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

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended: September 30, 2006

Commission File Number: 000-32249

ENTECH ENVIRONMENTAL TECHNOLOGIES, INC.
(Name of small business issuer as specified in its charter)

Florida	98-0222013
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3233 Grand Avenue, Suite N-353
Chino Hills, California 91709-1489
(Address and telephone number of principal executive offices)

(909) 623-2502
(Issuer's telephone number)

(Former name or former address, if changed since last report)

Joseph I. Emas, Attorney at Law
1224 Washington Avenue
Miami Beach, Florida 33139
Telephone: 305.531.1174
(Name, address and telephone number of agent for service)

Securities Registered Under Section 12(b) of the Exchange Act:

None

Securities Registered Under Section 12(g) of the Exchange Act:

Common Stock, $0.001

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter

period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation SB contained in this form, and no disclosure will be contained, to

the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10KSB or any amendment to this Form 10KSB. |X|

State issuer's revenues for its most recent fiscal year: $4,596,000

Indicate if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes |_| No |X|

The aggregate market value of the issuer's common stock held by non-affiliates of the registrant as of December 27, 2006 was approximately $789,000. Solely for purposes of the foregoing calculation, all of the issuer's directors and officers are deemed to be affiliates.

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares outstanding of the issuer's Common Stock, par value $.001 per share (the "Common Stock"), as of December 27, 2006, was 32,530,840.

Transitional Small Business Disclosure Format:

Yes|_| No |X|

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ENTECH ENVIRONMENTAL TECHNOLOGIES, INC.
Report on Form 10-KSB
For the Fiscal Year Ended September 30, 2006

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ITEM 1. DESCRIPTION OF BUSINESS

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-KSB contains, in addition to historical information, forward-looking statements regarding Entech Environmental Technologies, Inc. (the "Company" or "Entech"), which represent the Company's expectations or beliefs including, but not limited to, statements concerning the Company's operations, performance, financial condition, business strategies, and other information and that involve substantial risks and uncertainties. The Company's actual results of operations, some of which are beyond the Company's control, could differ materially. For this purpose, any statements contained in this Report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, history of operating losses and accumulated deficit; need for additional financing; dependence on future sales of our services; competition; dependence on management; risks related to proprietary rights; government regulation; and other factors described under "Risk Factors" and throughout this Annual Report on Form 10-KSB. Actual results may differ materially from those projected. These forward-looking statements represent our judgment as of the date of the filing of this Annual Report on Form 10-KSB. We disclaim any intent or obligation to update these forward-looking statements

COMPANY OVERVIEW

We were initially incorporated in 1998 in Florida as Cyber Public Relations, Inc. for the purpose of providing Internet electronic commerce consulting services to small and medium size businesses. Cyber Public Relations never had any material operations or revenues. On January 21, 2004, pursuant to a Capital Stock Exchange Agreement between the stockholders of Environmental Technologies, Inc., a Nevada corporation, the Environmental Technologies stockholders transferred all of their shares of the Environmental Technologies stock to Cyber Public Relations in exchange for 9,550,000 shares of the common stock of Cyber Public Relations.

We changed our name to Entech Environmental Technologies, Inc. on March 22, 2004 to more accurately reflect the change of our business. We provide a variety of services to customers ranging from large corporations to retail consumers, through H.B. Covey, Inc., a 57 year old construction and maintenance company that specializes in the installation and maintenance of fueling systems. We have recently expanded our scope of services to include installation of major household appliances for major retailers. We are based in southern California and provide service primarily in California.

As a result of the stock exchange discussed above, Environmental Technologies, Inc. became a wholly-owned subsidiary of Cyber Public Relations, and the Environmental Technologies stockholders acquired 96.81 percent of the issued and outstanding shares of the common stock of Cyber Public Relations. Immediately following the exchange, Barron Partners LP acquired 2,000,000 shares of our common stock and warrants for the purchase of 7,150,000 shares of our common

common stock and warrants for the purchase of 7,150,000 shares of our common stock. However, on September 30, 2004, Barron Partners agreed to the cancellation of the warrants for the purchase of 7,150,000 shares of our common stock.

Our wholly-owned subsidiary, Environmental Technologies, Inc. a Nevada corporation located in Chino Hills, California, was formerly known as Parr Development, Inc. which was incorporated in 2001. Before the mergers of its subsidiaries described in this section, Parr Development had not engaged in any operations. Parr Development changed its name to Environmental Technologies, Inc. in 2003. We are the result of the combination of several companies:

- H.B. Covey, Inc., a California corporation incorporated in 1971 but which has been in business since 1948, (herein sometimes referred to as "H.B. Covey"), a fueling station diagnostic and maintenance company with petroleum construction experience in building and maintaining service stations, through which we conduct all of our current operations;

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- Christie-Peterson Development, a California corporation incorporated in 1995 (herein sometimes referred to as "Christie-Peterson"), a provider of construction, repair, and maintenance services for petroleum service stations in California, Nevada, and Arizona, which was placed into Chapter 7 bankruptcy on September 30, 2004, and is no longer actively engaged in business; and

- Advanced Fuel Filtration Services, Inc., a California corporation incorporated in 1995 (herein sometimes referred to as "AFFS"), a provider of comprehensive environmental management solutions for the petroleum industry, with operations including fuel and chemical transportation, hazardous and non-hazardous waste disposal, emergency HAZMAT response, and underground storage tank cleaning and filtration services, which was placed into Chapter 7 bankruptcy on September 30, 2004, and is no longer actively engaged in business.

We also acquired from the stockholders of AFFS all of the issued and outstanding shares of Advanced Petroleum Transport, Inc., a California corporation, with no business activities. As of the date of this report, Advanced Petroleum Transport, Inc. has conducted no operations.

The mechanics of the combination of the component companies of Entech initially occurred with the reverse triangular mergers between each of Christie-Peterson, H.B. Covey and AFFS with three subsidiaries of Environmental Technologies. In each case, the stockholders of Christie-Peterson, H.B. Covey and AFFS existing before the mergers received shares of the common stock of Environmental Technologies in exchange for all of their shares in the merged companies. Following the reverse triangular mergers, Environmental Technologies had four wholly-owned subsidiaries, Christie-Peterson, H.B. Covey, AFFS, and Advanced Petroleum Transport, Inc.

On December 9, 2005, we acquired all the assets and the right to use the name of Pacific Coast Testing, a California corporation, at a price of $125,000, $75,000 payable at closing, the remainder payable over a twelve month period, subject to certain offsets.

GENERAL

H.B. COVEY, INC.

Our H.B. Covey subsidiary is a 58 year old construction and maintenance company that specializes in construction and maintenance services to the retail petroleum industry, to commercial and industrial users, to municipal organizations, and in support of major equipment manufacturers. H.B. Covey expanded its scope of services beginning in October 2004 to include installation of major household appliances for major retailers.

H.B. Covey is western states oriented with the heaviest concentration of infrastructure located in California. On occasion, we provide services in other states to give core customers a "one stop" support capacity or to take advantage of a target opportunity. The industry is subject to constant, increasingly restrictive environmental regulation. Traditionally, H.B. Covey targets select opportunities within these sectors that support the core competencies of its work force. Examples of these skill sets include:

- Complete fuel system installations and upgrades;
- Installation of monitoring and point of sale equipment;
- Alternative fueling systems including CNG and LNG;
- Installation and removal of hoists, clarifiers, and underground storage tanks;
- Installation of soil and groundwater remediation equipment;
- Complete maintenance and support of all major equipment and electronics supported by a 24 hour per day maintenance dispatch center; and

CLIENT BASE. H.B. Covey has categorized its customer base into six categories in order to efficiently develop, maintain and maximize our opportunities. A focused approach and determination of viability is made for each potential customer. Our ideal client spends in excess of $5 million in capital and maintenance each year. It should have centralized decision-making structure and its payment terms must be timely. It is our goal to retain our "relationship based" clients and maximize the amount of opportunities and activities with those clients. Each category has differences in target services and expectation of potential revenue. The categories are guidelines and should not be considered exclusive of any opportunity not listed.

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CATEGORY I; MAJOR OIL AND RETAIL COMPANIES. These companies sell fuel as their primary retail strategy; have budgeted capital expenditures on a yearly basis; have in excess of 250 locations and complementary geographic coverage; engage in yearly maintenance contracts; and rely heavily on contracted services. These companies include BP, Exxon Mobil Corporation, Chevron, Shell, Valero, and Wal-Mart (Sam's Club).

CATEGORY II; LARGE INDEPENDENT AND REGIONAL OPERATORS. Generally these companies are similar to the Category I list, however, they are smaller (less than 250 stations) and more regionally located. They have centralized decision-making structure and have a significant requirement for our services. These companies include USA Petroleum, Pilot Corporation, Giant Industries, Travel Centers of America, Tower Energy, United Oil, Quick Stop Markets Inc., Nella Oil, and Jayco.

CATEGORY III; INDUSTRIAL/COMMERCIAL. The industrial/commercial clients view their fueling operations as "a necessary evil." They do not sell fuel but rather install and maintain fueling systems to facilitate their primary revenue generating functions. They typically lack knowledgeable personnel to manage their fuel dispensing activities and rely heavily on relationships with consultants and contractors. This group represents a significant opportunity for relationship building and complete package sales. This group includes Ryder Corporation, Hertz Corporation, UPS, Overnight Transport, Yellow Freight, Roadway, Penske Leasing, Sempra Energy, and Consolidated Freight.

CATEGORY IV; MUNICIPAL ORGANIZATIONS. These potential clients operate large fleets of vehicles that utilize both traditional and alternate fuel power. Although bidding opportunities are commonly open to the public, we have been able to foster longstanding relationships and extended contracts. These

opportunities typically require bid and performance bonds. The size and complexity of the bid offerings coupled with the documentation and capitalization requirements create a barrier of entrance that is often daunting to our competition. Along with upgrades to traditional fueling systems mandated by legislation these customers are aggressively converting fleets to alternative fuel sources and taking advantage of substantial incentives and grant programs. This group includes the City of Los Angeles, the United States Postal Service, and the California Highway Patrol.

CATEGORY V; ORIGINAL EQUIPMENT MANUFACTURERS AND DISTRIBUTORS. H.B. Covey is an authorized service company for the majority of the fueling equipment in use today. We derive value from our ability to provide maintenance services during the start up of the original equipment, in the performance of preventative and warranty services, and engaging in time and material contracts with our customers, the OEM's, and the distributors. The fueling equipment that H.B. Covey is authorized to service includes, but is not limited to, equipment manufactured by Tokheim Corporation, Gilbarco, Dresser Wayne, Gas Boy, Veeder Root, API Ronan, Allied, EBW, FE Petro, EMCO, Hasstek, Healy, Incon, Red Jacket, Ruby Verifone, SSI Blue Line, and CNG.

CATEGORY VI; TARGETS OF OPPORTUNITY. These clients are small independent operators. They offer one-time opportunities and on-going maintenance contracts. They are typically high maintenance requiring frequent communication with senior management. There is limited opportunity for repeat business and we are constantly wary of under-capitalization issues that often lead to disputes. We are very selective in our analysis of these opportunities and typically quote work with higher contingency percentages to offset our exposure to the aforementioned risks.

FUTURE AND ON-GOING OPPORTUNITIES. The industry as a whole has undergone an intense period of change. Retail petroleum divisions of oil companies are redefining themselves as "retailers" as opposed to operators. More emphasis is being placed on profitability facilitated by reductions in operating costs. The market is in a period of contraction with mergers and acquisitions occurring in hopes of creating higher margins through enhanced efficiencies and reduced competition. Non-traditional fuel retailers (Costco, Sam's Club, K-Mart, Wal-Mart, etc.) are focusing on customer retention by offering expanded services including fueling operations at their existing and new facilities.

Independent of the ongoing corporate shuffling, various oversight agencies have imposed restrictive compliance deadlines and created effective methods to monitor compliance. Legislation continues to provide substantial incentives and judicial mandates for operators to convert fleets to clean burning fuel sources. These directives have provided H.B. Covey numerous opportunities to service customers in all categories.

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H.B. Covey is currently involved in major oil capital rollout programs designed to meet deadlines set by the California Air Recourse Board, South Coast Air Quality Management District, and Regional Water Quality Control Boards. The most urgent programs have various compliance deadlines ranging from December 31, 2002 through December 31, 2008. Levels of compliance vary through the various categories. However, we estimate that the industry as a whole is 50 percent to 60 percent compliant. All fuel system operators will be forced to allocate larger portions of their capital budgets to regulatory compliance. Additional funds will be allocated to programs focused on image improvement, new technology implementation, and installation of alternative fueling systems.

We anticipate that retail companies will have an increased expectation of service to develop sophisticated metrics to measure performance. It is hoped that these metrics and our commitment to service and operational excellence will differentiate us from our competitors and allow us continued growth. The technology utilized in today's fueling systems has become relatively high-tech. H.B. Covey continues to train its employees and study regulations to provide a

value added approach in its sales effort.

H.B. Covey anticipates a robust, sellers market, for the foreseeable future (one to three years). Sales in all categories will be fueled primarily by opportunities mandated by regulatory compliance. We will align ourselves with select partners (i.e., testing companies and environmental consultants) to maximize referral business. Although opportunities are expected to be plentiful, the group will be limited by our ability to employ a well-trained, highly competent, work force. Additional challenges will come in the form of capitalization and financial stability. Competition to retain qualified management and skilled craftsmen will be intense. The most successful companies will be those that are diverse enough to endure unpredictable capital cycles and provide robust employment packages to its employees.

CORPORATE OFFICES

The mailing address of our principal executive office is 3233 Grand Avenue, Suite N-353, Chino Hills, California 91709. Our telephone number is (909) 623-2502 and our fax number is (909) 865-1244. Our e-mail address is entech@onebox.com. Our operational offices are located in Chino, California.

EMPLOYEES

We currently employ 16 petroleum service technicians and support personnel, 11 consumer services technicians and support personnel, 10 construction and support personnel, and 5 management and administrative employees. As we grow, we will need to attract an unknown number of additional qualified employees. Although we have experienced no work stoppages and believe our relationships with our

employees are good, we could be unsuccessful in attracting and retaining the persons needed. None of our employees are currently represented by a labor union. Considered one of the fastest growing areas in the United States, the Inland Empire area of southern California, where we are located, is expected to provide a ready source of available labor to support our growth.

RISK FACTORS

THIS ANNUAL REPORT ON FORM 10-KSB INCLUDES FORWARD-LOOKING STATEMENTS ABOUT OUR BUSINESS AND RESULTS OF OPERATIONS THAT ARE SUBJECT TO RISKS AND UNCERTAINTIES. SEE "FORWARD-LOOKING STATEMENTS" ABOVE. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE THOSE DISCUSSED BELOW. IN ADDITION TO THE RISK FACTORS DISCUSSED BELOW, WE ARE ALSO SUBJECT TO ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO US OR THAT WE CURRENTLY DEEM IMMATERIAL. IF ANY OF THESE KNOWN OR UNKNOWN RISKS OR UNCERTAINTIES ACTUALLY OCCUR, OUR BUSINESS COULD BE HARMED SUBSTANTIALLY.

WE ARE NOT LIKELY TO SUCCEED UNLESS WE CAN OVERCOME THE MANY OBSTACLES WE FACE.

As an investor, you should be aware of the difficulties, delays and expenses we encounter, many of which are beyond our control, including unanticipated market trends, employment costs, and administrative expenses. We cannot assure our investors that our proposed business plans as described in this report will materialize or prove successful, or that we will ever be able to finalize development of our products or services or operate profitably. If we cannot operate profitably, you could lose your entire investment in our securities. As a result of the nature of our business, initially we expect to sustain substantial operating expenses without generating significant revenues.

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OUR AUDITORS HAVE STATED WE MAY NOT BE ABLE TO STAY IN BUSINESS.

Our auditors have issued a going concern opinion, which means that there is doubt that we can continue as an ongoing business for the next 12 months. Unless we can raise additional capital, we may not be able to achieve our objectives

and may have to suspend or cease operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

WE HAVE NOT ACHIEVED PROFITABLE OPERATIONS, WE HAVE A HISTORY OF LOSSES AND A LARGE ACCUMULATED DEFICIT AND WE EXPECT FUTURE LOSSES THAT MAY CAUSE OUR STOCK PRICE TO DECLINE.

We incurred net losses of approximately $1.47 million in fiscal year 2006, $1.23 million in fiscal year 2005, $28.9 million in fiscal year 2004, $457,000 in fiscal year 2003. Our expenses are currently greater than our revenues. Our ability to operate profitably depends on generating sales and achieving sufficient gross profit margins. We cannot assure you that we will achieve or maintain profitable operations in the future.

We may continue to incur losses as we spend additional capital to develop and market our services and establish our infrastructure and organization to support anticipated operations. We cannot be certain whether we will ever earn a significant amount of revenues or profit, or, if we do, that we will be able to continue earning such revenues or profit. Also, the current economic weakness may limit our ability to develop and ultimately market our products and services. Any of these factors could cause our stock price to decline and result in you losing a portion or all of your investment in our securities.

INTENSE COMPETITION IN THE CONSTRUCTION AND MAINTENANCE INDUSTRY COULD REDUCE OUR MARKET SHARE AND PROFITS.

We serve markets that are highly competitive and in which a large number of local and regional companies compete. In particular, the engineering and construction markets are highly competitive and require substantial resources and capital investment in equipment, technology, and skilled personnel.

Competition also places downward pressure on our contract prices and profit margins. Intense competition is expected to continue in these markets, presenting us with significant challenges to our ability to achieve strong growth rates and acceptable profit margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our profits.

OUR ACQUISITION STRATEGY INVOLVES A NUMBER OF RISKS.

We intend to pursue growth through the opportunistic acquisition of companies or assets that will enable us to expand our service lines to provide more cost-effective customer solutions. We routinely review potential acquisitions. This strategy involves certain risks, including difficulties in the integration of operations and systems, the diversion of our management's attention from other business concerns, and the potential loss of key employees of acquired companies. We may not be able to successfully acquire, and/or integrate acquired businesses into our operations.

OUR PROJECTS EXPOSE US TO POTENTIAL PROFESSIONAL LIABILITY, PRODUCT LIABILITY, OR WARRANTY OR OTHER CLAIMS.

We construct and maintain large fueling station and storage facilities in which system failure could be disastrous. Notwithstanding the fact that we generally will not accept liability for consequential damages in our contracts, any catastrophic occurrence in excess of insurance limits at projects where our services are performed could result in significant warranty or other claims against us. Such liabilities could potentially exceed our current insurance coverage and the fees we derive from those services. A partially or completely uninsured claim, if successful and of a significant magnitude, could potentially result in substantial losses.

WE ARE EXPOSED TO POTENTIAL ENVIRONMENTAL LIABILITIES.

We are subject to environmental laws and regulations, including those concerning:

- Emissions into the atmosphere;
- Discharge into soil and ground water;
- Handling and disposal of waste materials; and
- Health and safety.

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Our business often involves working around and with volatile, toxic and hazardous substances and other highly regulated materials, the improper characterization, handling or disposal of which could constitute violations of federal, state or local statutes and laws, and result in criminal and civil liabilities. Environmental laws and regulations generally impose limitations and standards for certain pollutants or waste materials and require us to obtain a permit and comply with various other requirements. Governmental authorities may seek to impose fines and penalties on us, or revoke or deny issuance or renewal of operating permits, for failure to comply with applicable laws and regulations.

The environmental health and safety laws and regulations to which we are subject are constantly changing, and it is impossible to predict the effect of such laws and regulations on us in the future. We cannot ensure that future laws and regulations will not significantly adversely affect us.

LACK OF INDEPENDENT DIRECTORS.

We cannot guarantee that our board of directors will have a majority of independent directors in the future. In the absence of a majority of independent directors, our executive officers could establish policies and enter into transactions without independent review and approval thereof. This could present the potential for a conflict of interest between us and our stockholders, generally, and the controlling officers, stockholders or directors.

LIMITATION OF LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS.

Our officers and directors are required to exercise good faith and high integrity in our management affairs. Our articles of incorporation provide, however, that our officers and directors shall have no liability to our stockholders for losses sustained or liabilities incurred which arise from any transaction in their respective managerial capacities unless they violated their duty of loyalty, did not act in good faith, engaged in intentional misconduct or knowingly violated the law, approved an improper dividend or stock repurchase, or derived an improper benefit from the transaction. Our articles and bylaws also provide for the indemnification by us of the officers and directors against any losses or liabilities they may incur as a result of the manner in which they operate our business or conduct the internal affairs, provided that in connection with these activities they act in good faith and in a manner that they reasonably believe to be in, or not opposed to, our best interests, and their conduct does not constitute gross negligence, misconduct or breach of fiduciary obligations.

MANAGEMENT OF POTENTIAL GROWTH.

We may experience rapid growth which will place a significant strain on our managerial, operational, and financial systems resources. To accommodate our current size and manage growth, we must continue to implement and improve our financial strength and our operational systems, and expand, train and manage our sales and distribution base. There is no guarantee that we will be able to effectively manage the expansion of our operations, or that our facilities, systems, procedures or controls will be adequate to support our expanded operations. Our inability to effectively manage our future growth would have a material adverse effect on us.

SECURITIES AND EXCHANGE COMMISSION RULES CONCERNING SALES OF LOW-PRICED SECURITIES MAY HINDER RE-SALES OF OUR COMMON STOCK.

Because our common stock has a market price that is less than five dollars per share, our common stock is not listed on an exchange or quoted on Nasdaq and is traded on the OTC Bulletin Board, our shares are referred to as "penny stocks" within the definition of that term contained in Rules 15g-1 through 15g-9 promulgated under the Securities Exchange Act of 1934, as amended. These rules impose sales practices and disclosure requirements on certain broker-dealers who engage in certain transactions involving penny stocks. These additional sales practices and disclosure requirements could impede the sale of our securities, including securities purchased herein, in the secondary market. In general, penny stocks are low priced securities that do not have a very high trading volume. Consequently, the price of the stock is volatile and you may not be able to buy or sell the stock when you want. Accordingly, the liquidity for our securities may be adversely affected, with related adverse effects on the price of our securities.

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Under the penny stock regulations, a broker-dealer selling penny stocks to anyone other than an established customer or "accredited investor" (generally, an individual with a net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to the sale, unless the broker-dealer is otherwise exempt. In addition, unless the broker-dealer or the transaction is otherwise exempt, the penny stock regulations require the broker-dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Securities and Exchange Commission relating to the penny stock. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the Registered Representative and current quotations for the securities. A broker-dealer is additionally required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer's account and information with respect to the limited market in penny stocks.

THERE MAY BE LIMITED LIQUIDITY IN OUR COMMON STOCK AND ITS PRICE MAY BE SUBJECT TO FLUCTUATION.

There is only a limited market for our common stock, which is currently traded on the OTC Bulletin Board. We can provide no assurances that we will be able to have our common stock listed on an exchange or quoted on Nasdaq or that it will continue to be quoted on the OTC Bulletin Board. If there is no trading market for our common stock, the market price of our common stock will be materially and adversely affected.

TO DATE, WE HAVE NOT PAID ANY CASH DIVIDENDS AND NO CASH DIVIDENDS WILL BE PAID IN THE FORESEEABLE FUTURE.

We do not anticipate paying cash dividends on our common shares in the foreseeable future, and we cannot assure an investor that funds will be legally available to pay dividends or that even if the funds are legally available, that the dividends will be paid.

VOLATILITY IN OUR COMMON SHARE PRICE MAY SUBJECT US TO SECURITIES LITIGATION, THEREBY DIVERTING OUR RESOURCES WHICH MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR RESULTS OF OPERATIONS.

The market for our common shares is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action

future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management's attention and resources.

THE TRADING PRICE OF OUR COMMON STOCK MAY DECREASE DUE TO FACTORS BEYOND OUR CONTROL.

The stock market from time to time has experienced extreme price and volume fluctuations, which have particularly affected the market prices for emerging growth companies and which often have been unrelated to the operating performance of the companies. These broad market fluctuations may adversely affect the market price of our common stock. If our shareholders sell substantial amounts of their common stock in the public market, the price of our common stock could fall. These sales also might make it more difficult for us to sell equity or equity related securities in the future at a price we deem appropriate.

ITEM 2. DESCRIPTION OF PROPERTY

We lease our 8,000 square foot warehouse and office space in Chino, California from Burr D. Northrop, our President. The monthly rental rate is $6,500, and the lease provides for 3% annual increases in rent beginning in August, 2007. The lease term is for five years, and expires in July, 2010. Total future payments under the lease as of September 30, 2006 total $313,400. We believe that these facilities are adequate for our current operations. However, we expect that we could locate other suitable facilities at comparable rates, should we need more space.

We leased a storage yard near our warehouse and office space in Chino. The monthly rent under the lease was $1,000 per month. This lease was terminated in June, 2006.

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We leased two storage units in Los Angeles County for storing water heaters, parts and equipment that we utilized in our Consumer Services Division. The combined monthly rent for these two units is $526 per month. This lease was terminated in June, 2006.

Future payouts under the leases for the warehouse, office and storage spaces are as follows:

Year	Amount
2007	78,400
2008	80,800
2009	83,200
2010	71,000
	$ 313,400

ITEM 3. LEGAL PROCEEDINGS

Entech was named as a defendant in several legal proceedings in the State of California alleging breach of contract and various fees in connection with the activities of our subsidiaries, Christie-Peterson Development, Advanced Fuel Filtration Systems, Inc., and H. B. Covey, Inc. The plaintiffs seek monetary damages. CPI and AFFS commenced Chapter 7 bankruptcy proceedings on September 30, 2004.

The proceedings described below are in various stages. While the ultimate effect of the legal actions described below cannot be predicted with certainty, we

of the legal actions described below cannot be predicted with certainty, we
expect that the proceedings against our subsidiaries will not result in
liability to us due to the ongoing bankruptcy of CPI and AFFS.

We do not expect the outcome of these matters to have a material effect on our financial condition or the results of our operations. The following lawsuits have been filed against us:

NK Heating & Air Conditioning filed complaint against the Company and its formerly owned subsidiary , CPI Development, Inc. in Los Angeles County Superior Court. The complaint alleges a breach of contract, and alleges damages of $98,000. The Company believes that it has meritorious defenses to the plaintiff's claims and intends to vigorously defend itself against the Plaintiff's claims.

Corona Service Park, et al filed complaint against the Company in the Central District of California of the United States District Court. The complaint alleges a breach of contract. The Company believes that it has meritorious defenses to the plaintiff's claims and intends to vigorously defend itself against the Plaintiff's claims.

Our former chairman and chief executive officer, Steven Rosenthal filed a complaint against the Company in San Bernardino County Superior Court. The claim alleges the Company owes $761,539 relating to the termination of his employment agreement in 2004. As of the date of this report, we are disputing Mr. Rosenthal's claim that our obligations to him under the employment contract are still in force and effect.

Pursuant to the agreement with Mr. Rosenthal, which was to terminate on November 30, 2006, he was to receive a salary of $360,000 per year, plus bonuses, cost of living increases, and other benefits. The agreement was renewable. In addition, Mr. Rosenthal received 1,000,000 shares of our common stock upon execution of his agreement. We have taken the position that the agreement has been terminated.

The Company is also subject to other legal proceedings and claims which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have material adverse effect on its financial position, results of operations or liquidity.

Other than described above, we are not engaged in any other litigation, and are unaware of any claims or complaints that could result in future litigation. We will seek to minimize disputes with our customers but recognize the inevitability of legal action in today's business environment as an unfortunate price of conducting business.

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

During the fourth quarter of the fiscal year ended September 30, 2005, the shareholders of the Company elected Burr D. Northrop and Terence F. Leong to the Company's Board of Directors to hold office until the Company's Annual Meeting of Stockholders in 2006 or until their successors are duly elected and qualified; and ratified the appointment of Mendoza Berger & Company, LLP, as the Company's independent certified public accountant for the fiscal year ending September 30, 2006 and 2005

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is quoted on the OTC Bulletin Board under the symbol "EEVT.OB" If we fail to stay current with our required filings under the Exchange Act, our shares will only be quoted on the "pink sheets."

The below quotations reflect inter-dealer prices, without mark-up, mark-down or commission, and may not represent actual transactions.

Year ended 09/30/05	High	Low
First quarter	$ 0.16	$ 0.05
Second quarter	$ 0.10	$ 0.05
Third quarter	$ 0.19	$ 0.05
Fourth quarter	$ 0.08	$ 0.06

Year ended 09/30/06	High	Low
First quarter	$ 0.18	$ 0.03
Second quarter	$ 0.09	$ 0.05
Third quarter	$ 0.08	$ 0.02
Fourth quarter	$ 0.04	$ 0.04

At September 30, 2006, there were 32,530,840 shares of our common stock outstanding. Our shares of common stock are held by approximately 88 stockholders of record. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

None.

RECENT SALES OF UNREGISTERED SECURITIES

During the three months ended December 31, 2005, the Company entered into a settlement agreement with a vendor to satisfy accounts payable totaling $162,935. Terms of the agreement provided for payment in cash of $35,000, and the issuance of 1,000,000 shares of common stock. The common shares issued were valued at $90,000, or $0.09 per share, which was the fair market value of the common stock on the agreement date. The resulting gain on settlement totaling $37,935 was recorded as other income.

During the three months ended March 31, 2006, the Company cancelled 1,500,000 shares previously issued to a former employee and issued 300,000 shares to replace the cancelled shares pursuant to an agreement between the Company and the former employee. The Company issued 100,000 shares for public relations services covering and recorded compensation expense of $5,000 based on the closing market price of $0.05 on the date of issuance, April 4, 2006.

During the three months ended September 30, 2006, the Company issued 4,225,015 shares that were previously subscribed. As of September 30, 2006, the Company has subscribed for the issuance of 4,225 shares of common stock for services rendered.

In addition, there was no general solicitation or advertising for the purchase of our shares. Our securities were sold only to persons with whom we had a direct personal preexisting relationship, and after a thorough discussion. Finally, our stock transfer agent has been instructed not to transfer any of such shares, unless such shares are registered for resale or there is an exemption with respect to their transfer.

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SECTION 15(G) OF THE EXCHANGE ACT

The shares of our common stock are covered by Section 15(g) of the Exchange Act, and Rules 15g-1 through 15g-6 promulgated thereunder, which impose additional sales practice requirements on broker-dealers who sell our securities to persons other than established customers and accredited investors.

Rule 15g-2 declares unlawful any broker-dealer transactions in "penny stocks" unless the broker-dealer has first provided to the customer a standardized disclosure document.

Rule 15g-3 provides that it is unlawful for a broker-dealer to engage in a "penny stock" transaction unless the broker-dealer first discloses and subsequently confirms to the customer the current quotation prices or similar market information concerning the penny stock in question.

Rule 15g-4 prohibits broker-dealers from completing "penny stock" transactions for a customer unless the broker-dealer first discloses to the customer the amount of compensation or other remuneration received as a result of the penny stock transaction.

Rule 15g-5 requires that a broker-dealer executing a "penny stock" transaction, other than one exempt under Rule 15g-1, disclose to its customer, at the time of or prior to the transaction, information about the sales person's compensation.

Our common stock may be subject to the foregoing rules. The application of the "penny stock" rules may affect our stockholders' ability to sell their shares because some broker-dealers may not be willing to make a market in our common stock because of the burdens imposed upon them by the "penny stock" rules.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The matters discussed in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" contain forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements."

OVERVIEW

Our HBC subsidiary is a 59 year old construction and maintenance company that specializes in construction and maintenance services for the retail petroleum industry, commercial and industrial users, municipal organizations, and in support of major equipment manufacturers. HBC expanded its scope of services to include installation of major household appliances for major retailers in October 2004.

HBC is western states oriented with the heaviest concentration of infrastructure located in California. On occasion, we will provide services in various other states in order to provide a "one stop" support capacity to a core customer or to take advantage of a target opportunity. The industry, as a whole, is fueled by a constant barrage of environmental regulations which continue to evolve and become increasingly restrictive. Traditionally, HBC has targeted select opportunities within these sectors that support the core competencies of its work force. Examples of these skill sets include:

- Complete fuel system installations and upgrades;
- Installation of monitoring and point of sale equipment;
- Alternative fueling systems including CNG and LNG;
- Installation and removal of hoists, clarifiers, and underground storage tanks;
- Installation of soil and groundwater remediation equipment;
- Complete maintenance and support of all major equipment and electronics

supported by a 24 hour per day maintenance dispatch center; and

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HBC is generally divided into two divisions: Construction and Maintenance Services. Beginning in October 2004, the Company operated in three segments: Construction Services; Maintenance Services, and Consumer Services. Beginning in December 2005, the Company added a new division called Testing Services. Beginning June 2006, the Company closed its Consumer Services division and merged the Testing Services division into the Maintenance Services division. The diversity of the two divisions provides stability and diversification, yet focuses on basic core competencies.

ACCOUNTING POLICIES INVOLVING MANAGEMENT ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying financial statements and related footnotes. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Our senior management has discussed the development and selection of the critical accounting estimates, and related disclosures, with the Audit Committee of our Board of Directors.

Financial Reporting Release No. 60, which was released by the Securities and Exchange Commission, or SEC, in December 2001, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. The Notes to Consolidated Financial Statements included in our Annual Report on Form 10-KSB for the year ended September 30, 2005 includes a summary of our significant accounting policies and methods used in the preparation of our financial statements. In preparing these financial statements, we have made our best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Our critical accounting policies are as follows:

Revenue Recognition The Company recognizes revenues from fixed-price and modified fixed-price construction contracts on the percentage-of-completion method, measured by the percentage of cost incurred to date to estimated total cost for each contract. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income, which are recognized in the period in which the revisions are determined. Changes in estimated job profitability resulting from job performance, job conditions, contract penalty provisions, claims, change orders, and settlements, are accounted for as changes in estimates in the current period.

The Company recognizes revenue from repair and installation services, in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). 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 or services have been rendered; (3) the selling price is fixed and determinable; and (4) collectibility is reasonably assured.

The SEC's Staff Accounting Bulletin, or SAB, No. 104, Revenue Recognition, provides guidance on the application of generally accepted accounting principles

to selected revenue recognition issues. We believe that our revenue recognition policy is appropriate and in accordance with generally accepted accounting principles and SAB No. 104.

Allowance for Doubtful Accounts We also maintain an allowance for doubtful accounts for potential uncollectible accounts receivable arising from our customers' inability to make required payments. Our estimate is determined by analyzing historical bad debts, customer payment history and patterns, customer creditworthiness, and economic, political or regulatory factors affecting the customer's ability to make the required payments.

Inventories and Related Allowances. Net inventories are valued at the lower of the first-in, first-out, or FIFO, cost or market value and have been reduced by an allowance for excess, obsolete and potential scrap inventories. The estimated allowance for excess and obsolete inventories is based on inventories on hand compared to estimated future usage and sales and assumptions about the likelihood of scrap or obsolescence.

RECENT DEVELOPMENTS

None

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RESULTS OF CONTINUING OPERATIONS

Years ended September 30, 2006 and 2005

As previously stated, beginning in October 2004, the Company operated in three segments: Construction Services; Maintenance Services, and Consumer Services. Beginning in December 2005, the Company added a new division called Testing Services. Beginning June 2006, the Company closed its Consumer Services division and merged the Testing Services division into the Maintenance Services division. The Company's other segment includes primarily general and administrative expenses. The results of operations and the cash flows of the Consumer Services division have been presented in the consolidated financial statements as discontinued operations. Prior to the discontinuation of the Consumer Services division, the Consumer Services division was presented as a separate operating segment and included with continuing operations. Accordingly management excluded these discontinued operations from its discussion and analysis of continuing operations for years ended September 30, 2006 and 2005.

REVENUE

Revenues totaled $4.6 million for 2006, a decrease of $0.5 million over 2005 when revenues totaled $5.1 million. During 2006, we recognized $2.2 million in revenue from construction services and $2.4 million from maintenance services. We had more construction and maintenance contracts in 2005 than 2006. We entered into the contract with a major home product retailer to install hot water heaters in October 2004, and we recognized $1.1 million in revenue under this contract in 2005, accounting for the remaining $1.1 million of the increase in revenues.

The decrease in construction and maintenance revenues is attributed to the closing of the Consumer Services, although management continues to focus on organic growth within the remaining divisions. The team continued to maximize opportunities afforded by its current customer base and was successful in winning and completing other lucrative contracts.

COST OF GOODS SOLD

Cost of goods sold totaled $2.6 million for 2006, a decrease of $0.3 million over 2005 when costs of goods sold totaled $2.9 million. Our gross margin in 2006 was 42% compared to 43% in 2005. Cost of sales decreased as a function of decreased sales, and our gross margin improved due to proficient management

decreased sales, and our gross margin improved due to proficient management, controlled overhead expenses and improved purchasing power.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses totaled $1.8 million for 2006, a decrease of $0.5 million from 2005 when selling, general and administrative expenses totaled $2.9 million. Decreases and increases in components of selling, general and administrative expense are discussed below.

In 2005, we recorded $150,000 of expense related to the reorganization. We did not incur these expenses in 2006. Our bad debt expense decreased by $34,000 from 2005 to 2006, as we continue to reduce our collection exposure related to our receivables. Our use of attorneys and consultants decreased significantly after the reorganization, and legal and consulting expense decreased by $255,000 from 2005 to 2006. Our expenses related to the truck fleet increased by $22,000 in 2006 over 2005, and this was primarily the result of the reduction of our fleet of vehicles. Our employee related costs decreased by $143,000 in 2006 from 2005, and this was primarily the result of us having fewer employees on board. Our general liability and auto insurance premiums decreased during 2006 for reasons stated above, resulting in a decrease in insurance expense of $30,000 in 2006 over 2005.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for 2006 totaled $115,381, which $10,067 was from discontinued operations, an increase of $56,587 over 2005 when depreciation and amortization expense totaled $58,794. The increase is due to higher depreciable asset bases throughout the majority of the year ended September 30, 2006 because of the acquisition of depreciable assets.

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GOODWILL IMPAIRMENT

During 2005, we wrote-off the goodwill recorded in its acquisition of PCT in the aggregate amount of $21,532.

INTEREST EXPENSE

Interest expense for 2006 totaled $1.32 million, and includes amortization of the note discount of $689,000 on the convertible notes payable issued to Barron, liquidated damages of $500,000 related to our failure to file a registration statement to register the common shares underlying the convertible notes payable and warrants issued to Barron, and the remainder represents "regular" interest on our outstanding obligations.

Interest expense for 2005 totaled $1.15 million, and includes amortization of the note discount of $500,000 on the convertible notes payable issued to Barron, liquidated damages of $370,000 related to our failure to file a registration statement to register the common shares underlying the convertible notes payable and warrants issued to Barron, and the remainder represents "regular" interest on our outstanding obligations.

LOSS FROM CONTINUING OPERATIONS

For the reasons stated above, the loss from continuing operations for 2006 totaled $1.28 million as compared to $1.15 million in 2005.

RESULTS OF DISCONTINUED OPERATIONS

We recorded a loss from discontinued operations of $184,787 for 2006 compared to $81,952 for 2005 related to the disposal of the Consumer Services division.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended September 30, 2006, we generated a net operating loss of $1.46 million, we provided cash from operating activities of $36,230; we purchased property and equipment totaling $100,685, and we raised $273,000 through the issuance of convertible notes payable and the sale of common stock. We financed our operations primarily through the use of these proceeds.

At September 30, 2005, we had negative working capital of $1.4 million, and we owed Barron $1.1 million. We have not filed a registration statement to register the shares underlying the convertible notes payable, and will continue to incur liquidated damages at the rate of 36% per year on the outstanding balance of the notes payable until such registration statement is effective.

In order to execute our business plan, we will need to acquire additional debt or equity financing. Our independent certified public accountants have stated in their report, included in this Form 10-KSB, that due to our net loss and negative cash flows from operations, in addition to a lack of operational history, there is a substantial doubt about our ability to continue as a going concern. In the absence of significant revenue and profits, we will be completely dependent on additional debt and equity financing arrangements. There is no assurance that any financing will be sufficient to fund our capital expenditures, working capital and other cash requirements for the fiscal year ending September 30, 2006. No assurance can be given that any such additional funding will be available or that, if available, can be obtained on terms favorable to us. If we are unable to raise needed funds on acceptable terms, we will not be able to execute our business plan, develop or enhance existing services, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. A material shortage of capital will require us to take drastic steps such as further reducing our level of operations, disposing of selected assets or seeking an acquisition partner. If cash is insufficient, we will not be able to continue operations.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2006, the FASB issued SFAS 155 "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and In February 2006, the FASB issued SFAS 155 "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140". This Statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets. This Statement:

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a. Permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation;

b. Clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133;

c. Establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation;

d. Clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and

e. Amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The fair value election provided for in paragraph 4(c) of this Statement may also be applied upon adoption of this Statement for hybrid financial instruments that had been bifurcated under paragraph 12 of Statement 133 prior to the adoption of this Statement. Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued financial statements, including financial statements for any interim period for that fiscal year. Provisions of this Statement may be applied to instruments that an entity holds at the date of adoption on an instrument-by-instrument basis. The Company is currently evaluating the impact of SFAS 155.

In February 2006, the FASB decided to move forward with the issuance of a final FSP FAS 123R-4 Classification of Options and Similar Instruments Issued as Employee Compensation That Allow for Cash Settlement upon the Occurrence of a Contingent Event. The guidance in this FSP FAS 123R-4 amends paragraphs 32 and A229 of FASB Statement No. 123R to incorporate the concept articulated in footnote 16 of FAS 123R. That is, a cash settlement feature that can be exercised only upon the occurrence of a contingent event that is outside the employee's control does not meet the condition in paragraphs 32 and A229 until it becomes probable that the event will occur. Originally under FAS 123R, a provision in a share-based payment plan that required an entity to settle outstanding options in cash upon the occurrence of any contingent event required classification and accounting for the share based payment as a liability. This caused an issue under certain awards that require or permit, at the holder's election, cash settlement of the option or similar instrument upon (a) a change in control or other liquidity event of the entity or (b) death or disability of the holder. With this new FSP, these types of cash settlement features will not require liability accounting so long as the feature can be exercised only upon the occurrence of a contingent event that is outside the employee's control (such as an initial public offering) until it becomes probable that event will occur. The guidance in this FSP shall be applied upon initial adoption of Statement 123(R). An entity that adopted Statement 123(R) prior to the issuance of the FSP shall apply the guidance in the FSP in the first reporting period beginning after February 2006. Early application of FSP FAS 123R-4 is permitted in periods for which financial statements have not yet been issued. The Company does not anticipate that this new FSP will have any material impact upon its financial condition or results of operations.

In June 2006, the FASB ratified the consensus reached by the Emerging Issues Tax Force in Issue No. 06-3 ("EITF 06-3"), "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation)." The scope of EITF 06-3 includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing activity between a seller and a customer and may include, but is not limited to, sales, use, value added, and some excise taxes. EITF 06-3 also concluded that the presentation of taxes within its scope on either a gross (included in revenues and costs) or net (excluded from revenues) basis is an accounting policy decision subject to appropriate disclosure. EITF 06-3 is effective for periods beginning after December 15, 2006. The Company currently presents these taxes on a net basis and has elected not to change its presentation method.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109." This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the impact of this Interpretation.

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Qualifying Misstatements in Current Year Financial Statements," which provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB No. 108 is effective for companies with fiscal years ending after November 15, 2006 and is required to be adopted by the Company in its fiscal year ending December 30, 2006. The Company is currently assessing the impact, if any, of the adoption of SAB No. 108.

In September 2006, the FASB issued FASB Staff Position AUG AIR-1 "Accounting for Planned Major Maintenance Activities", or FSP AUG AIR-1. FSP AUG AIR-1 amends the guidance on the accounting for planned major maintenance activities; specifically it precludes the use of the previously acceptable "accrue in advance" method. FSP AUG AIR-1 is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the impact of the adoption of AUG AIR-1.

In September 2005, the Emerging Issues Task Force reached a consensus on EITF 05-8, "Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature," which provides guidance on tax basis differences that arise from issuing convertible debt with a beneficial conversion feature. EITF 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments," requires that an in-the-money non-detachable conversion feature embedded in a convertible security be accounted for separately. This type of beneficial conversion feature is recognized and measured separately by allocating a portion of the proceeds on the issuance of the instrument, equal to the intrinsic value of the conversion option, to additional paid-in-capital. The convertible security is recorded at face value and a discount is recognized equal to the amount that is allocated to additional paid-in-capital. The consensus is required to be applied in fiscal periods beginning after December 15, 2005, by retroactive restatement of prior financial statements retroactive to the issuance of the convertible debt.

Other significant recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force ("EITF")), the American Institute of Certified Public Accountants, and the SEC may be discussed elsewhere in these notes to the consolidated financial statements. In the opinion of management, significant recent accounting pronouncements did not or will not have a material effect on the consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements.

ITEM 7. FINANCIAL STATEMENTS

Entech Environmental Technologies, Inc.

INDEX TO FINANCIAL STATEMENTS

Reports of Independent Registered Certified Public Accounting Firm on Financial Statements.. F-1

Consolidated Balance Sheet as of September 30, 2005........................ F-3

Consolidated Statements of Operations for the years ended September 30, 2005 and 2004... F-4

Consolidated Statements of Deficiency in Stockholders' Equity for the years ended September 30, 2005 and 2004................................ F-5

Consolidated Statements of Cash Flows for the years ended September 30, 2005 and 2004... F-6

Notes to Consolidated Financial Statements................................ F-7

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REPORT OF INDEPENDENT REGISTERED ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Entech Environmental Technologies, Inc.

We have audited the accompanying consolidated balance sheets of Entech Environmental Technologies, Inc. (Company) and subsidiaries as of September 30, 2006 and 2005, and the related consolidated statements of income, stockholders' equity (deficit), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Entech Environmental Technologies, Inc. and subsidiaries as of September 30, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed further in Note 1, the Company has incurred significant losses from operations. The Company's viability is dependent upon its ability to obtain future financing and the success of its future operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plan in regard to these matters is also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Mendoza Berger & Company, LLP

Irvine, California
January 9, 2007

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ENTECH ENVIRONMENTAL TECHNOLOGIES, INC.

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30

<TABLE>
<CAPTION>

<S>	2006 <C>	2005 <C>
Assets		
Current assets:		
Cash	$ 83,315	$ 113,153
Accounts receivable, net allowance for doubtful accounts totaling $42,641 and $72,242, respectively	620,118	1,095,237
Costs and estimated earnings in excess of billings on uncompleted contracts	71,424	19,652
Inventories	426,854	198,490
Prepaid expenses and other current assets	38,460	32,186
Total current assets	1,240,171	1,458,718
Property and equipment, net	384,306	411,836
Other assets	40,092	35,420
Total assets	$ 1,664,569	$ 1,905,974
LIABILITIES AND DEFICIENCY IN STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 443,186	$ 696,477
Accrued interest and other expenses	522,952	541,369
Accrued payroll	89,188	181,331
Billings in excess of costs and estimated earnings on uncompleted contracts	182,432	92,625
Purchase price payable	36,791	--
Due to affiliated entities	793,025	813,025
Current portion of notes payable, net of discount totaling $351,729 and $536,333	1,099,546	525,679
Current portion of note payable - related party	27,894	25,756
Total current liabilities	3,195,014	2,876,262
Notes payable, net of current portion	115,261	--
Note payable - related party, net of current portion	92,253	120,147
Commitments and contingencies	--	--
Stockholders' deficit:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock, $0.001 par value; 100,000,000 shares authorized; 32,530,840 and28,405,825 shares issued and outstanding, respectively	32,531	28,406
Additional paid-in capital	16,896,511	15,943,420
Common stock subscribed, 3,500 and 4,228,536 shares, respectively	597	136,598
Accumulated deficit	(18,667,598)	(17,198,859)
Total deficiency in stockholders' deficit	(1,737,959)	(1,090,435)
Total liabilities and deficiencv in stockholders' deficit	$ 1.664.569	$ 1.905.974

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</TABLE>

See accompanying notes to the consolidated financial statements.

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ENTECH ENVIRONMENTAL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

<S>	For the years ended September 30	
	2006	2005
	<C>	<C>
Revenues, net of returns and allowances	$ 4,595,962	$ 5,098,774
Cost of goods sold	2,639,675	2,897,083
Gross profit	1,956,287	2,201,691
Operating expenses:		
Selling, general, and administrative expenses	1,823,102	2,281,963
Depreciation and amortization	105,314	58,794
Total operating expenses	1,928,416	2,340,757
Loss from operations	27,872	(139,066)
Other income (expense):	--	--
Gain on settlement	37,935	
Goodwill impairment	(21,532)	--
Loss on sale of fixed assets	(7,334)	--
Amortization of note discount	(689,127)	(525,680)
Liquidated damages	(500,606)	(370,511)
Interest expense	(131,160)	(114,052)
Loss before provision for income taxes and discontinued operations	(1,283,952)	(1,149,308)
Provision for income taxes	--	--

Loss from continuing operations	(1,283,952)	(1,149,308)
Loss from discontinued operations, net of income taxes	(184,787)	(81,952)
Net loss	$ (1,468,739)	$ (1,231,260)
Net loss per share - basic and fully diluted	$ (0.05)	$ (0.05)
Net loss per share - continuing operations	$ (0.04)	$ (0.05)
Net loss per share - discontinued operations	$ (0.01)	$ (0.00)
Basic and diluted weighted average number of shares outstanding	32,312,591	24,154,031

</TABLE>

See accompanying notes to the consolidated financial statements.

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ENTECH ENVIRONMENTAL TECHNOLOGIES, INC.
STATEMENT OF DEFICIENCY IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2006

<TABLE>
<CAPTION>

	Common Stock		Additional Paid	Common Stock Subscribed,	Accumulated	Deficiency In Stockholders'
	Shares	Amount	In Capital	Not issued	Deficit	Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at September 30, 2004	14,450,832	$ 14,451	$ 11,489,614	$ 3,436,258	$(15,967,599)	$ (1,027,276)
Shares issued to a service provider at $0.65 per share	75,000	75	4,800			4,875

				-	-	4,875
Shares issued to former emplyee at $0.06 per share	1,500,000	1,500	88,500	-	-	90,000
Shares issued in June to investors in previous private placement offering as an adjustment to terms	16,667	17	(17)	-	-	-
Shares issued in legal settlement	500,000	500	397,625	-		398,125
Shares issued for conversion of note and interest payable to a related party	800,000	800	59,200	-	-	60,000
Shares issued as incentive compensation	200,000	200	14,800	-	-	15,000
Issuance of previously subscribed shares	10,863,326	10,863	3,388,798	(3,399,661)	-	-
Shares subscribed, not issued at $0.025 per share to investors. 4,000,036 shares	-	-	-	100,001	-	100,001
Value of warrants issued with convertible note	-	-	353,053	-	-	353,053
Value of beneficial conversion feature of convertible note	-	-	147,047	-	-	147,047
Loss from continuing operations	-	-	-	-	(1,149,308)	(1,149,308)
Loss from discontinued operations	-	-	-		(81,952)	(81,952)
Balances at September 30, 2005	28,405,825	28,406	15,943,420	136,598	(17,198,859)	(1,090,435)

	Common Stock		Additional Paid	Common Stock Subscribed,	Accumulated	Deficiency In Stockholders'
	Shares	Amount	In Capital	Not issued	Deficit	Equity
Issuance of previously subscribed shares	4,225,015	4,225	131,776	(136,001)	-	-
Shares issued in legal settlement	1,000,000	1,000	89,000	-	-	90,000
Shares issued to a service provider at $0.05 per share	100,000	100	4,900	-	-	5,000
Net shares cancelled per agreement with former employee	(1,200,000)	(1,200)	1,200	-	-	-
Value of beneficial conversion feature of convertible notes	-	-	504,523	-	-	504,523
Waiver of liquidation damages	-	-	221,692			221,692

	-	-	221,692			
Loss from continuing operations	-	-	-	-	(1,283,952)	(1,283,952)
Loss from discontinued operations	-	-	-	-	(184,787)	(184,787)
	32,530,840	$ 32,531	$ 16,896,511	$ 597	$(18,667,598)	$ (1,737,959)

</TABLE>

See accompanying notes to the consolidated financial statements.

<PAGE>

ENTECH ENVIRONMENTAL TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	For the years ended September 30,	
	2006	2005
<S>	<C>	<C>
Net loss from continuing operations	$ (1,468,739)	$ (1,231,260)
Add back: Net loss from discontinued operations, net of taxes	(184,787)	(87,192)
Net loss from continuing operations	(1,283,952)	(1,144,068)
Cash flows from continuing operating activities: Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	105,314	58,794
Loss on sale of property and equipment	7,334	-
Common stock issued for services	5,000	109,875
Settlement of accounts payable	(37,935)	-
Goodwill impairment	21,532	-
Amortization of note discount	490,143	525,679
Reserve for bad debts	(29,601)	60,988
Inventory reserve	(250,118)	-
Changes in:		
Accounts receivable	546,435	(841,313)
Due to affiliated entities	(20,000)	23,573

Inventory	49,430	(78,516)
Construction in progress	38,035	170,496
Other assets	(32,478)	(9,271)
Accounts payable and accrued expenses	427,091	723,024
Net cash provided by (used in) continuing operating activities	36,230	(400,739)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	5,500	-
Purchases of property and equipment	(100,685)	(43,628)
Net cash used in investing activities	(95,185)	(43,628)
Cash flows from financing activities:		
Proceeds from notes payable	183,724	491,200
Cash received from subscription of common stock	-	100,001
Principal payments on notes payable	89,505	(4,097)
Net cash provided by financing activities	273,229	587,104
Net cash used in discontinued operations from continuing operations	(244,112)	(187,677)
Net increase (decrease) in cash	(29,839)	(44,940)
Cash at beginning of period	113,153	158,093
Cash at end of period	$ 83,315	$ 113,153

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Supplemental Disclosures of Cash Flow Information :

Cash paid during the period for interest	$ 10,742	$ 6,652
Cash paid during the period for income taxes	$ -	$ -
Common stock issued to consultants for services	$ 5,000	$ 4,875

Common stock issued to convert note payable and interest	$ -	$ 60,000
Common stock issued for accounts payable	$ 127,935	$ -
Common stock issued in satisfaction of amounts owed to former management	$ -	$ 90,000
Common stock issued for legal settlement	$ -	$ 398,125
Common stock issued as incentive compensation to management	$ -	$ 15,000
16,667 additional shares of common stock issued to investors in previous private placement	$ -	$ 17
Value of warrants issued with convertible note payable	$ 80,000	$ 353,053
Beneficial conversion feature of convertible note payable	$ 424,523	$ 147,047

</TABLE>

See accompanying notes to the consolidated financial statements.

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ENTECH ENVIRONMENTAL TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005

NOTE 1 - BUSINESS, BASIS OF PRESENTATION and GOING CONCERN ISSUES

Entech Environmental Technologies, Inc. ("Entech" or the "Company"), formerly Cyber Public Relations, Inc., was formed in June, 1998 under the laws of the State of Florida. The Company, through its H.B. Covey subsidiary, provides construction and maintenance services to petroleum service stations in the southwestern part of the United States of America, and provides installation services for consumer home products in Southern California.

The accompanying financial statements include the accounts of the Company and its wholly-owned subsidiary, H.B. Covey, Inc., a California corporation ("H.B. Covey"). All significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

Business Combination and Corporate Recapitalization

On December 30, 2003, Environmental Technologies, Inc. , a company formed under the laws of the State of Nevada ("Entech NV") acquired through a Share Exchange Agreement, all of the issued and outstanding stock of CPI Development, Inc., formally Christie Peterson Development Corporation, Inc. ("CPI"), Advanced Fuel Filtration Systems Inc. ("Advanced Fuel") and H.B. Covey. From its inception and up to December 30, 2003, Entech NV had no significant assets or operations. Subsequent to the acquisition, CPI, Advanced Fuel, and H.B. Covey became wholly-owned subsidiaries of Entech NV. The value of Entech NV's common stock issued was the historical cost of Entech NV's net tangible assets, which did not differ materially from their fair value. In accordance with Statement of Financial Accounting Standards No. 141, Business Combinations, CPI, Advanced Fuel and H.B. Covey were collectively the acquired entities.

In connection with Entech NV's acquisition of CPI, the total consideration paid was $3,238,483 and the significant components of the transaction were as follows:

Net liabilities assumed in excess of assets	$ 3,238,483
Cash paid	-
Total consideration paid / goodwill	$ 3,238,483

On September 30, 2004, CPI filed bankruptcy under Chapter 7 of the U.S. Bankruptcy Code.

In Connection with Entech NV's acquisition of Advanced Fuel, the total consideration paid was $2,855,626 and the significant components of the transaction were as follows:

Net liabilities assumed in excess of assets	$ 1,855,626
Note payable	1,000,000
Total consideration paid / goodwill	$ 2,855,626

On September 30, 2004, Advanced Fuel filed bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. In connection with Entech NV's acquisition of H.B. Covey, the total consideration paid was $954,911 and the significant components of the transaction were as follows:

Net assets acquired in excess of liabilities	$ (45,089)
Note payable	1,000,000
Total consideration paid / goodwill	$ 954,911

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On January 21, 2004, Entech NV completed a Capital Stock Exchange Agreement ("Agreement") with Cyber Public Relations, Inc. ("Cyber") an inactive publicly registered shell corporation with no significant assets or operations. For accounting purposes, Entech NV was the surviving entity. The transaction was accounted for using the purchase method of accounting. The total purchase price

accounted for using the purchase method of accounting. The total purchase price and carrying value of net assets acquired of Cyber was $297,578. From June 1998 until the date of the merger, Cyber was an inactive corporation with no significant assets and liabilities. As Cyber Public Relations, Inc. was an inactive corporation with no significant operations, the Company recorded the carryover historical basis of net tangible assets acquired, which did not differ materially from their historical cost. The results of operations subsequent to the date of merger are included in the Company's consolidated statements of losses.

Effective with the Agreement, all of the previously issued outstanding common stock, preferred stock, options and warrants owned by the Entech NV shareholders were exchanged for an aggregate of 9,550,000 shares of Cyber's restricted common stock. As a result of the Agreement, there was a change in control of the Cyber. Subsequent to the recapitalization, Cyber changed its name to Entech Environmental Technologies, Inc.

Effective with the Agreement, all shares previously outstanding common stock, preferred stock, options and warrants other than 315,000 shares of common stock owned by a significant Cyber stockholder were returned to the Company for cancellation. In accordance with SOP 98-5, the Company expensed $297,578 as organization costs.

The total consideration paid was $297,578 and the significant components of the transaction were as follows:

Common stock retained	$ 315
Liabilities assumed in excess of assets	22,263
Cash paid	275,000
Total consideration paid / organization costs	$ 297,578

Discontinued Operations

The Company's business plan contemplated the integration of CPI, Advanced Fuel, and H.B. Covey into a coordinated group providing a broad spectrum of services to fuel distribution facilities. The Company was unable to complete this integration and realize its business plan, and encountered severe operational and cash flow problems. In June 2004, the Company's board of directors authorized management to proceed with the disposal of two subsidiaries, CPI and Advanced Fuel. On September 30, 2004, the Company formally filed for Chapter 7 bankruptcy protection for CPI and Advanced Fuel in Los Angeles County, California (see Note 8).

In June 2006, the Company discontinued the operations of the Consumer Services division, which consisted primarily of installation of home consumer products for a major retailer. The employees of the Consumer Services division were laid-off in and the fixed assets used in the Consumer Services Division were transferred to the Company's other divisions. The net loss from discontinued operations for the years ended September 30, 2006 was $184,787 and $81,952, respectively.

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiary, H.B. Covey, Inc. The balance sheets of CPI and Advanced Fuel have are not included in the balance sheet, consolidated statement of operations and consolidated statement of cash flows of the Company for the years ended September 30, 2006 and September 30, 2005.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements during the years ended September 30, 2006 and 2005, the

financial statements during the years ended September 30, 2006 and 2005, the Company incurred losses from continuing operations of $1.28 million and $1.15 million, respectively. As of September 30, 2006, the Company has negative working capital of $1,215,818, an accumulated deficit of $18,667,598, current portion of notes payable of $1,127,440 after full amortization of the note discount, and accounts payable and accrued expenses of $1,092,117.

Other than cash received from the collection of accounts receivable for construction, maintenance and consumer services, the Company's cash resources are generally limited to borrowings under the Note Purchase Agreement as discussed in Note 8. To date, the Company has borrowed $1.2 million under the agreement, which provides for total aggregate borrowings of $1.5 million. The Note Purchase Agreement provides certain restrictions on the Company's ability to raise funds from other resources. As a result, payments to vendors, lenders and employees may be delayed.

These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company's existence is dependent upon management's ability to develop profitable operations and to resolve its liquidity problems. Management anticipates the Company will attain profitable status and improve its liquidity through the continued development, marketing and selling of its services, and through additional debt or equity investment in the Company. The accompanying financial statements do not contain any adjustments related to this uncertainty.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could materially differ from those estimates.

Revenue Recognition

CONSTRUCTION CONTRACTS

The Company recognizes revenues from fixed-price and modified fixed-price construction contracts on the percentage-of-completion method, measured by the percentage of cost incurred to date to estimated total cost for each contract. That method is used because management considers total cost to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income, which are recognized in the period in which the revisions are determined. Changes in estimated job profitability resulting from job performance, job conditions, contract penalty provisions, claims, change orders, and settlements, are accounted for as changes in estimates in the current period.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

REPAIR AND INSTALLATION SERVICES

The Company recognizes revenue from repair and installation services, in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). 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 or services have been rendered; (3) the selling price is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered/services rendered 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. The Company defers any revenue for which the product has not been delivered or services have not been rendered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or services have been rendered or no refund will be required.

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On December 17, 2003, the SEC staff released Staff Accounting Bulletin (SAB) No. 104, Revenue Recognition. The staff updated and revised the existing revenue recognition in Topic 13, Revenue Recognition, to make its interpretive guidance consistent with current accounting guidance, principally EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables". Also, SAB 104 incorporates portions of the Revenue Recognition in Financial Statements - Frequently Asked Questions and Answers document that the SEC staff considered relevant and rescinds the remainder. The company's revenue recognition policies are consistent with this guidance.

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with accounting principles generally accepted in the United States of America. The estimated fair values approximate their carrying values because of the short-term maturity of these instruments or the stated interest rates are indicative of market interest rates.

Concentration of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents and receivables. The Company places its cash and temporary cash investments with credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit. The Company periodically reviews its trade receivables in determining its allowance for doubtful accounts. The allowance for doubtful accounts is $42,641 and $72,247 as of September 30, 2006 and 2005, respectively.

Accounts Receivable

Accounts receivable are recorded when invoices are issued and are presented in the balance sheet net of the allowance for doubtful accounts. Receivables are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on the Company's historical losses, the existing economic conditions in the industry, and the financial stability of its customers.

Inventory

Substantially all of the inventories are either general merchandise or finished goods. Inventories are stated at the lower of cost or market. For determining the value of inventories, cost methods that reasonably approximate the first-in, first-out ("FIFO") method are used.

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Property and Equipment

Property and equipment are valued at cost. Depreciation and amortization are provided over the estimated useful lives up to five years using the straight-line method. The estimated service lives of property and equipment are as follows:

Transportation equipment	Five years
Tools and equipment	Five years
Office furniture and equipment	Three years
Leasehold improvements	Five years

Long-Lived Assets

The Company has adopted Statement of Financial Accounting Standards No. 144 ("SFAS 144"). The Statement requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should an impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future undiscounted cash flows resulting from the use and ultimate disposition of the asset. SFAS No. 144 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

Stock Based Compensation

The Company did not issue any stock-based employee compensation during the years ended September 30, 2006 and 2005.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary charge to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25 and related interpretations. Accordingly, compensation expense for stock options is measured as the excess, if any, of the fair market value of the Company's stock at the date of the grant over the exercise price of the related option. The Company has adopted the annual disclosure provisions of SFAS No. 148 in its financial reports for the year ended September 30, 2006 and 2005 and for subsequent periods.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123R, "Share-Based Payment ("SFAS 123R"), which is effective as of the beginning of the first interim or annual period beginning after December 31, 2005. SFAS 123R requires all share-based payments to employees to be expensed over the requisite service period based on the grant-date fair value of the awards. The Statement allows for either prospective or retrospective adoption and requires that the unvested portion of all outstanding awards upon adoption be recognized using the same fair value and attribution methodologies previously determined under Statement No 123, "Accounting for Stock-Based Compensation." Since the Company does not have any defined benefit post-retirement plans, the adoption of this pronouncement did not have any impact on the Company's results of operations or financial condition.

In March 2005, the SEC released Staff Accounting Bulletin No. 107, "Share-Based Payment" ("SAB 107"), which provides interpretive guidance related to the interaction between SFAS 123(R) and certain SEC rules and regulations. It also provides the SEC staff's views regarding valuation of share-based payment arrangements. In April 2005, the SEC amended the compliance dates for SFAS 123(R), to allow companies to implement the standard at the beginning of their next fiscal year, instead of the next reporting period beginning after June 15, 2005. Management is currently evaluating the impact SAB 107 will have on the financial statements.

Income Taxes

The Company has implemented the provisions on Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires that income tax accounts be computed using the liability method. Deferred taxes are determined based upon the estimated future tax effects of differences between the financial reporting and tax reporting bases of assets and liabilities given the provisions of currently enacted tax laws.

In September 2005, the Emerging Issues Task Force reached a consensus on EITF 05-8, "Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature," which provides guidance on tax basis differences that arise from issuing convertible debt with a beneficial conversion feature. EITF 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments," requires that an in-the-money non-detachable conversion feature embedded in a convertible security be accounted for separately. This type of beneficial conversion feature is recognized and measured separately by allocating a portion of the proceeds on the issuance of the instrument, equal to the intrinsic value of the conversion option, to additional paid-in-capital. The convertible security is recorded at face value and a discount is recognized equal to the amount that is allocated to additional paid-in-capital. The consensus is required to be applied in fiscal periods beginning after December 15, 2005, by retroactive restatement of prior financial statements retroactive to the issuance of the convertible debt.

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Net Loss Per Common Share

The Company computes earnings (loss) per share under Financial Accounting Standard No. 128, "Earnings Per Share" ("SFAS 128"). Net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the year. Dilutive common stock equivalents consist of shares issuable upon conversion of convertible notes and the exercise of the Company's warrants (calculated using the treasury stock method). During 2006 and 2005, common stock equivalents are not considered in the calculation of the weighted average number of common shares outstanding because they would be anti-dilutive, thereby decreasing the net loss per common share.

Segment Information

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131") establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. SFAS 131 also establishes standards for related disclosures about products and services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. Beginning in October 2004, the Company operated in three segments: Construction Services; Maintenance Services, and Consumer Services. Beginning in December 2005, the Company added a new division called Testing Services. Beginning June 2006, the Company closed its Consumer Services division and merged the Testing Services division into the Maintenance Services division. The Company's Other segment includes primarily general and administrative expenses. See Note 15.

Reclassifications

Certain reclassifications have been made in prior year's financial statements to conform to classifications used in the current year.

New Accounting Pronouncements

In February 2006, the FASB issued SFAS 155 "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and In February 2006, the FASB issued SFAS 155 "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140". This Statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets. This Statement:

a. Permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation;

b. Clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133;

c. Establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation;

d. Clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and

e. Amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

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This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The fair value election provided for in paragraph 4(c) of this Statement may also be applied upon adoption of this Statement for hybrid financial instruments that had been bifurcated under paragraph 12 of Statement

133 prior to the adoption of this Statement. Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued financial statements, including financial statements for any interim period for that fiscal year. Provisions of this Statement may be applied to instruments that an entity holds at the date of adoption on an instrument-by-instrument basis. The Company is currently evaluating the impact of SFAS 155.

In February 2006, the FASB decided to move forward with the issuance of a final FSP FAS 123R-4 Classification of Options and Similar Instruments Issued as Employee Compensation That Allow for Cash Settlement upon the Occurrence of a Contingent Event. The guidance in this FSP FAS 123R-4 amends paragraphs 32 and A229 of FASB Statement No. 123R to incorporate the concept articulated in footnote 16 of FAS 123R. That is, a cash settlement feature that can be exercised only upon the occurrence of a contingent event that is outside the employee's control does not meet the condition in paragraphs 32 and A229 until it becomes probable that the event will occur. Originally under FAS 123R, a provision in a share-based payment plan that required an entity to settle outstanding options in cash upon the occurrence of any contingent event required classification and accounting for the share based payment as a liability. This caused an issue under certain awards that require or permit, at the holder's election, cash settlement of the option or similar instrument upon (a) a change in control or other liquidity event of the entity or (b) death or disability of the holder. With this new FSP, these types of cash settlement features will not require liability accounting so long as the feature can be exercised only upon the occurrence of a contingent event that is outside the employee's control (such as an initial public offering) until it becomes probable that event will occur. The guidance in this FSP shall be applied upon initial adoption of Statement 123(R). An entity that adopted Statement 123(R) prior to the issuance of the FSP shall apply the guidance in the FSP in the first reporting period beginning after February 2006. Early application of FSP FAS 123R-4 is permitted in periods for which financial statements have not yet been issued. The Company does not anticipate that this new FSP will have any material impact upon its financial condition or results of operations.

In June 2005, the EITF reached a consensus on Issue 05-6, "Determining the Amortization Period for Leasehold Improvements," which requires that leasehold improvements acquired in a business combination or purchased subsequent to the inception of a lease be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. EITF 05-6 is effective for periods beginning after June 29, 2005. Earlier application is permitted in periods for which financial statements have not been issued. The adoption of this Issue did not have an impact on the Company's financial statements.

In June 2006, the FASB ratified the consensus reached by the Emerging Issues Tax Force in Issue No. 06-3 ("EITF 06-3"), "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation)." The scope of EITF 06-3 includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing activity between a seller and a customer and may include, but is not limited to, sales, use, value added, and some excise taxes. EITF 06-3 also concluded that the presentation of taxes within its scope on either a gross (included in revenues and costs) or net (excluded from revenues) basis is an accounting policy decision subject to appropriate disclosure. EITF 06-3 is effective for periods beginning after December 15, 2006. The Company currently presents these taxes on a net basis and has elected not to change its presentation method.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109." This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the impact of this Interpretation

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Qualifying Misstatements in Current Year Financial Statements," which provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB No. 108 is effective for companies with fiscal years ending after November 15, 2006 and is required to be adopted by the Company in its fiscal year ending December 30, 2006. The Company is currently assessing the impact, if any, of the adoption of SAB No. 108.

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In September 2006, the FASB issued FASB Staff Position AUG AIR-1 "Accounting for Planned Major Maintenance Activities", or FSP AUG AIR-1. FSP AUG AIR-1 amends the guidance on the accounting for planned major maintenance activities; specifically it precludes the use of the previously acceptable "accrue in advance" method. FSP AUG AIR-1 is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the impact of the adoption of AUG AIR-1.

Other significant recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force ("EITF")), the American Institute of Certified Public Accountants, and the SEC may be discussed elsewhere in these notes to the consolidated financial statements. In the opinion of management, significant recent accounting pronouncements did not or will not have a material effect on the consolidated financial statements.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at September 30 consist of the followings:

<TABLE>
<CAPTION>

<S>	2006 <C>	2005 <C>
Construction contract billings	$ 268,975	$ 715,921
Testing	4,798	-
Maintenance billings	303,872	286,183
Consumer billings	85,114	165,375
	662,759	1,167,479
Less allowance for uncollectible amounts	(42,641)	(72,242)
	$ 620,118	$ 1,095,237

</TABLE>

NOTE 5 - UNCOMPLETED CONSTRUCTION CONTRACTS

The summary of activity on uncompleted construction contracts as of September 30 is as follows:

<TABLE>
<CAPTION>

<S>	2006 <C>	2005 <C>
Estimated earnings	$ 1,312,030	$ 951,252

Less billings to date	(1,240,000)	(951,000)
Costs and estimated earnings in excess of billings	71,424	19,652
Less billings in excess of costs and estimated earnings	(182,432)	(92,625)
	$ (111,008)	$ (72,973)

</TABLE>

<PAGE>

NOTE 6 - PROPERTY AND EQUIPMENT

Major classes of property and equipment at September 30 consist of the followings:

<TABLE>
<CAPTION>

<S>	2006 <C>	2005 <C>
Transportation equipment	$ 683,194	$ 654,172
Tools and equipment	163,545	149,038
Office furniture and equipment	241,724	216,386
Leasehold improvements	150,000	150,000
	1,238,463	1,169,596
Less accumulated depreciation and amortization	(854,157)	(757,760)
Net property and equipment	$ 384,306	$ 411,836

</TABLE>

Depreciation expense totaled $115,381, of which $10,067 was from discontinued operations for the year ended September 30, 2006 and $58,794 for the year ended September 30, 2005.

Acquisition of Assets

On December 9, 2005, the Company entered into an Asset Purchase and Sale Agreement with Pacific Coast Testing to acquire the assets of this fuel system testing company for $125,000. No liabilities were assumed as part of the transaction. The Company paid $75,000 of the purchase price at closing, and the remaining $50,000 was payable in May 2006. The final payment is subject to downward adjustment for issues that may arise subsequent to the transaction.

The assets acquired were valued at their fair market value, resulting in the recording of goodwill totaling $21,532, which was subsequently expensed (see Note 7). Following is a breakdown of the purchase price allocation:

	Amount
Vehicles	$ 57,455
Equipment	37,590
Inventory	8,423
Goodwill (see Note 6)	21,532

Goodwill (see Note 6)	21,532
	125,000
Purchase price	$ 411,836

Burr Northrop, the Company's President, advanced funds to the Company for the initial $75,000 purchase price payment, and the Company recorded this as an advance from related party. As noted below, the Company entered into a Note Purchase Agreement to finance the repayment of the advance, and the advance was repaid in January 2006. The advance and $500 of interest were paid to Mr. Northrop in January 2006.

NOTE 7 - IMPAIRMENT OF GOODWILL

The Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS No. 142") effective August 1, 2002. SFAS No. 142 addresses how intangible assets that are acquired individually or with a group of other assets should be accounted for in financial statements upon their acquisition. This statement requires goodwill amortization to cease and for goodwill to be periodically reviewed for impairment.

Under SFAS No. 142, goodwill impairment occurs if the net book value of a reporting unit exceeds its estimated fair value. The test completed in the second and third quarter of 2004 indicated that the recorded book value of the goodwill exceeded its fair value, as determined by discounted cash flows. The decrease in fair value is a result of:

<PAGE>

- o significant operating losses during the past nine months
- o unanticipated decline in revenues and profitability
- o loss of key personnel

As a result of these events and circumstances, Company management believed that the fair value of the goodwill (CPI - $3,238,483; AFFS - $2,855,626; and HB Covey - $954,911; see Note 1) had been reduced below its carrying value. As a result, management performed an evaluation of the tangible and intangible assets for purposes of determining the implied fair value of goodwill at September 30, 2004. Upon completion of the assessment, management recorded a non-cash impairment charge of $(7,049,020) net of tax, or $(0.70) per share during the year ended September 30, 2004, to reduce the carrying value of goodwill to its estimated value of zero at September 30, 2004. Considerable management judgment is necessary to estimate fair value. Accordingly, actual results could vary significantly from managements' estimates.

The Company merged the Testing Services division, acquired as part of the Asset Purchase and Sale Agreement with Pacific Coast Testing, with the Maintenance Services division and recorded a goodwill impairment charge of $21,532, which was the amount of goodwill recorded at acquisition.

NOTE 8 - DUE TO AFFILIATED ENTITIES

As discussed in Note 1, the Company completed a reorganization in 2004, and after failing to realize the then current business plan, two of the entities filed for bankruptcy protection in September 2004. The Company wrote-off its receivables from these entities in 2004. As of September 30, 2006 and 2005, the Company had liabilities to the affilIated entities totaling $54,000 and

$813,000, respectively.

NOTE 9 - NOTE PURCHASE AGREEMENT AND LIQUIDATED DAMAGES

In September 2004, the Company entered into a Note Purchase Agreement ("NPA #1") whereby the Company would borrow a minimum of $100,000 and a maximum of $1,500,000 pursuant to a secured convertible note or convertible notes. Through September 30, 2006, the Company has borrowed $1.1 million under NPA #1, and this amount is due on September 30, 2006. The notes are convertible into 42.5 million common shares, and the Company issued warrants to purchase 15.9 million common shares to the note holder pursuant to NPA #1. The shares underlying the convertible notes and warrants have registration rights. The registration rights agreement for NPA #1 provides for liquidated damages equal to 36% per annum of the note principal in the event that a registration statement to register the underlying shares is not filed timely or declared effective timely. The Company filed a registration statement to register the shares underlying the convertible note payable and warrants on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective. The Company recorded liquidated damages of $384,070 for the year ended September 30, 2006.

In December 2005, the Company executed a Note Purchase Agreement ("NPA #2") to provide for repayment of the advance by Burr Northrop that was used to pay the initial purchase price in the acquisition of Pacific Coast Testing. NPA #2 provides for funding of $100,000 pursuant to a convertible note payable, and the funding did not occur until January 2006. Accordingly, the transaction was recorded in January 2006. The note bears interest at 8% per year, is due December 30, 2007, and is convertible into 4.0 million shares of common stock. The Company issued warrants to purchase 4.0 million common shares to the note holder in December 2005. The value of the note proceeds were allocated to the beneficial conversion feature and the warrants, resulting in a discount equal to the face value of the note. The note discount is being amortized to interest expense beginning on the funding date. The shares underlying the convertible note and warrants have registration rights. The registration rights agreement for NPA #2 provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable and warrants on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective. The Company recorded liquidated damages of $27,090 for the year ended September 30, 2006.

<PAGE>

In January 2006, the Company executed a Note Purchase Agreement ("NPA #3") to convert $236,680 of accrued liquidated damages on NPA #1 into a note payable. The note bears interest at 8%, is due January 26, 2008, and is convertible into approximately 9.5 million shares of common stock based on a conversion rate of one common share for every $.025 of note principal. The value of the note proceeds were allocated to the beneficial conversion feature, resulting in a discount equal to the face value of the note. The note discount is being amortized to interest expense beginning on the funding date. The shares underlying the convertible note have registration rights. The registration rights agreement for NPA #3 provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective. The Company recorded liquidated damages of $64,118 for the year ended September 30, 2006.

In April 2006, the Company executed a Note Purchase Agreement ("NPA #4) to

convert $167,843 of accrued liquidated damages on NPA #1, NPA #2 and NPA #3 into a note payable. The note bears interest at 8%, is due April 20, 2008, and is convertible into approximately 6.7 million shares of common stock based on a conversion rate of one common share for every $.025 of note principal. The value of the note proceeds were allocated to the beneficial conversion feature, resulting in a discount equal to the face value of the note. The note discount is being amortized to interest expense beginning on the funding date. The shares underlying the convertible note have registration rights. The registration rights agreement for NPA #4 provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective. The Company recorded liquidated damages of $25,328 for the year ended September 30, 2006.

The Company recorded liquidated damages of $370,511 for all notes payable for the year ended September 30, 2005.

In October, 2006 the Company executed a Note purchase Agreement to convert $848,313 of accrued liquidated damages into a note payable. The note bears interest at 8%, is due on October 17, 2008, and is convertible into approximately 34 million shares of common stock based on a conversion rate of one common share for every $.025 of note payable. The shares underlying the convertible note have registration rights. . The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In December 2006, the Company executed a Note purchase Agreement to borrow $15,000 pursuant to a secured convertible note or convertible note. The note bears interest at 8%, is due on December 11, 2008, and is convertible into approximately 600,000 shares of common stock based on a conversion rate of one common share for every $.025 of note payable and the Company issued warrants to purchase 225,000 common shares to the note holder. The shares underlying the convertible note have registration rights. . The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

The notes referenced above are secured by the Company's assets, and the Company would lose all of its assets in the event of a default under the terms on the note agreements. Conversion of the convertible notes and exercise of the warrants issued pursuant to NPA #1, NPA #2, NPA #3 and NPA #4 are limited such that the note holder can not convert notes or exercise warrants that would result in beneficial ownership by the holder or its affiliates of more than 4.99% of the outstanding common shares on the conversion or exercise date.

<PAGE>

For income tax purposes the entire amount of the proceeds received at issuance of the debt is treated as the tax basis of the convertible debt security.

Borrowings under the Note Purchase Agreement and the related discounts are as follows as of September 30:

<TABLE>

<CAPTION>

<S>	2006 <C>	2005 <C>
Note proceeds	$ 1,566,535	$ 1,062,012
Discount for value assigned to Note Warrants	(821,944)	(741,944)
Discount for value assigned to Beneficial Conversion Feature	(744,591)	(320,068)
Amortization of discounts	1,214,806	525,680
Net carrying value of notes payable	$ 1,214,807	$ 525,680

</TABLE>

The values assigned to the Beneficial Conversion Feature and the Note Warrants are treated as a discount to the Notes, and are being amortized to interest expense over the terms of the Notes.

NOTE 10 - NOTES PAYABLE TO RELATED PARTIES

The Company has an outstanding note payable of $120,147 to Burr D. Northrop, the Company's President, at September 30, 2006. The Company issued the note in August 2005 as payment for tenant improvements to the leased facility. Mr. Northrop is the landlord of the leased property. The note bears interest at 8%, and provides for monthly payments of $3,041 through July 2010.

The Company converted a $50,000 note payable and $10,000 of interest payable to a related party into common stock through the issuance of 800,000 shares of common stock in August 2005.

NOTE 11 - CAPITAL STOCK

Issued and outstanding

The Company is authorized to issue 10,000,000 shares of preferred stock, with a par value of $0.001 per share. As of September 30, 2005, the Company had not issued any preferred stock. The Company is authorized to issue 100,000,000 shares of common stock, with a par value of $0.001 per share. As of September 30, 2006 and 20005, the Company has 32,530,840 and 28,405,825 shares of common stock issued and outstanding. As discussed below, the Company has 3,500 and 4,228,536 shares subscribed for future issuance as of September 30, 2006 and 2005, respectively.

In December 2003, the Company acquired through a Share Exchange Agreement, all of the issued and outstanding stock of CPI Development Inc. and Advanced Fuel Filtration Systems, Inc. and H.B. Covey, Inc. The total shares acquired of 67,824 were canceled subsequent to the acquisition. The Company also canceled 500 shares of treasury stock for $1,250,000 relating to CPI Development Inc.

During the year ended September 30, 2004, the Company completed a Capital Stock Exchange Agreement ("Agreement") with Cyber Public Relations, Inc., an inactive publicly registered shell corporation with no significant assets or operations. Effective with the Agreement, all except 315,000 out of total 2,199,000 shares of common stock were canceled and, in exchange, 8,550,000 shares of Cyber's restricted common stock were issued. Also, the Company issued 500,000 shares to the employees in relation to the acquisition.

During the year ended September 30, 2005, the Company issued 75,000 shares to a service provider, and recorded expense of $4,875. The fair market value of the shares issued did not materially differ from the value of the services rendered.

During the year ended September 30, 2005, the Company issued 1,500,000 shares of common stock to a former officer and director pursuant to the reorganization

common stock to a former officer and director pursuant to the reorganization
discussed in Note 1, and recorded $90,000 of expense related to the transaction.
The fair market value of the shares issued did not materially differ from the
value of the services rendered. The Company may be obligated to issue another
1,000,000 shares to the same person pursuant to the reorganization agreement,
and the Company recorded $60,000 of expense related to the transaction, and
accrued this amount as a liability. The Company is disputing the issuance of the
additional 1,000,000 shares.

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During the year ended September 30, 2005, the Company issued 16,667 shares of
common stock to an investor in an earlier sale of common stock as a goodwill
restructuring of the terms of the previous sale. The Company charged the amount
of $17 to additional paid-in capital.

During the year ended September 30, 2005, the Company entered into an agreement
with an individual to settle claims against one of the affiliated entities
totaling $398,125. The Company issued 500,000 shares of common stock and the
$398,125 was recorded as a reduction in the amount due to affiliated entities.

During the year ended September 30, 2005, the Company issued 800,000 shares of
common stock to satisfy a $50,000 note payable and $10,000 of interest payable
to a related party. The Company also issued 200,000 shares at $.075, the market
value on the date of issuance, to the same related party as incentive
compensation, and recorded compensation expense of $15,000 related to the
issuance.

During the year ended September 30, 2005, the Company issued 10,863,326 shares
of common stock that were subscribed in 2004.

In December 2005, the Company entered into a settlement agreement with a vendor
to satisfy accounts payable totaling $162,935. Terms of the agreement provided
for payment in cash of $35,000, and the issuance of 1,000,000 shares of common
stock. The common shares issued were valued at $90,000, or $0.09 per share,
which was the fair market value of the common stock on the agreement date. The
resulting gain on settlement totaling $37,935 was recorded as other income.

In March 2006, the Company cancelled 1,500,000 shares previously issued to a
former employee, and in April 2006, the Company issued 300,000 shares to replace
the cancelled shares pursuant to an agreement between the Company and the former
employee.

In April 2006, the Company issued 100,000 shares for public relations services
covering the three months from March to May, 2006. The Company recorded
compensation expense of $5,000 based on the closing market price of $0.05 on the
date of issuance, April 4, 2006.

During the year ended September 30, 2006, the Company issued 4,225,015 shares
that were previously subscribed. As of September 30, 2006, the Company has
subscribed for the issuance of 4,225 shares of common stock for services
rendered.

As of September 30, 2006, the Company has outstanding convertible notes that are
convertible into 62.7 million common shares and has outstanding warrants that
are exercisable for 24.4 million common shares. Conversion of the convertible
notes and exercise of the warrants for 19.9 million common shares are limited
such that the note holder can not convert notes or exercise warrants that would
result in beneficial ownership by the holder or its affiliates of more than
4.99% of the outstanding common shares on the conversion or exercise date.

The Company did not grant any stock options during the years ended September 30,
2006 or 2005.

Shares subscribed, not issued

During the year ended September 30, 2005, the Company subscribed 4,000,036 shares of common stock at $.025 per share to investors in a private placement. All subscribed shares had been issued as of September 30, 2006.

Following is a summary of the subscribed share activity:

<TABLE>
<CAPTION>

Common Stock Subscribed, Not Issued (Shares)

	Cash	Incentive Compensation	Services	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance at September 30, 2004	--	6,400,000	1,580,869	3,110,957	11,091,826
Shares subscribed	4,000,036	--	--	--	4,000,036
Issuance of subscribed shares	--	(6,400,000)	(1,352,369)	(3,110,957)	(10,863,326)
Balance at September 30, 2005	4,000,036	--	228,500	--	4,228,536
Issuance of subscribed shares	(4,000,036)	--	(225,000)	--	(4,225,036)
Balance at September 30, 2006	--	--	3,500	--	3,500

</TABLE>

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NOTE 11 - WARRANTS TO PURCHASE COMMON STOCK

The Company granted warrants in 2006 and 2005 in connection with capital formation efforts under the Note Purchase Agreement (see Note 8). The value attributed to the warrants has been credited to additional paid-in capital. The Company did not grant any stock options during the years ended September 30, 2005 or 2004.

Transactions involving warrants are summarized below:

	Warrants outstanding	Weighted average exercise price
Balance at September 30, 2004	16,854,055	$ 1.25
Granted	7,501,500	0.15
Exercised	--	

Cancelled	--	
Balance at September 30, 2005	24,355,555	$ 0.91
Granted	--	
Exercised	--	
Cancelled	(7,150,000)	
Balance at September 30, 2006	17,205,555	$ 0.31

The following is a further breakdown of the warrants outstanding as of September 30, 2006:

<TABLE>
<CAPTION>

Exercise prices	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price outstanding and exercisable
<S>	<C>	<C>	<C>
$ 0.15	15,930,180	3.05	$ 0.15
1.10	475,375	2.33	1.10
2.50	400,000	0.38	2.50
3.00	400,000	0.38	3.00
	17,205,555	2.91	$ 0.31

</TABLE>

The following is a further breakdown of the warrants outstanding as of September 30, 2005:

<TABLE>
<CAPTION>

Exercise prices	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price outstanding and exercisable
<S>	<C>	<C>	<C>
$ 0.15	15,930,180	4.00	$ 0.15
1.00	3,150,000	4.05	1.00
1.10	475,375	3.33	1.10

2.00	2,000,000	3.33	2.00
2.50	400,000	1.38	2.50
3.00	400,000	1.38	3.00
4.00	1,000,000	3.33	4.00
6.00	1,000,000	3.32	6.00
	24,355,555	3.74	$ 0.91

</TABLE>

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NOTE 12 - INCOME TAXES

The Company adopted Financial Accounting Standard No. 109, which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Components of the deferred tax benefit (expense) as of September 30 were as follows:

	2006	2005
Current:		
Federal	$ --	$ --
State	--	--
Deferred:		
Federal	364,000	13,000
State	93,000	51,000
Change in valuation allowance	(522,000)	(65,000)
Total	$ --	$ --

Components of deferred tax asset (liability) as of September 30 were as follows:

	2006	2005
Deferred tax liabilities current:	$ --	$ --
Beneficial conversion feature	(293,000)	(126,000)
Accrued interest	(322,000)	(291,000)

Deferred tax asset non-current:		
Net operating loss carryovers	$ 6,352,000	$ 5,697,000
Valuation allowance	(5,737,000)	(5,280,000)
Net deferred tax asset	$ --	$ --

For income tax reporting purposes, the Company's aggregate unused federal net operating losses approximate $16.3 milliion which expire through 2026, subject to limitations of Section 382 of the Internal Revenue Code, as amended.

The Company has provided a valuation reserve against the full amount of the net deferred tax asset, because in the opinion of management based upon the earning history of the Company, it is more likely than not that the benefits will not be realized.

Reconciliation of the differences between the statutory tax rate and the effective income tax rates were as follows:

	2006	2005
Statutory federal tax benefit rate	34.00%	34.00%
Statutory state tax benefit rate	5.83%	5.83%
	39.83%	39.83%
Valuation allowance	(39.83%)	(39.83%)
Effective income tax rate	0.00%	0.00%

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NOTE 13 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases 8,000 square feet of warehouse and office space in Chino, California from Burr D. Northrop, the Company's President. The monthly rental rate is $6,500, and the lease provides for 3% annual increases in rent beginning in August, 2007. The lease term is for five years, and expires in July, 2010.

The Company leased a storage yard near the warehouse and office space in Chino. The monthly rent under the lease was $1,000 per month. This lease was terminated in June, 2006.

The Company also leased two storage units in Los Angeles County for storing water heaters and related equipment that we used in the consumer services division. The combined monthly rent for these two units is $526 per month. This lease was terminated in June, 2006

Future payouts under the leases for the warehouse, office and storage space are as follows:

Year	Amount

2007	$ 78,400
2008	80,800
2009	83,200
2010	71,000
2011	--
	$313,400

Litigation

The Company was named as a defendant in several legal proceedings in the State of California alleging breach of contract and various fees in connection with the activities of our subsidiaries, Christie-Peterson Development, Advanced Fuel Filtration Systems, Inc., and H.B. Covey, Inc. The plaintiffs seek monetary damages. CPI and AFFS commenced Chapter 7 bankruptcy proceedings on September 30, 2004.

The proceedings described below are in various stages. While the ultimate effect of the legal actions described below cannot be predicted with certainty, we expect that the proceedings against our subsidiaries will not result in liability to us due to the ongoing bankruptcy of CPI and AFFS.

We do not expect the outcome of these matters to have a material effect on our financial condition or the results of our operations. The following lawsuits have been filed against us:

NK Heating & Air Conditioning filed complaint against the Company and its formerly owned subsidiary , CPI Development, Inc. in Los Angeles County Superior Court. The complaint alleges a breach of contract, and ask for damages of $98,000. The Company believes that it has meritorious defenses to the plaintiff's claims and intends to vigorously defend itself against the Plaintiff's claims.

Corona Service Park, et al filed complaint against the Company in the Central District of California of the United States District Court. The complaint alleges a breach of contract. The Company believes that it has meritorious defenses to the plaintiff's claims and intends to vigorously defend itself against the Plaintiff's claims.

The Company is also subject to other legal proceedings and claims which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have material adverse effect on its financial position, results of operations or liquidity

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Other than described above, we are not engaged in any other litigation, and are unaware of any claims or complaints that could result in future litigation. We will seek to minimize disputes with our customers but recognize the inevitability of legal action in today's business environment as an unfortunate price of conducting business.

Other

Our former chairman and chief executive officer, Steven Rosenthal filed a complaint against the Company in San Bernardino County Superior Court. The claim alleges the Company owes $761,539 relating to the termination of his employment agreement in 2004. As of the date of this report, the Company is disputing Mr.

Rosenthal's claim that our obligations to him under the employment contract are still in force and effect.

Pursuant to the agreement with Mr. Rosenthal, which was to terminate on November 30, 2006, he was to receive a salary of $360,000 per year, plus bonuses, cost of living increases, and other benefits. The agreement was renewable. In addition, Mr. Rosenthal received 1,000,000 shares of our common stock upon execution of his agreement. The Company has taken the position that the agreement has been terminated.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Company leases 8,000 square feet of warehouse and office space in Chino, California from Burr D. Northrop, the Company's President. The monthly rental rate is $6,500, and the lease provides for 3% annual increases in rent beginning in August, 2007. The lease term is for five years, and expires in July, 2010. Total future payments under the lease as of September 30, 2005 total $391,400. Management believes that these facilities are adequate for current operations. However, management expects that we could locate other suitable facilities at comparable rates, should more space be needed.

For the years ended 2006 and 2005, The Company paid Terence Leong, a board member, or his company an aggregate of $11,000 and $46,000 for consulting services provided to the Company.

Also, see Note 10, Notes Payable to Related Parties.

NOTE 15 - SEGMENT INFORMATION

Prior to September 30, 2004, the Company operated and reported its business operations internally in one business segment. With the signing of the contract with Sears in October 2004 to install hot water heaters and other consumer products, the Company began reporting its operations internally in three business segments: Construction Services, Maintenance Services and Consumer Services. The accounting policies for these reportable segments are the same as those of the Company as disclosed in Note2.

These segments operate in the United States, and their markets are regional to the West Coast. During the years ended September 30, 2006 and 2005, we recognized approximately 55 percent and 45 percent, respectively, of our consolidated revenue from continuing operations from three significant customers. While we consider our relationships with the customers to be satisfactory, given the concentration of our sales to a few key customers, our continued relationships may be subject to the policies and practices of the customers. We continue to concentrate our efforts on expanding our customer base in order to reduce our reliance on our current customers. Intersegment revenues are not material and are not shown in the following tables.

In September 2004, we formally filed for Chapter 7 bankruptcy protection for two of our subsidiaries, CPI and Advanced Fuel. All operations for CPI and Advanced Fuel are reflected as discontinued operations and are not included in the segment information below.

In June 2006, The Company discontinued its Consumer Services division and the results of these operations were included in discontinued operations and are not included in the segment information below. see Note 16.

Construction Services

Construction Services specializes in construction of fueling installations for the retail petroleum industry, commercial and industrial users, municipal organizations, and major equipment manufacturers. Customers are primarily located in California. In 2005, construction contracts ranged in value up to $1.0 million.

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Maintenance Services

Maintenance Services provides services to fueling installations. Services consist of procedures to ensure the proper maintenance and functioning of the fueling installations. Customers are primarily located in California.

Other

The Company's other segment includes corporate general and administrative expenses and interest expense.

The following table provides selected summary financial data by segment:

<TABLE>
<CAPTION>

	For the year ended September 30, 2006			
	Construction	Maintenance	Other	Consolidated
Revenues	$ 2,180,005	$ 2,415,958	$ --	$ 4,595,962
Cost of sales	1,729,932	909,743	--	2,639,675
Gross profit	450,073	1,506,215	--	1,956,288
Operating expenses	430,978	700,417	653,771	1,785,767
Depreciation expense and goodwill impairment	12,109	53,501	39,705	105,314
Goodwill impairment	--	(21,532)	--	(21,532)
Loss on sale of fixed assets	--	(7,334)	--	(7,334)
Amortization of note discount	--	--	(689,127)	(689,127)
Liquidated damages	--	--	(500,606)	(500,606)
Interest expense	--	--	(131,160)	(131,160)
Income tax (expense) benefit	--	--	--	--
Income (Loss) from operations	6,986	723,430	(2,014,369)	(1,283,592)
Total assets	406,596	820,392	437,850	1,664,568

</TABLE>

<TABLE>
<CAPTION>

For the year ended September 30, 2005

	Construction	Maintenance	Other	Consolidated
<S>	<C>	<C>	<C>	<C>
Revenues	$ 2,556,708	$ 2,542,066	$ --	$ 5,098,774
Cost of sales	1,315,755	1,581,328	--	2,897,083
Gross profit	1,240,953	960,738	--	2,201,691
Operating expenses	365,221	580,012	1,336,730	2,281,963
Depreciation expense and goodwill impairment	--	13,300	45,494	58,794
Goodwill impairment	--	--	--	--
Loss on sale of fixed assets	--	--	--	--
Amortization of note discount	--	--	525,680	525,680
Liquidated damages	--	--	370,511	370,511
Interest expense	--	--	114,051	114,051
Income tax (expense) benefit	--	--	--	--
Income (Loss) from operations	875,732	367,426	(2,392,466)	(1,149,308)
Additions to long-lived assets	783,264	755,811	366,899	1,905,974

</TABLE>

<PAGE>

NOTE 16 - DISCONTINUED OPERATIONS

In June 2006, the Company discontinued the operations of the Consumer Services division, which consisted primarily of installation of home consumer products for a major retailer. The employees of the Consumer Services division were laid-off in and the fixed assets used in the Consumer Services Division were transferred to the Company's other divisions. The net loss from discontinued operations for years ended September 30, 2006 and 2005 were $184,787 and $81,952, respectively.

NOTE 17 - SUBSEQUENT EVENTS

In October, 2006 the Company executed a Note purchase Agreement to convert $848,313 of accrued liquidated damages into a note payable. The note bears interest at 8%, is due on October 17, 2008, and is convertible into

approximately 34 million shares of common stock based on a conversion rate of one common share for every $.025 of note payable. The shares underlying the convertible note have registration rights. . The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In December 2006, the Company executed a Note purchase Agreement to borrow $15,000 pursuant to a secured convertible note or convertible note. The note bears interest at 8%, is due on December 11, 2008, and is convertible into approximately 600,000 shares of common stock based on a conversion rate of one common share for every $.025 of note payable and the Company issued warrants to purchase 225,000 common shares to the note holder. The shares underlying the convertible note have registration rights. . The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

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ITEM 8 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 8A. CONTROLS AND PROCEDURES

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Sections 13a-14(c) and 15d- 14(c) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. The evaluation was undertaken in consultation with our accounting personnel. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

Effective on October 25, 2005, the Company dismissed Russell Bedford Stefanou Mirchandani, LLP ("RBSM") by declining to renew the engagement of RBSM as the independent accountant engaged to audit the financial statements of the Company and engaged Mendoza Berger & Co., LLP as its new independent registered public accounting firm for fiscal year ending September 30, 2006 and 2005.

While we believe our disclosure controls and procedures and our internal control over financial reporting are adequate, no system of controls can prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's

objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with its policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 8B. OTHER INFORMATION

None.

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS;COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The following table sets forth the name, age, and position of each executive officer and director who have served during the fiscal year ended September 30, 2006 and the term of office of each director of the Company.

Name	Age	Position
Burr D. Northrop	43	President/Principal Financial Officer/ Principal Accounting Officer/Chairman of the Board of Directors
Terence F. Leong	41	Director

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Directors of the Company hold their offices until the next annual meeting of the Company's shareholders until their successors have been duly elected and qualified or until their earlier resignation, removal of office or death. The Board of Directors met three times in fiscal 2005. The officers of the Company are elected by the Board of Directors to serve until their successors are elected and qualified.

BURR D. NORTHROP: Burr D. Northrop managed compliance programs and fuel system renovations at Connor Environmental from March 1990 until June 1993. He served as president of Kaliber Construction and Engineering from June 1992 until June 1994, where he undertook soil and groundwater remediation projects. From 1992 until the present, he has served as vice president, secretary, treasurer, and president of H.B. Covey, Inc., our wholly-owned subsidiary. He was elected as our president on September 28, 2004.

TERENCE F. LEONG: Terence F. Leong, since 1996, has been the owner of Walker Street Associates, a management consulting firm. Mr. Leong started assisting the Company in August, 2004 by preparing a comprehensive review of the Company, its management and its operations. Mr. Leong joined the Board of Directors in September, 2004. He assists the Company on its capital requirements, strategic and operational management of its current and future operations.

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INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

To the best of our knowledge, during the past five years, none of the following occurred with respect to a present or former director or executive officer of the Company: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of any competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the commodities futures trading commission to have violated a Federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, directors and persons who own more than 10% of a registered class of our equity securities to file certain reports with the SEC regarding ownership of, and transactions in, our securities. Such officers, directors and 10% shareholders are also required by the SEC to furnish us with all Section 16(a) forms that they file.

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file reports of beneficial ownership and changes in beneficial ownership of the Company's securities with the SEC on Form 3 (Initial Statement of Beneficial Ownership), Form 4 (Statement of Changes of Beneficial Ownership of Securities) and Form 5 (Annual Statement of Beneficial Ownership of Securities). Directors, executive officers and beneficial owners of more than 10% of the Company's Common Stock are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms that they file. Except as otherwise set forth herein, based solely on review of the copies of such forms furnished to the Company, or written representations that no reports were required, the Company believes that for the fiscal year ended September 30, 2006, beneficial owners complied with Section 16(a) filing requirements applicable to them, except that our executives are in the process of completing the appropriate forms but have not filed such forms for fiscal year ended September 30, 2006.

CODE OF ETHICS

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The code of ethics is designed to deter wrongdoing and to promote:

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o Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

o Full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submits to, the SEC and in other public communications made by us;

o Compliance with applicable governmental laws, rules and regulations;

o Compliance with applicable governmental laws, rules and regulations;

o The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and

o Accountability for adherence to the code.

A copy of our code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions was filed as Exhibit 14.1 to the Annual Report on Form 10-KSB for September 30, 2004.

We will provide to any person without charge, upon request, a copy of our code of ethics. Any such request should be directed to our corporate secretary at 3233 Grand Avenue, Suite N-353, Chino Hills, California 91709.

ITEM 10. EXECUTIVE COMPENSATION

SUMMARY OF CASH AND CERTAIN OTHER COMPENSATION

The following table provides certain summary information concerning the compensation earned by the named executive officers (determined as of the end of the most recent fiscal year) for services rendered in all capacities to Entech Environmental Technologies, Inc. and our subsidiaries for the fiscal years ended September 30, 2006 and 2005. No other officer had compensation of $100,000 or more for 2006 and 2005.

<TABLE>
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Summary Compensation Table

		Annual compensation			Long term compensation			
					Awards		Payouts	
Name and principal position	Year	Salary ($)	Bonus ($)	Other annual compensation ($)	Restricted stock awards ($)	Securities underlying options/ SARs	LTIP payouts ($)	All other compensation ($)
Burr D. Northrop (1)	2006	150,010	-	-	-	-	-	12,000
	2005	150,007	70,000	-	-	-	-	17,568
Kenneth Green (2)	2006	120,000	-	-	-	-	-	9,010
	2005	119,998	-	-	15,000	-	-	6,300

</TABLE>

(1) Mr. Northrop served as co-president with Mr. Parker until September 28, 2004, at which time Mr. Northrop became president. Annual compensation includes

2004, at which time Mr. Northrop became president. Annual compensation includes salary paid to Mr. Northrop. Restricted stock awards include 3,000,000 shares of our restricted common stock. All other compensation includes a car allowance and health insurance reimbursements. We recorded a bonus to Mr. Northrop of $70,000 for 2005.

(2) Mr. Green serves as a vice president. Annual compensation includes salary paid to Mr. Green. Restricted stock awards include 200,000 shares of our restricted common stock. All other compensation consists of a car allowance.

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EMPLOYMENT AGREEMENTS, TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENT

There are no current employment agreements between the named executive officers in the table above and us. In August, 2005, we executed an employment agreement with Kenneth Green, our newly appointed Vice President. The employment agreement with Kenneth Green has a term of three years, with an initial salary of $120,000 per year. In addition, Mr., Green was awarded an initial payment of 200,000 restricted shares of our common stock. There are no changes of control arrangements, either by means of a compensatory plan, agreement, or otherwise, involving our current or former executive officers. Our former chairman and chief executive officer, Steven Rosenthal did not agree to the termination of his employment agreement with us. As of the date of this report, we are disputing Mr. Rosenthal's claim that our obligations to him under the employment contract are still in force and effect.

Pursuant to the agreement with Mr. Rosenthal, which was to terminate on November 30, 2006, he was to receive a salary of $360,000 per year, plus bonuses, cost of living increases, and other benefits. The agreement was renewable. In addition, Mr. Rosenthal received 1,000,000 shares of our common stock upon execution of his agreement. The claim alleges the Company owes $761,539 relating to the termination of his employment agreement in 2004. As of the date of this report, we are disputing Mr. Rosenthal's claim that our obligations to him under the employment contract are still in force and effect.

OPTIONS AND STOCK APPRECIATION RIGHTS GRANT TABLE

There were no grants of stock options to the Named Executive Officers during the fiscal year ended September 30, 2005.

AGGREGATED OPTION EXERCISES AND FISCAL YEAR-END OPTION VALUE TABLE

We did not have any outstanding stock options or stock appreciation rights at end the fiscal year ended September 30, 2006.

LONG-TERM INCENTIVE PLAN AWARDS TABLE

We do not have any Long-Term Incentive Plans.

COMPENSATION OF DIRECTORS

During 2006, we did not compensate any of our directors for their services as board members.

INDEMNIFICATION OF OFFICERS AND DIRECTORS

Our Articles of Incorporation and Bylaws provide for indemnification of officers and directors to the fullest extent permitted by Florida law. It is possible that we will be required to pay certain judgments, fines and expenses incurred by an officer or director, including reasonable attorneys fees, as a result of actions or proceedings in which such officers and directors are involved by reason of being or having been an officer or director provided that said officers or directors acted in good faith.

officers or directors acted in good faith.

DISCLOSURE OF SECURITIES AND EXCHANGE COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities (other than the payment of expenses incurred or paid by a director, officer or controlling person of Intelligent Business Systems Group, Inc. in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth, as of September 30, 2006, information concerning ownership of our securities by:

- o Each person who owns beneficially more than five percent of the outstanding shares of our common stock;
- o Each director;
- o Each named executive officer; and
- o All directors and officers as a group.

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	Shares beneficially owned (2)	
Name of beneficial owner (1)	Number	Percent
Burr D. Northrop	4,283,524	13.2%
Kenneth Green	1,000,000	3.1%
Terence F. Leong	950,000	2.9%
All directors and executive officers as a group (three persons)	6,233,524	19.2%
Robert K. Christie (3)	5,583,333	17.2%
Horizon Capital Investors LP (4)	2,085,000	6.4%
Douglas L. Parker	1,753,265	5.4%

(1) Unless otherwise indicated, the address for each of these stockholders is c/o Entech Environmental Technologies, Inc. 3233 Grand Avenue, Suite N-353, Chino Hills, CA, 91709. Also, unless otherwise indicated, each person named in the table above has the sole voting and investment power with respect to our shares of common stock which he or she beneficially owns.
(2) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. As of December 26, 2005, there were issued and outstanding 32,530,840 shares of our common stock.
(3) Mr. Christie is a former officer and director, and we may be obligated to issue him an additional 1,000,000 shares pursuant to an agreement we reached with him in September 2004. We are disputing the issuance of the additional shares, and have recorded a liability on the balance sheet as of September 30,

2005 related to the potential issuance.
(4) These shares were acquired on December 17, 2004 from Barron Partners LP in a private transaction.

There are no arrangements, known to us, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of Entech Environmental Technologies, Inc.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We lease our 8,000 square foot warehouse and office space in Chino, California from Burr D. Northrop, our President. The monthly rental rate is $6,500, and the lease provides for 3% annual increases in rent beginning in August, 2007. The lease term is for five years, and expires in July, 2010. Total future payments under the lease as of September 30, 2006 total $313,400.

We have an outstanding note payable of $120,147 to Burr D. Northrop at September 30, 2006. The Company issued the note in August 2005 as payment for tenant improvements to the leased facility. As noted above, Mr. Northrop is the landlord of the leased facility. The note bears interest at 8%, and provides for monthly payments of $3,041 through July 2010.

We converted a $50,000 note payable and $10,000 of interest payable to Kenneth Green into common stock through the issuance of 800,000 shares of common stock in August 2005.

We entered into note purchase agreements with Barron Partners LP in September 2004, and have borrowed a total of $1.1 million under these agreements through September 30, 2005. The notes issued pursuant to the agreements are convertible into 42.5 million shares at September 30, 2005. We also issued warrants to purchase 15.9 million shares at $0.15 per share.

We borrowed an additional $100,000 under note a payable agreement for the year ended September 30, 2006. We entered in to agreements to convert $404,523 of accrued liquidating damages to notes payable. These notes are convertible into an additional 40 million shares as of September 30, 2006.

The Company paid Terence Leong, a board member, or his company an aggregate of $11,000 and $46,000 for consulting services provided to the Company for 2006 and 2005, respectively.

Except as noted above, no related party had any material interest, direct or indirect, in any transaction with us or in any presently proposed transaction that has or will materially affect us:

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Any of our directors or officers;

Any person proposed as a nominee for election as a director;

Any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to our outstanding shares of common stock;

Any of our promoters;

Any relative or spouse of any of the foregoing persons who has the same house as such person.

ITEM 13. EXHIBITS

1.1** Investment Banking Agreement with Windstone Capital Partners dated

October 24, 2003

2.1** Plan and Agreement of Triangular Merger Between Environmental Technologies, Inc., Parr Sub One, Inc. and Christie-Peterson Development dated December 29, 2003

2.2** Agreement of Merger between Christie-Petersen Development and Parr Sub One, Inc. filed December 30, 2003

2.3** Plan and Agreement of Triangular Merger Between Environmental Technologies, Inc., Parr Sub Two, Inc. and Advanced Fuel Filtration Systems, Inc. dated December 29, 2003

2.4** Agreement of Merger between Advanced Fuel Filtration, Inc. and Parr Sub Two, Inc. filed December 30, 2003

2.5** Plan and Agreement of Triangular Merger Between Environmental Technologies, Inc., Parr Sub Three, Inc. and H.B. Covey, Inc. dated December 29, 2003

2.6** Agreement of Merger between H.B. Covey, Inc. and Parr Sub Three, Inc. filed December 30, 2003

3.1.1** Articles of Incorporation of Cyber Public Relations, Inc., filed June 18, 1998

3.1.2** Amended and Restated Articles of Incorporation of Cyber Public Relations, Inc., changing the name of the corporation to Entech Environmental Technologies, Inc., filed March 22, 2004

3.1.3** Articles of Incorporation of Point 2 Point Services, Inc., filed April 5, 2001

3.1.4** Certificate of Amendment to Articles of Incorporation of Point 2 Point Services, Inc., changing the name of the corporation to Parr Development, Inc., filed December 31, 2002

3.1.5** Amended and Restated Articles of Incorporation of Parr Development, Inc., changing the name of the corporation to Environmental Technologies, Inc., filed November 25, 2003

3.1.6** Articles of Incorporation of Parr Sub One, Inc. filed December 19, 2003

3.1.7** Articles of Incorporation of Parr Sub Two, Inc. filed December 19, 2003

3.1.8** Articles of Incorporation of Parr Sub Three, Inc. filed December 19, 2003

3.1.9** Articles of Incorporation of Christie-Petersen Development filed September 15, 1995

3.1.10** Articles of Incorporation of YLD/Clean Fuels, Inc. filed September 18, 1995

3.1.11** Certificate of Amendment of Articles of Incorporation of YLD/Clean Fuels, Inc., changing the name of the corporation to Advanced Fuel Filtration, Inc., filed September 27, 1997

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3.1.12** Articles of Incorporation of H.B. Covey, Inc., filed March 19, 1971

3.2.1** Bylaws of Cyber Public Relations, Inc., adopted July 5, 1998

3.2.2** Amended Bylaws of Cyber Public Relations, Inc. adopted February 16, 2004

3.2.3** Amended and Restated Bylaws of Entech Environmental Technologies, Inc., adopted April 28, 2004

3.2.4** Bylaws of Point 2 Point Services, Inc

3.2.5** Bylaws of Parr Sub One, Inc. , adopted December 29, 2003

3.2.6** Bylaws of Parr Sub Two, Inc., adopted December 29, 2003

3.2.7** Bylaws of Parr Sub Three, Inc., adopted December 29, 2003

3.2.8** Bylaws of Christie-Petersen Development, adopted September 22, 1995

3.2.9** Bylaws of YLD/Clean Fuels, Inc. dated October 6, 1995

3.2.10** Bylaws of Entech Environmental Technologies, Inc. adopted February 4, 2004

3.2.11** Restated Bylaws of H.B. Covey, Inc. adopted April 1, 1999

3.3.1** Charter of the Audit Committee of the Board of Directors of Cyber Public Relations, Inc., adopted January 29, 2004

3.3.2** Charter of the Compensation Committee of the Board of Directors of Cyber Public Relations, Inc., adopted January 29, 2004

4.1** Registration Rights Agreement with Barron Partners, LP regarding registration of shares, dated January 23, 2004

4.2** Registration Rights Agreement with Wood Capital Associates, regarding registration of shares, dated January 23, 2004

4.3** Registration Rights Agreement with Patricia L. Fiorese, regarding registration of shares, dated January 23, 2004

4.4** Registration Rights Agreement with Vance Luedtke, regarding registration of shares, dated January 23, 2004

4.5** Registration Rights Agreement with Diane C. Burge, regarding registration of shares, dated January 23, 2004

4.6** Registration Rights Agreement with Clayton Chase, regarding registration of shares, dated January 23, 2004

4.7** Registration Rights Agreement with James W. Moldermaker, regarding registration of shares, dated January 23, 2004

4.8** Registration Rights Agreement with J. Kevin Wood, regarding registration of shares, dated January 23, 2004

4.9** Registration Rights Agreement with Thomas Sheridan, regarding registration of shares, dated January 23, 2004

4.10** Registration Rights Agreement with San Diego Torrey Hills Capital, regarding registration of shares, dated January 23, 2004

4.11** Registration Rights Agreement with Norman E. Clarke, regarding registration of shares, dated January 23, 2004

4.12** Registration Rights Agreement with Steven R. Green, regarding registration of shares, dated January 23, 2004

10.1** Robert K. Christie Employment Agreement, dated December 15, 2003

10.2** Steven D. Rosenthal Employment Agreement, dated December 15, 2003

10.3** Douglas L. Parker Employment Agreement, dated December 15, 2003

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10.4** James R. Christ Employment Agreement, dated December 31, 2003

10.5** Stock Pledge Agreement between Robert K. Christie and Environmental Technologies, Inc. dated December 29, 2003

10.6** Stock Purchase Escrow Agreement between Barron Partners, LP, Cyber Public Relations, Inc. and Harbour, Smith, Harris &Merritt, P.C. dated January 21, 2004

10.7** Capital Stock Exchange Agreement between the Registrant and the Stockholders of Environmental Technologies, Inc., dated January 21, 2004

10.8** Stock Purchase Agreement between Environmental Technologies, Inc. and Barron Partners, LP dated January 14, 2004

10.9** Amendment to Stock Purchase Agreement between Environmental Technologies, Inc. and Barron Partners, LP dated January 21, 2004

10.10** Lease Agreement, effective October 1, 1999

10.11** Lease Agreement, effective September 1, 2001

10.12** Lease Agreement, effective November 15, 2002

10.13** Amendment No. 2 to Lease, effective July 31, 2003

10.14** First Amendment to Lease, effective September 3, 2003

10.15** Cyber Public Relations, Inc. A Warrant for the Purchase of Common Stock

10.16** Cyber Public Relations, Inc. B Warrant for the Purchase of Common Stock

10.17** Cyber Public Relations, Inc. C Warrant for the Purchase of Common Stock

10.18** Cyber Public Relations, Inc. D Warrant for the Purchase of Common Stock

10.19** Cyber Public Relations, Inc. E Warrant for the Purchase of Common Stock

10.20** Cyber Public Relations, Inc. Warrant for the Purchase of Common Stock, Wood Capital Associates

10.21** Cyber Public Relations, Inc. Warrant for the Purchase of Common Stock, Patricia L. Fiorese

10.22** Cyber Public Relations, Inc. Warrant for the Purchase of Common Stock, Vance Luedtke

10.23** Entech Environmental Technologies, Inc. Warrant for the Purchase of Common Stock, Diane C. Burge

10.24** Entech Environmental Technologies, Inc. Warrant for the Purchase of Common Stock, Clayton Chase

10.25** Entech Environmental Technologies, Inc. Warrant for the Purchase of

Common Stock, James W. Moldermaker

10.26** Entech Environmental Technologies, Inc. Warrant for the Purchase of Common Stock, J. Kevin Wood

10.27** Entech Environmental Technologies, Inc. Warrant for the Purchase of Common Stock, Thomas Sheridan

10.28** Entech Environmental Technologies, Inc. Warrant for the Purchase of Common Stock, San Diego Torrey Hills Capital

10.29** Entech Environmental Technologies, Inc. Warrant for the Purchase of Common Stock, Norman E. Clarke

10.30** Entech Environmental Technologies, Inc. Warrant for the Purchase of Common Stock, Steven R. Green

10.31** Settlement Agreement with Norman T. Reynolds, Esq., dated September 23, 2004

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10.32** Settlement Agreement with Stonegate Securities, dated September 21, 2004

10.33** Settlement Agreement with Russell Bedford Stefanou Mirchandani LLP, dated September 21, 2004

10.34** Settlement Agreement with Birch Advisors Ltd. dated September 30, 2004

10.35** Settlement Agreement with Gerald Foster dated September 30, 2004

10.36** Secured Convertible Note between Entech Environmental Technologies, Inc. and Barron Partners, L.P. dated September 30, 2004

10.37** Cyber Public Relations, Inc. Warrant for the Purchase of Common Stock, Barron Partners, L.P.

10.38** Note Purchase Agreement between Environmental Technologies, Inc. and Barron Partners, LP dated September 30, 2004

10.39** Registration Rights Agreement with Barron Partners, LP regarding registration of shares, dated September 30, 2004

10.40** Entech Environmental Technologies, Inc. Warrant for the Purchase of Common Stock for Barron Partners, LP

10.41** Escrow Agreement between Entech Environmental Technologies, Inc., Robert K. Christie and Norman T. Reynolds dated September 29, 2004

10.42** Warrant Cancellation from Barron Partners, L. P. dated September 30, 2004

10.43** Settlement Agreement with San Diego Torrey Hills Capital, Inc. dated September 1, 2004

10.44** Settlement Agreement with Donald G. St. Clair, CPA dated September 30, 2004

10.45** Termination of Investment Banking Agreement dated September 1, 2004

10.46** Note Purchase Agreement between Environmental Technologies, Inc. and Barron Partners, LP dated December 30, 2005.

10.47** Registration Rights Agreement with Barron Partners, LP regarding

registration of shares, dated December 30, 2005.

10.48** Secured Convertible Note between Entech Environmental Technologies, Inc. and Barron Partners, L.P. dated December 30, 2005.

10.49** Entech Environmental Technologies, Inc. Warrant for the Purchase of Common Stock, Barron Partners, LP.

10.50* Secured Convertible Note between Entech Environmental Technologies, Inc. and Barron Partners, L.P. dated October 17, 2006.

10.51* Secured Convertible Note between Entech Environmental Technologies, Inc. and Barron Partners, L.P. dated December 11, 2006.

10.52* Registration Rights Agreement with Barron Partners, LP regarding registration of shares, dated December 11, 2006.

21.1** Subsidiaries

23.1* Consent of Independent Auditors

31.1* Certification of Chief Executive Officer pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.302 of the Sarbanes-Oxley Act of 2002.

31.2* Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.302 of the Sarbanes-Oxley Act of 2002.

32.2* Certification of Chief Executive Officer pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to .906 of the Sarbanes-Oxley Act of 2002.

32.2* Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to .906 of the Sarbanes-Oxley Act of 2002.

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* Filed herewith.
** Previously Filed

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ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Year ended 2006:

AUDIT FEES

As of September 30, 2006, Mendoza Berger & Company, LLP ("Mendoza") had completed its billings for all services related to the audit of our annual financial statements for 2006. Through the date of this report, Mendoza had billed us approximately $30,000 for audit and review services for the year ended September 30, 2006.

AUDIT-RELATED FEES

The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements for 2006 were $0.

ALL OTHER FEES

There were no other fees billed by Russell Bedford Stefanou Mirchandani LP ("RBSM") for professional services rendered, other than as stated under the

captions Audit Fees and Audit-Related Fees for 2005. Mendoza billed us approximately $12,000 for services related SEC comments regarding filing of Form SB-2.

Year ended 2005:

AUDIT FEES

The aggregate fees billed for professional services rendered by RBSM for the audit and review of our annual financial statements for 2005 were approximately $30,000 prior to being replaced by ("Mendoza").

The aggregate fees billed by Mendoza for services related to the audit of our annual financial statements for 2005 were approximately $28,000.

AUDIT-RELATED FEES

The aggregate fees billed by RBSM and Mendoza for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements for 2005 were $0.

ALL OTHER FEES

There were no other fees billed by RBSM or Mendoza for professional services rendered, other than as stated under the captions Audit Fees and Audit-Related Fees for 2005.

AUDITOR INDEPENDENCE

Our Board of Directors considers that the work done for us in the year ended September 30, 2005 by RBSM is compatible with maintaining RBSM's. Our Board of Directors considers that the work done for us related to the audit for the years ended September 30, 2006 and 2005 by Mendoza is compatible with maintaining Mendoza's independence.

AUDITOR'S TIME ON TASK

All of the work expended by RBSM and Mendoza on our September 30, 2006 and 2005 audit was attributed to work performed by their full-time, permanent employees.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENTECH ENVIRONMENTAL TECHNOLOGIES, INC.

Signature	Title	Date
/s/ Burr D. Northrop -------------------- Burr D. Northrop	Chief Executive Officer and Director	January 16, 2007

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