We have developed two proprietary Polyethylene Terephthalate, or PET, bottles in a 16.9 ounce size and a 33.8 ounce size. In addition, in June 2005 we acquired from Quibell, glass bottle designs for various sized bottles (including 237 ml, 385 ml, 750 ml and 1 liter sizes) as well as labels for various sized sparkling water bottles, spring water bottles and tea bottles (including 237 ml, 385 ml, 750 ml, 1 liter, 1.5 liter and 16.9 ounce bottles).

We are positioning our water in an effort to compete in the luxury brand category of the water market. We expect to offer a non-sparkling brand and to begin selling bottled water under the "Seawright Springs" brand name in the second quarter of 2006. We will also continue to seek opportunities to sell our daily supply of water to other bottlers.

In May of 2005 and April of 2006, respectively, we purchased of two parcels of land located approximately 10 miles south of the Mt. Sidney property. We are considering leasing these properties for commercial purposes. See "Description of Property" below.

The further development of this business will require, among other things, further capital expenditure on plant and equipment, developing marketing materials, renting additional office space, and interviewing and hiring administrative, marketing and maintenance personnel. While we have raised the capital necessary to meet our working capital and financing needs in the past, the funds raised the investment agreement related to this offering are required in order for us to meet our current and projected cash flow deficits from operations and development.

For the period from our inception through March 31, 2006, we have:

- formed our company and established our initial structure;
- sought and pursued investment opportunities;
- reviewed and analyzed the potential market for natural spring water;
- purchased the Mt. Sidney property and procured the necessary financing to cover the initial purchase costs from an offering of preferred stock;

- purchased two properties near the Mt. Sidney property which we are considering leasing for commercial purposes;

- purchased trademarks and other intellectual property relating to the creation and bottling of flavored and non-flavored bottled water;

- performed required testing of water quality at spring site;

- began developing a new web site as part of our marketing strategy; and

- made improvements to the spring site and water collection facilities.

Product Research and Development

We do not anticipate performing research and development for any products during the next twelve months.

Acquisition or Disposition of Plant and Equipment

We do not anticipate the sale of any significant property, plant or equipment during the next twelve months. We are currently making improvements to plant and equipment at the spring site, and intend to spend approximately $150,000 to complete renovating our spring catchment, which protects the water spring from outside elements. We expect this project to be completed by August 31, 2006.

Number of Employees

As of March 31, 2006, we had one employee, our chief executive officer and president, Joel Sens. We anticipate that the number of employees may increase in the future. However, given our ability to contract out much of our required services, it is not anticipated, based on the current business plan, that new employees will be hired in the next twelve months. No formal contract for the compensation of Mr. Sens exists as of March 31, 2006, but we may enter into an employment contract with him within the next twelve months.

Comparison of Financial Results

Three Months Ended March 31, 2006, versus Three Months Ended March 31, 2005

Revenues. In the three months ended March 31, 2006, $590 of revenue was generated from the Mt. Sidney spring from on site sales as compared to $531 of revenue for the quarter ended March 31, 2005. We expect to increase our sales in future quarters and will remain a development stage company until revenues increase significantly.

Costs and Expenses. In the quarter ended March 31, 2006 operating expenses were $228,010. These expenses were related to the establishment of our spring water business, which includes expenses for consulting and engineering services, testing and spring maintenance, and to the administration and overhead of our business, which includes accounting, legal and office expenses. This compared with operating expenses in the quarter ended March 31, 2005 of $149,259 (as restated). The increase in expenses is due to the increased expenditures on the spring site operations principally related to consulting and engineering.

We have incurred interest expenses of $79,375 and $69,229 (as restated) for the quarters ended March 31, 2006 and 2005, respectively. The increase is primarily attributable to our issuance of convertible notes payable in connection with our private placement, which is discussed under Liquidity and Capital Resources below. In each of the quarters ended March 31, 2006 and March 31, 2005, we recorded $28,020 of non-cash interest expense in connection with amortization of debt discount.

In the quarter ended March 31, 2006, we continued our practice of actively and frequently trading securities with the objective of generating profits on short-term differences in price. The trading securities are marked to market on a monthly basis. During the quarter ended March 31, 2006, we incurred a total of $200 of net realized trading gains on its trading securities as compared to a net realized loss of $19,408 during the quarter ended March 31, 2005.

In connection with puts issued under a termination agreement that we entered into with regard to our common stock, in the quarter ended March 31, 2005 we recognized non-cash earnings of $6,912, which was a result of the decrease in the fair value of the puts from December 31, 2004 to March 31, 2005.

Liquidity and Capital Resources. As of March 31, 2006, we had a working capital deficit of $473,525, an available cash balance of $26,447, a marketable securities balance of $14,175 and an accounts payable and accrued liabilities balance, including accrued interest on the convertible notes, of approximately $139,447.

In August 2004 we issued a private placement memorandum to offer up to 1,000 units of equity/notes payable instruments. Each unit consisted of 2,500 shares of our common stock, $1,500 of convertible promissory notes, and a warrant to purchase 300 shares of our common stock at $0.85 per share. The convertible promissory notes accrue interest at 11% per annum, and are payable and due in September 2009. The note holders have the option to convert any unpaid note principal and accrued interest to our common stock at a rate of $0.85 per share anytime after six months from the issuance date of the note. The private placement was closed in February of 2005. Over the course of our private placement, we received total proceeds of $2,665,116, net of placement costs and fees, and issued to investors $1,498,500 of convertible promissory notes, 2,497,500 shares of common stock and 999 warrants, none of which have been converted to common stock. Part of the proceeds of the private placement were used to pay off the remaining debt on the Mt. Sidney property.

On April 27, 2006 we sold 199,998 shares of our common stock to three accredited investors for a purchase price of $0.45/share.

The purchase of one of the two Staunton, Virginia properties mentioned above was closed on May 24, 2005. The purchase price for that parcel was $725,000, of which $225,000 was paid in cash. We are financing the remaining $500,000 of the purchase price over three years through a bank loan. We also completed the purchase of the second Staunton, Virginia property on April 10, 2006. The purchase price for the second property was $240,000, less a previously made $10,000 refundable deposit. We paid $90,000 of the remaining purchase price at settlement and the remaining $140,000 will initially be owner financed.

On June 8, 2006, we obtained a $350,000 interest-only mortgage loan with regard to our Mt. Sidney property. The loan matures in six months, bears interest at a fixed rate of 15.00% per annum, requires monthly installments of interest throughout its term with a balloon payment, equal to the principal balance of the loan, due on December 8, 2006. We also have the option to extend the loan by a period of six months by payment of a fee equal to 3.00% of the principal balance of the loan. On June 29, 2006, we obtained a $525,000 loan, which is also secured by the Mt. Sidney property. By the terms of this second loan, we promised to pay to the lender the principal amount of $525,000 together with interest at a rate of 9.375% per annum on the unpaid principal balance of the loan. The loan requires 35 regular installments of $4,591.52 each and one balloon payment, equal to the remaining principal balance of the loan, accrued interest, and other applicable fees, costs and charges, due on June 29, 2009.

Our accounts payable and accrued liabilities of $139,447 is composed predominantly of liabilities to our consultants and vendors associated with the Mt. Sidney spring, our accountants and lawyers and accrued interest on our convertible notes payable.

Years Ended December 31, 2005 and 2004

Revenues. During the year ended December 31, 2005, we generated $2,524 in revenues from continuing operations. Prior to 2005, the Company had generated no revenue from continuing operations.

Costs and Expenses. We incurred operating expenses of $946,457 during the year ended December 31, 2005 as compared to $198,506 of expenses during the year ended December 31, 2004. Expenses for the year ended December 31, 2005 are composed principally of salary, legal and accounting fees, financing expense on our funding instruments, and consulting fees associated with the acquisition of land. Our other expenses increased by $39,172 from 2004 to 2005 primarily due to interest expense attributable to our private placement.

During the year ended December 31, 2005, we incurred a loss of $54,592 from our trading of marketable securities. During the year ended December 31, 2004, we recorded gain of $93,518.

Liquidity and Capital Resources. As of December 31, 2005, we had a working capital deficit of $225,378, an available cash balance of $130,857, a marketable securities balance of $138,910 and an accounts payable and accrued liabilities balance, including accrued interest on the notes, of $120,445.

Years Ended December 31, 2004 and 2003

Revenues. The Company had generated no revenue from continuing operations in either 2004 or 2003.

Costs and Expenses. We incurred operating expenses of $198,506 during the year ended December 31, 2004 as compared to $224,604 of expenses in during the year ended December 31, 2003. Expenses for the year ended December 31, 2004 are composed principally of salary, legal and accounting fees, financing expense on our funding instruments, and consulting fees associated with the acquisition of land. Our interest expense increased by $107,861 from 2003 to 2004 primarily due to interest expense attributable to our private placement.

During the year ended December 31, 2004, we recorded a gain of $93,518 from our trading of marketable securities. During the year ended December 31, 2003, we recorded no gain or loss on the trading of marketable securities.

Liquidity and Capital Resources. As of December 31, 2004, we had working capital of $1,578,499, an available cash balance of $190,419, a marketable securities balance of $1,556,405 and an accounts payable and accrued liabilities balance, including interest on notes, of $234,025. As of December 31, 2003, we had a working capital deficit of $710,171, an overdraft on our cash balance account of $24,688 and an accounts payable and accrued liabilities balance, including accrued interest on the notes, of approximately $148,547.

Acquisition of Land and Spring

For a full description of the October 2003 acquisition of our Mt. Sidney property and the May 2005 and April 2006 acquisition of two additional properties 10 miles south of the Mt. Sidney property, see “Description of Property” below.

Future Funding Requirements and Going Concern

While we have raised the capital necessary to meet our working capital and financing needs in the past, additional financing is required in order to meet our current and projected cash flow deficits from operations and development. Within the next year, funds will be needed to meet our obligations related to the financing of the purchases of the Staunton, Virginia properties and to fund improvements to our spring site and to fund our initial operations.

We intend to generate these funds primarily from our Equity Line of Credit. We believe that proceeds from the Equity Line of Credit will allow us to cover our capital and operating expenses over the next year.

If during that period or thereafter, we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources on terms acceptable to us, this could have a material adverse effect on our business, results of operations, liquidity and financial condition.

Our independent certified public accountants have stated in their report included herein that we have incurred operating losses since our inception and that this factor raises substantial doubt about our ability to continue as a going concern.

Off-Balance Sheet Arrangements

We have not had, and at March 31, 2006 do not have, any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Future events, however, may differ markedly from our current expectations and assumptions. While there are a number of significant accounting policies affecting our consolidated financial statements; we believe the following critical accounting policies involve the most complex, difficult and subjective estimates and judgments:

- stock-based compensation; and
- revenue recognition.

Stock-Based Compensation

In December 2002, the FASB issued SFAS No. 148 - Accounting for Stock-Based Compensation - Transition and Disclosure. This statement amends SFAS No. 123 - Accounting for Stock- Based Compensation, providing alternative methods of voluntarily transitioning to the fair market value based method of accounting for stock based employee compensation. FAS 148 also requires disclosure of the method used to account for stock-based employee compensation and the effect of the method in both the annual and interim financial statements. The provisions of this statement related to transition methods are effective for fiscal years ending after December 15, 2002, while provisions related to disclosure requirements are effective in financial reports for interim periods beginning after December 31, 2002.

In December 2004, the FASB published Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment (SFAS 123R). SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans. The provisions of SFAS 123R are effective as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. We are assessing the implications of this revised standard, which may materially impact our results of operations during 2006 and thereafter.

Revenue Recognition

For revenue from product sales, we recognize revenue in accordance with Staff Accounting Bulletin No. 104, Revenue Recognition (SAB104), which superceded Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB101). SAB 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on our judgments regarding the fixed nature of the selling prices of the products delivered and the collectibility of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. We defer any revenue for which the product has not been delivered or is subject to refund until such time that the customer and we jointly determine that the product has been delivered or no refund will be required.

SAB 104 incorporates Emerging Issues Task Force 00-21 (EITF 00-21), Multiple-Deliverable Revenue Arrangements. EITF 00-21 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The effect of implementing EITF 00-21 on our consolidated financial position and results of operations was not significant.

Recent Accounting Pronouncements

In March 2005, the FASB issued FASB Interpretation (FIN) No. 47, “Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143,” which requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability’s fair value can be reasonably estimated. We are required to adopt the provisions of FIN 47 no later than the first quarter of fiscal 2006. We do not expect the adoption of this Interpretation to have a material impact on our consolidated financial position, results of operations or cash flows.

In May 2005, the FASB issued *Statement of Financial Accounting Standards No. 154, Accounting Changes and Error Corrections (SFAS 154)*, which requires retrospective application of all comparative financial statements for “voluntary” accounting principle changes. This statement, however, does not apply to changes in principle due to new accounting pronouncements when the new pronouncement includes specific transition provisions. SFAS

154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard is currently not expected to have a material impact on our consolidated results of operations and financial position in the foreseeable future.

On November 3, 2005, the FASB issued *FASB Staff Position on SFAS 115 and 124, The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments (FSP FAS 115-1 and 124-1)*. This FSP addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. It is effective for reporting periods beginning after December 15, 2005. Accordingly, we are reviewing its processes and will adopt the required accounting and disclosures.

On February 16, 2006 the FASB issued SFAS 155, “Accounting for Certain Hybrid Instruments,” which amends SFAS 133, “Accounting for Derivative Instruments and Hedging Activities,” and SFAS 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.” SFAS 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. SFAS 155 also clarifies and amends certain other provisions of SFAS 133 and SFAS 140. This statement is effective for all financial instruments acquired or issued in fiscal years beginning after September 15, 2006. We do not expect its adoption of this new standard to have a material impact on our financial position, results of operations or cash flows.

In March 2006, the FASB issued FASB Statement No. 156, Accounting for Servicing of Financial Assets - an amendment to FASB Statement No. 140. Statement 156 requires that an entity recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a service contract under certain situations. The new standard is effective for fiscal years beginning after September 15, 2006. The Company does not expect its adoption of this new standard to have a material impact on its financial position, results of operations or cash flows.

Trends, Risks and Uncertainties

We have sought to identify what we believe to be the most significant risks to our business in “Risk Factors” above, but cannot predict whether or to what extent any of such risks may be realized nor can there be any assurances that we have identified all possible risks that might arise. Investors should carefully consider all of these risk factors before making an investment decision with respect to our stock.

DESCRIPTION OF BUSINESS

Introduction

We incorporated under the laws of the State of Delaware on October 14, 1999, originally under the name Pre-Settlement Funding Corporation. In September 2003, we changed our name to Seawright Holdings, Inc. Seawright Springs, LLC is a wholly owned subsidiary of Seawright Holdings, Inc. and holds title to the Mt. Sidney property described below.

Discontinued Operations

As a result of our acquisition of real property and improvements in October 2003, we restructured our operations to focus on the development of a spring water distribution business. This restructuring included discontinuing our previous practice of financing plaintiffs who are involved in personal injury claims.

Overview

Business and Basis of Presentation

From our inception through the date of this prospectus, we have recognized limited revenues and incurred significant operating expenses. Consequently, our operations are subject to all risks inherent in the establishment of a new business enterprise. For the period from inception through March 31, 2006, we have accumulated losses of $2,320,979.

In October 2003, we acquired property that generates natural spring water. Through the acquisition of this property, we intend to enter the business of producing and selling spring water in Mt. Sidney, Virginia, which is located in the Shenandoah Valley. The property has a natural flow of spring water in excess of 1,000,000 gallons of water daily.

The main focus of our current operations is the establishment of a business that produces and sells spring water from our Mt. Sidney property, although we may pursue other business opportunities that we deem appropriate.

In May 2005 and April 2006, respectively, we acquired two parcels of land located approximately 10 miles south of our Mt. Sidney property. We are considering leasing these properties for commercial purposes. See “Description of Property” below.

Business Strategy

Our strategy is to focus on selling natural spring water under the “Seawright Springs” label while aggressively pursuing the bulk sale of natural spring water produced on our Mt. Sidney property.

In addition to our own brand, we expect to also continue to seek opportunities to sell our daily supply of water to other bottlers. We may enter into co-packing arrangements, where other bottlers bottle our water under our name, or private labeling agreements, where our water is bottled under another company’s name. Selling our water under private labeling agreements will allow us to sell our water without incurring the high costs of advertising required to establish brand recognition and market identity.

We currently do not have our own bottling and packaging facilities and we intend to have outside providers bottle and package our brand of water.

We are in the process of installing an updated bulk water loading facility at the Mt. Sidney spring site. Once completed, private labeled bottlers will be able to load water at our spring site and transport it to their bottling and packaging facilities.

Bottled Water Market Overview

Demand for bottled water has grown significantly in recent years, and in particular demand for products that contain spring water. In 2004, total U.S. bottled water volume surpassed 6.8 billion gallons, which was an 8.6% advance over 2003's volume level and bottled water remains the fastest growing major beverage segment. The beverage categories of comparable size - beer, coffee, milk - have all been either unchanging or contracting lately.

U.S. BOTTLED WATER MARKET
VOLUME AND PRODUCER REVENUES, 1993-2004

YEAR	MILLIONS OF GALLONS	ANNUAL % CHANGE		MILLIONS OF DOLLARS	ANNUAL % CHANGE
1994	2,966.4	10.3%	$	3,164.3	10.0%
1995	3,226.9	8.8%	$	3,521.9	11.3%
1996	3,495.1	8.3%	$	3,835.4	8.9%
1997	3,794.3	8.6%	$	4,222.7	10.1%
1998	4,130.7	8.9%	$	4,666.1	10.5%
1999	4,583.4	11.0%	$	5,314.7	13.9%
2000	4,725.0	3.1%	$	6,113.6	15.0%
2001	5,158.2	9.7%	$	6,880.6	12.6%
2002	5,795.7	11.8%	$	7,901.4	14.8%
2003	6,269.8	8.2%	$	8,526.4	7.9%
2004	6,806.7	8.6%	$	9,169.4	7.5%

Source: Beverage Marketing Corporation

During the five-year period from 1999 to 2004, bottled water volume increased by an average growth rate of 10.5%, which growth rate exceeded the growth rates of all other beverage categories.

Per capita consumption of bottled water has been growing by at least one gallon annually. In 2004, the per capita consumption of water in the United States increased 7.4% from 2003's rate, which means annual bottled water consumption by U.S. residents is second only to carbonated soft drinks.

U.S. BOTTLED WATER MARKET
PER CAPITA CONSUMPTION, 1993 - 2004

YEAR	GALLONS PER CAPITA	ANNUAL % CHANGE
1994	11.5	9.4%
1995	12.2	6.4%
1996	13.1	7.4%
1997	14.1	7.4%
1998	15.3	8.3%
1999	16.8	10.0%
2000	17.3	6.0%
2001	18.8	8.7%
2002	20.9	10.7%
2003	22.4	7.3%
2004	24.0	7.4%

Source: Beverage Marketing Corporation

The bottled water market comprises three major segments:

- still or non-sparkling;
- sparkling; and
- imported water (which includes both non-sparkling and sparkling segments).

Our spring water may be used in both sparkling and non-sparkling applications.

Similarly, the Beverage Marketing Corporation categorizes water into three main categories:

- non-sparkling or still water, which contains no carbonation and is consumed as an “alternative to tap water;”
- sparkling water, which contains either natural or artificial carbonation and is positioned to compete in the broad “refreshment beverage” field; and
- imported water, which includes both sparkling and non-sparkling water produced and bottled outside the United States, and which is targeted to “image-conscious consumers.”

U.S. BOTTLED WATER MARKET
VOLUME & GROWTH BY SEGMENT, 1993 - 2004

	Non-Sparkling		Sparkling		Imports		Total	
Year	Volume*	Change	Volume*	Change	Volume*	Change	Volume*	Change
1994	2,687.6	11.0%	174.8	0.1%	104.0	12.4%	2,966.4	10.3%
1995	2,965.6	10.3%	164.2	(6.1)%	97.1	(6.6)%	3,226.9	8.8%
1996	3,224.3	8.7%	159.0	(3.2)%	111.8	15.1%	3,495.1	8.3%
1997	3,491.4	8.3%	153.8	(3.3)%	149.1	33.4%	3,794.3	8.6%
1998	3,823.8	9.5%	146.1	(5.0)%	160.8	7.8%	4,130.7	8.9%
1999	4,286.3	12.1%	146.0	(0.1)%	151.1	(6.0)%	4,583.4	11.0%
2000	4,443.0	7.8%	144.2	(1.2)%	137.8	(8.8)%	4,725.0	7.0%
2001	4,917.3	10.7%	144.0	(0.1)%	123.9	(10.1)%	5,185.2	9.7%
2002	5,487.5	11.6%	149.5	3.8%	158.7	28.1%	5,795.7	11.8