

EYI INDUSTRIES INC.  
Form POS AM  
May 10, 2007

As filed with the Securities and Exchange Commission on May 9, 2007  
Registration No. 333-134796

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
POST-EFFECTIVE AMENDMENT NO. 1**

**TO  
FORM SB-2  
REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933**

**EYI INDUSTRIES INC.**  
(Name of registrant as specified in its charter)

**Nevada**  
(State or Other Jurisdiction  
of Incorporation or  
Organization)

**2833**  
(Primary Standard Industrial  
Classification Code Number)

**88-0407078**  
(I.R.S. Employer  
Identification No.)

**7865 Edmonds Street  
Burnaby, BC  
Canada V3N 1B9  
604-759-5031**  
(Address and telephone number  
of principal executive offices)

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Approximate date of commencement of proposed sale of the securities to the public: **As soon as practicable after this registration statement becomes effective.**

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

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

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

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

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

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

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**PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION, DATED MAY \_\_, 2007**

**EYI INDUSTRIES INC.  
739,976,079 SHARES OF COMMON STOCK**

This Prospectus relates to the sale of up to 739,976,079 shares of EYI Industries' common stock by certain persons, who are, or will become, stockholders of EYI Industries. From June 23, 2006, the date the accompanying registration statement was declared effective by the Securities and Exchange Commission, through May 1, 2007, the selling shareholders have sold 131,058,459 shares of EYI's common stock out of 739,976,079 shares registered.

Please refer to "Selling Stockholders" beginning on page 20.

EYI Industries is not selling any shares of common stock in this offering and therefore will not receive any proceeds from this offering. We did, however, receive proceeds from the sale of convertible debentures and we are registering shares of common stock underlying these convertible debentures in the accompanying registration statement.

The shares of common stock are being offered for sale by the selling stockholders at prices established on the Over-the-Counter Bulletin Board during the term of this offering. These prices will fluctuate based on the demand for the shares of common stock. On May 1, 2007, the last reported sales price of our common stock was \$0.005 per share.

Brokers or dealers effecting transactions in these shares should confirm that the shares are registered under applicable state law or that an exemption from registration is available.

Our common stock is quoted on the Over-the-Counter Bulletin Board under the symbol "EYII."

These securities are speculative and involve a high degree of risk. Please refer to "Risk Factors" beginning on page 7.

No underwriter or person has been engaged to facilitate the sale of shares of common stock in this offering. This offering will terminate 24 months after the accompanying registration statement is declared effective by the Securities and Exchange Commission. None of the proceeds from the sale of stock by the selling stockholder will be placed in escrow, trust or any similar account.

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

**The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this Prospectus is \_\_\_\_\_ \_\_, 2007

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Our audited financial statements for the fiscal year December 31, 2006 are contained in our Annual Report on Form 10-KSB.

## PROSPECTUS SUMMARY

The following Prospectus Summary contains the most material information on EYI Industries Inc. You should read the entire Prospectus carefully, including “Risk Factors” and our Financial Statements and the notes to the Financial Statements before making any investment decision.

### OUR COMPANY

We are in the business of selling, marketing, and distributing a product line consisting of approximately 26 nutritional products in four categories: dietary supplements; personal care products; water filtration systems; and a fuel additive product. Currently, our product line consists of: (i) 18 dietary supplement products; (ii) 5 personal care products consisting primarily of cosmetic and skin care products; (iii) 2 water filtration system products; and (iv) 1 fuel additive product. Our products are primarily manufactured by and sold by us under a license and distribution agreement with Nutri Diem, Inc. (“NDI”). Certain of our own products are manufactured for us by third party manufacturers pursuant to formulations developed for us. Our products are sold in the United States, Canada, the Philippines and Hong Kong. Our products are marketed through a network marketing program in which IBAs purchase products for resale to retail customers as well as for their own personal use. We have a list of over 385,000 IBAs, of which approximately 8,000 we consider “active”. An “active” independent business associate is one who purchased our products within the preceding 12 months. Approximately 1,750 of these IBAs are considered “very active”. A “very active” IBA is one who is on our automatic Convenience Program which allows our IBAs to set up a reoccurring order that is automatically shipped to them each month.

Our independent auditors have added an explanatory paragraph to their audit issued in connection with the financial statements for the period ended December 31, 2006, relative to our ability to continue as a going concern. We have negative working capital of approximately \$4,025,000 and an accumulated deficit incurred through December 31, 2006 of \$18,452,975, which raises substantial doubt about our ability to continue as a going concern. Our ability to obtain additional funding will determine our ability to continue as a going concern. Accordingly, there is substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We have a history of losses. We have incurred an operating loss since inception and had an accumulated deficit of \$18,452,975 as of December 31, 2006. For the year ended December 31, 2006, we incurred a net loss of \$7,105,759. For the year ended December 31, 2005, we incurred a net loss of \$4,262,011. Consequently we will in all likelihood have to rely on external financing for all of our capital requirements. Future losses are likely to continue unless we successfully implement our business plan, which calls for us to increase sales revenue and lower operating expenditures.

The IBAs in our network are encouraged to recruit interested people to become new distributors of our products. New IBAs are placed beneath the recruiting IBA in the “network” and are referred to as being in that IBA’s “down-line” organization. Our marketing plan is designed to provide incentives for IBAs to build, maintain and motivate an organization of recruited distributors in their down-line organization to maximize their earning potential. IBAs generate income by purchasing our products at wholesale prices and reselling them at retail prices. IBAs also earn commissions on product purchases generated by their down-line organization. Qualified IBAs may also earn additional commissions under the Management Matching Bonus (“MMB”) program.

On an ongoing basis, we review our product line for duplication and sales trends and make adjustments accordingly. As of December 31, 2006, our product line consisted of: (i) 18 dietary supplement products; (ii) 5 personal care products, consisting primarily of cosmetic and skin care products; (iii) 2 water filtration system products; (iv) 1 fuel additive product. Our products are primarily manufactured by NDI and sold by us under a license and distribution agreement with NDI. Certain of our own products are manufactured for us by third party manufacturers pursuant to

formulations developed for us. Our products are sold to our IBAs located in the United States, Canada, the Philippines and Hong Kong.

We believe that our network marketing system is suited to marketing dietary supplements, personal care products, water filtration systems and fuel additive products because sales of such products are strengthened by ongoing personal contact between IBAs and their customers. We also believe that our network marketing system appeals to a broad cross-section of people, particularly those looking to supplement family income or who are seeking part-time work. IBAs are given the opportunity, through our sponsored events and training sessions, to network with other distributors, develop selling skills and establish personal goals.

**ABOUT US**

Our principal place of business is located at 7865 Edmonds Street, Burnaby, BC Canada, V3N 1B9 and our telephone number at that address is 604-759-5031.

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## THE OFFERING

This offering relates to the sale of common stock by certain persons who are, or will become, our stockholders. The selling stockholders consist of:

- Cornell Capital Partners, which intends to sell up to an aggregate amount of 431,894,379 shares of common stock, which includes 307,831,701 shares underlying convertible debentures and 124,062,678 shares underlying warrants. From June 23, 2006, the date the accompanying registration statement was declared effective by the Securities and Exchange Commission, through May 1, 2007, this selling shareholder has converted \$335,756 of convertible debentures into 60,082,679 shares of our common stock.
- TAIB Bank, B.S.C., which intends to sell up to an aggregate amount of 171,031,292 shares of common stock underlying convertible debentures. From June 23, 2006, the date the accompanying registration statement was declared effective by the Securities and Exchange Commission, through May 1, 2007, this selling shareholder has converted \$222,401 of convertible debentures into 42,507,176 shares of our common stock.
- Certain Wealth, Ltd., which intends to sell up to an aggregate amount of 136,800,408 shares of common stock underlying convertible debentures. From June 23, 2006, the date the accompanying registration statement was declared effective by the Securities and Exchange Commission, through May 1, 2007, this selling shareholder has converted \$177,705 of convertible debentures into 33,968,604 shares of our common stock.
- Rajesh Raniga, our Chief Financial Officer, who intends to sell up to 250,000 shares issued pursuant to a Consulting Agreement.

|   |   |
|---|---|
| <b>Common Stock Offered</b>                                       | 739,976,079 shares  |
| <b>Offering Price</b>   | Market price  |
| <b>Common Stock Outstanding Before The Offering<sup>(1)</sup></b> | 399,648,955 shares  |
| <b>Common Stock Outstanding After The Offering<sup>(2)</sup></b>  | 1,139,625,034   |
| <b>Use Of Proceeds</b>  | We will not receive any of the proceeds from the sale of stock by the selling stockholders. See “Use of Proceeds.”  |
| <b>Risk Factors</b>   | The securities offered hereby involve a high degree of risk and immediate substantial dilution and should not be purchased by investors who cannot afford the loss of their entire investment. See “Risk Factors” and “Dilution.” |
| <b>Dividend Policy</b>  | We do not intend to pay dividends on our common stock. We plan to retain any earnings for use in the operation of our business and to fund future growth.   |
| <b>Over-The-Counter Bulletin Board Symbol</b>                     | EYII  |



- (1) Based on shares outstanding as of May 1, 2007.
- (2) Assumes that all 739,726,079 shares, which are offered under this Prospectus, pursuant to the conversion of convertible debentures and the exercise of warrants are issued.

**SUMMARY CONSOLIDATED FINANCIAL INFORMATION**

The following is a summary of our Financial Statements, which are included elsewhere in this Prospectus. You should read the following data together with the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of this Prospectus as well as with our Financial Statements and the notes therewith.

|  | <b>For the Year<br/>Ended<br/>December 31,<br/>2006<br/>(Audited)</b> | <b>For the Year<br/>Ended<br/>December 31,<br/>2005<br/>(Audited)</b> |
|--|---|---|
| <b>STATEMENT OF OPERATION DATA:</b>                          |   |   |
| Revenue  | \$ 4,131,437  | \$ 4,980,408  |
| Cost Of Goods Sold   | 1,261,702   | 1,165,976   |
| Gross Profit Before Commission Expense                       | 2,869,735   | 3,814,432   |
| Commission Expense   | 1,514,779   | 1,930,925   |
| Gross Profit After Cost of Goods Sold and Commission Expense | 1,354,956   | 1,883,507   |
| <b>Operating Expenses</b>                                    |   |   |
| Consulting fees  | 953,085   | 1,250,278   |
| Legal and professional                                       | 486,831   | 306,948   |
| Customer service   | 259,280   | 198,500   |
| Finance and administration                                   | 819,838   | 1,378,118   |
| Sales and marketing  | 301,332   | 15,741  |
| Telecommunications   | 139,269   | 946,331   |
| Wages and benefits   | 1,179,258   | 1,282,438   |
| Warehouse expense  | 317,124   | 171,724   |
| Total Operating Expenses                                     | 4,456,017   | 5,550,077   |
| Loss from Operations   | (3,101,061)   | (3,666,570)   |
| Other Income (Expenses)                                      | (4,146,016)   | (299,835)   |
| Net Loss Before Taxes  | (7,247,077)   | (3,966,405)   |
| Provision For Taxes  | —   | —   |
| Net Loss Before Allocation To Minority Interest              | (7,247,077)   | (3,966,405)   |
| Allocation Of Loss To Minority Interest                      | 141,318   | 84,763  |
| Loss From Discontinued Operations                            | —   | (380,368)   |
| Net Loss   | \$ (7,105,759)  | \$ (4,262,010)  |
| Basic And Diluted Net Loss Per Common Share                  | \$ (0.02)   | \$ (0.02)   |
| Weighted Average Number Of Common Stock Shares Outstanding   | 333,018,096   | 200,846,048   |



|   | December 31,<br>2006<br>(Audited) | December 31,<br>2005<br>(Audited) |
|---|-----------------------------------|-----------------------------------|
| <b>BALANCE SHEET DATA:</b>                                  |                                   |                                   |
| <b>Current Assets</b>                                       |                                   |                                   |
| Cash  | \$ 901,764                        | \$ 25,639                         |
| Accounts receivable   | 18,425                            | 48,783                            |
| Other accounts receivable                                   | 67,582                            | —                                 |
| Prepaid expenses  | 181,048                           | 12,387                            |
| Inventory   | 735,291                           | 295,248                           |
| <b>Total Current Assets</b>                                 | <b>1,904,110</b>                  | <b>382,057</b>                    |
| <br>  |                                   |                                   |
| Property, Plant and Equipment, Net                          | 77,452                            | 49,671                            |
| Deposits  | 46,432                            | 67,603                            |
| Intangible Assets   | 12,829                            | 15,044                            |
| <b>Total Assets</b>   | <b>\$ 2,040,823</b>               | <b>\$ 514,375</b>                 |
| <br>  |                                   |                                   |
| <b>Current Liabilities</b>                                  |                                   |                                   |
| Accounts payable and accrued liabilities                    | \$ 1,427,214                      | \$ 1,929,409                      |
| Accounts payable - related parties                          | 439,256                           | 328,038                           |
| Interest payable, convertible debt                          | 252,326                           | —                                 |
| Notes payable - related party                               | 50,000                            | 90,000                            |
| Convertible debt-related party, net of discount             | 2,456,311                         | —                                 |
| Derivative on convertible debt                              | 1,303,630                         | —                                 |
| <b>Total Current Liabilities</b>                            | <b>\$ 5,928,737</b>               | <b>2,347,087</b>                  |
| <br>  |                                   |                                   |
| Net Liabilities from discounted operations                  | 375,344                           | 375,344                           |
| Minority Interest in Subsidiary                             | 120,739                           | 262,057                           |
| <br>  |                                   |                                   |
| <b>Stockholders' Equity (Deficit)</b>                       |                                   |                                   |
| Common stock  | 345,675                           | 217,600                           |
| Additional paid-in capital                                  | 9,536,004                         | 6,155,518                         |
| Stock options and warrants                                  | 4,382,299                         | 2,698,984                         |
| Subscription Receivable                                     | (195,000)                         | (195,000)                         |
| Accumulated deficit   | (18,452,975)                      | (11,347,215)                      |
| <b>Total Stockholders' Equity (Deficit)</b>                 | <b>(4,383,997)</b>                | <b>(2,470,113)</b>                |
| <b>Total Liabilities And Stockholders' Equity (Deficit)</b> | <b>\$ 2,040,823</b>               | <b>\$ 514,375</b>                 |

## **RISK FACTORS**

**WE ARE SUBJECT TO VARIOUS RISKS THAT MAY MATERIALLY HARM OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND UNCERTAINTIES DESCRIBED BELOW AND THE OTHER INFORMATION IN THIS FILING BEFORE DECIDING TO PURCHASE OUR COMMON STOCK. IF ANY OF THESE RISKS OR UNCERTAINTIES ACTUALLY OCCUR, OUR BUSINESS, FINANCIAL CONDITION OR OPERATING RESULTS COULD BE MATERIALLY HARMED. IN THAT CASE, THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE AND YOU COULD LOSE ALL OR PART OF YOUR INVESTMENT.**

### **RISKS RELATED TO OUR BUSINESS**

#### **We Have Historically Lost Money And Losses May Continue In The Future**

We have a history of losses. We have incurred an operating loss since inception and had an accumulated deficit of \$18,452,975 as of December 31, 2006. Consequently, we will in all likelihood, have to rely on external financing for all of our capital requirements. Future losses are likely to continue unless we successfully implement our business plan, which calls for us to increase revenues. If we continue to experience losses we may be forced to curtail or cease our business operations.

#### **We Have Been Subject To A Going Concern Opinion From Our Independent Auditors**

Our independent auditors have added an explanatory paragraph to their audit issued in connection with the financial statements for the period ended December 31, 2005 and 2006, relative to our ability to continue as a going concern. We have negative working capital of approximately \$4,025,000 and an accumulated deficit incurred through December 31, 2006, which raises substantial doubt about our ability to continue as a going concern. Our ability to obtain additional funding will determine our ability to continue as a going concern. Accordingly, there is substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### **If We Are Unable To Raise Additional Capital To Finance Operations, We Will Need To Curtail Or Cease Our Business Operations**

We have relied on significant external financing to fund our operations. As of December 31, 2006, we had \$901,764 in cash and our total current assets were \$1,904,110. Our current liabilities were \$5,928,737 as of December 31, 2006. Our net working capital deficit was \$4,024,627 as of December 31, 2006. We will need to raise additional capital to fund our anticipated operating expenses and future expansion. Among other things, external financing may be required to cover our operating costs. Unless we obtain profitable operations, it is unlikely that we will be able to secure financing from external sources. In the event we do not obtain the necessary financing to fund our anticipated operating expenses, we will be forced to reduce our personnel and curtail other operating expenses.

#### **The Sale Of Our Common Stock To Raise Capital May Cause Dilution To Our Existing Shareholders.**

Our inability to obtain adequate financing will result in the need to curtail business operations. Any of these events would be materially harmful to our business and may result in a lower stock price. Our inability to obtain adequate financing will result in the need to curtail business operations and shareholders may lose their entire investment.

#### **We May Not Be Able To Compete Effectively Against Our Competitors, Which Could Force Us To Curtail Or Cease Business Operations**

Many of our competitors have significantly greater name recognition, financial resources and larger distribution channels. In addition, our industry is characterized by low barriers to entry, which means we may face more competitors in the future. If we are not able to compete effectively against our competitors, we will be forced to curtail or cease our business operations. Our main competitors are Usana Health Sciences, Inc., Reliv International, Mannatech Incorporated, Fuel Freedom International and the Brita Products Company based on product offerings and sales pay structure. Our market share in the nutrition supplement industry is very small at this time.

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**We May Not Be Able To Identify And Successfully Consummate Any Future Acquisitions; Future Acquisitions May Disrupt Our Business And Deplete Our Financial Resources**

We lack significant experience in identifying acquisition candidates in our industry and may not be able to identify future acquisition candidates. Further, even if we are able to identify potential acquisition candidates, we may have difficulty convincing such candidates to sell their businesses to us and consummating such acquisition transactions given our financial condition and operating history. Our failure to successfully consummate any acquisitions in the future may hinder our ability to grow our business, which could force us to curtail or cease our business operations.

**There Are No Conclusive Studies Regarding The Medical Benefits Of Nutritional Products**

Many of the ingredients in our current products, and we anticipate in our future products, will be vitamins, minerals, herbs and other substances for which there is not a long history of human consumption. Although we believe all of our products to be safe when taken as directed by us, there is little experience with human consumption of certain of these product ingredients in concentrated form. In addition, we are highly dependent upon consumers' perception of the safety and quality of our products, as well as similar products distributed by other companies.

Any reduction in purchases or consumption of our existing products could force us to curtail or cease our business operations.

**We Could Be Adversely Affected In The Event Any Of Our Products Or Any Similar Products Distributed By Other Companies Should Prove Or Be Asserted To Be Harmful To Consumers.**

In addition, because of our dependence upon consumer perceptions, adverse publicity associated with illness or other adverse effects resulting from consumers' failure to consume our products as we suggest or other misuse or abuse of our products or any similar products distributed by other companies could have a material adverse effect on the results of our operations and financial condition.

**Adverse Publicity With Respect To Nutritional, Water Filtration or Fuel Additive Products May Force Us To Curtail Or Cease Our Business Operations**

In the future, scientific research and/or publicity may not be favorable with respect to the products we market and sell. Future reports of unfavorable to our products could force us to curtail or cease our business operations.

Because of our dependence upon consumer perceptions, adverse publicity associated with illness or other adverse effects resulting from the consumption or use of our products or any similar products distributed by other companies could have a material adverse effect on our operations. Such adverse publicity could arise even if the adverse effects associated with such products resulted from consumers' failure to consume or use products as directed. In addition, we may not be able to counter the effects of negative publicity concerning the efficacy of our products.

**We Will Have to Develop New Products In Order To Keep Pace With Changing Consumer Demands Or We Could Be Forced to Cease Or Curtail Our Business Operations**

The dietary supplement industry is highly competitive and characterized by changing consumer preferences and the continuous introduction of new products. Our goal is to expand our portfolio of dietary supplement products through acquisition of existing companies and/or products serving niche segments of the industry. New products must be introduced in a timely and regular basis to maintain distributor and consumer interest and appeal to varying consumer preferences.

We believe that any future success of our Company will depend, in part, on our ability to anticipate changes in consumer preferences and acquire, manage, develop and introduce, in a timely manner, new products that adequately address such changes. If we are unable to develop and introduce new products or if our new products are unable to achieve and maintain market acceptance, our sales may be adversely affected as customers seek competitive products. In the past, we have engaged in very limited research and development with respect to the development of new products, as indicated by our lack of research and development expenses. Our lack of experience in developing and introducing new products, combined with our limited financial resources, may prevent us from successfully developing and introducing any new products in the future. Failure to develop new products could force us to curtail or cease our business operations.



**If We Fail To Further Penetrate And Expand Our Business In Existing Markets, Then The Growth In Sales Of Our Products, Along With Our Operating Results, Could Be Negatively Impacted**

The success of our business is contingent on our ability to continue to grow by further penetrating existing markets, both domestically and internationally. Our ability to further penetrate existing markets in which we compete is subject to numerous factors, many of which are out of our control. For example, government regulations in both our domestic and international markets can delay or prevent the introduction, or require the reformulation or withdrawal, of some of our products, which could negatively impact our business, financial condition and results of operations. Also, our ability to increase market penetration in certain countries may be limited by the number of persons in a given country inclined to pursue a network marketing business opportunity. Moreover, our growth will depend upon improved training and other activities that enhance distributor retention in our markets. As we continue to focus on expanding our existing international operations may increase, which could harm our financial conditional and operating results.

**Failure To Expand Into, Or To Succeed In, New International Markets Will Limit Our Ability To Grow Sales Of Our Products**

We believe that our ability to achieve future growth is dependent in part on our ability to continue our international expansion efforts. However, there can be no assurance that we could be able to enter new international markets on a timely basis, or that new markets would be profitable. We must overcome significant regulatory and legal barriers before we can begin marketing in any foreign market. Our operations in some markets also may be adversely affected by political, economic and social instability in foreign countries.

We may be required to reformulate certain of our products before commencing sales in a given country. Once we have entered a market, we must adhere to the regulatory and legal requirements of that market. No assurance can be given that we would be able to successfully reformulate our products in any of our potential international markets to meet local regulatory requirements or attract local customers. The failure to do so could result in increased costs of producing products and adversely affect our financial condition. There can be no assurance that we would be able to obtain and retain necessary permits and approvals.

Also, it is difficult to assess the extent to which our products and sales techniques would be accepted or successful in any given country. In addition to significant regulatory barriers, we may also encounter problems conducting operations in new markets with different cultures and legal systems from those encountered elsewhere.

Additionally, in many markets, other network marking companies already have significant market penetration, the effect of which could be to desensitize the local distributor population to a new opportunity, or to make it more difficult for us to recruit qualified distributors. There can be no assurance that, even if we were able to commence operations in new foreign countries, there would be a sufficiently large population of potential distributors inclined to participate in a network marketing system offered by us. We believe our future success could depend in part on our ability to integrate our business methods, including our distributor compensation plan, across all markets in which our products are sold. If we are unable to expand our operations in new international markets, we could be forced to curtail our business operations.

**Our Marketing System Could Be Found To Not Comply With Applicable Laws and Regulations**

We currently have IBAs in the United States, Canada, Hong Kong and the Philippines. We review the requirements of various states, as well as seek legal advice regarding the structure and operation of our selling organization to ensure that it complies with all of the applicable laws and regulations pertaining to network sales organizations. On the basis of these efforts and the experience of our management, we believe that we are in compliance with all applicable federal and state regulatory requirements. We have not obtained any no-action letters or advance rulings from any federal or state security regulator or other governmental agency concerning the legality of our operations, nor are we

relying on a formal opinion of counsel to such effect. We, accordingly, are subject to the risk that, in one or more of our markets, our marketing system could be found to not comply with applicable laws and regulations. Our failure to comply with these regulations could have a material adverse effect on us in a particular market or in general.

We are subject to the risk of challenges to the legality of our network marketing organization, including claims by our distributors, both individually and as a class. Most likely these claims would be based on our network marketing program allegedly being operated as an illegal “pyramid scheme” in violation of federal securities laws, state unfair practice and fraud laws and the Racketeer Influenced and Corrupt Organizations Act.

**We Are Dependent On Our IBAs For Our Product Marketing Efforts; The Loss of A Significant Number Of IBA's Or The Loss Of A Key IBA Could Adversely Affect our Sales**

Our success and growth depend upon our ability to attract, retain and motivate our network of IBAs who market our products. IBAs are independent contractors who purchase products directly from us for resale and their own use. IBAs typically offer and sell our products on a part-time basis and may engage in other business activities, possibly including the sale of products offered by our competitors. Typically, we have non-exclusive arrangements with our IBAs, which may be canceled on short notice and contain no minimum purchase requirements. While we encourage IBAs to focus on the purchase and sale of our products, they may give higher priority to other products, reducing their efforts devoted to marketing our products. Also, our ability to attract and retain IBAs could be negatively affected by adverse publicity relating to us, our products or our operations, as well as changes to our commission plan. In addition, as a result of our network marketing program, the down-line organizations headed by a relatively small number of key IBAs are responsible for a significant percentage of total sales. The loss of a significant number of IBAs, including any key IBA, for any reason, could adversely affect our sales and operating results, and could impair our ability to attract new IBAs. The loss of any IBAs could potentially reduce our sales and force us to curtail or cease our business operations. There is no assurance that our network marketing program will be successful or that we will be able to retain or expand our current network of IBAs.

**Since We Cannot Exert The Same Level Of Influence Or Control Over Our IBAs As We Could If They Were Our Own Employees, Our IBAs Could Fail to Comply With Our Distributor Policies and Procedures, Which Could Result In Claims Against Us That Could Harm Our Financial Condition and Operating Results**

Our IBAs are independent contractors and, accordingly, we are not in a position to directly provide the same direction, motivation and oversight as we would if our distributors were our own employees. As a result, there can be no assurance that our distributors will participate in our marketing strategies or plans, accept our introduction of new products, or comply with our IBA Policies and Procedures.

**A Complaint Based On The Activities Of One IBA, Whether Or Not Such Activities Were Authorized By Us, Could Result In An Order Affecting Some Or All IBAs In A Particular State, And An Order In One State Could Influence Courts Or Government Agencies In Other States**

Our IBAs act as independent sales people and are not closely supervised by EYI or supervised by us at all. We have little or no control or knowledge of our IBAs' actual sales activities and therefore, we have little or no ability to ensure that our IBAs comply with regulations and rules regarding how they market and sell our products. It is possible that we may be held liable for the actions of our IBAs. Proceedings resulting from any complaints in connection with our IBAs' marketing and sales activities may result in significant defense costs, settlement payments or judgments and could force EYI to curtail or cease our business operations.

If our network marketing program is shown to violate federal or state regulations, we may be unable to market our products. Our network marketing program is subject to a number of federal and state laws and regulations administered by the FTC and various state agencies. These laws and regulations include securities, franchise investment, business opportunity and criminal laws prohibiting the use of "pyramid" or "endless chain" types of selling organizations. These regulations are generally directed at ensuring that product sales are ultimately made to consumers (as opposed to other IBAs) and that advancement within the network marketing program is based on sales of products, rather than investment in the company or other non-retail sales related criteria.

The compensation structure of a network marketing organization is very complex. Compliance with all of the applicable regulations and laws is uncertain because of

the evolving interpretations of existing laws and regulations, and

- the enactment of new laws and regulations pertaining in general to network marketing organizations and product distribution.

We have not obtained any no-action letters or advance rulings from any federal or state securities regulator or other governmental agency concerning the legality of our operations. Also, we are not relying on a formal opinion of counsel to such effect. Accordingly, there is the risk that our network marketing system could be found to be in noncompliance with applicable laws and regulations, which could have a material adverse effect on us. Such a decision could require modification of our network marketing program, result in negative publicity, or have a negative effect on IBA morale and loyalty. In addition, our network marketing system will be subject to regulations in foreign markets administered by foreign agencies should we expand our network marketing organization into such markets. If our marketing program is deemed inappropriate, we could be forced to cease our business operations.

### **The Legality Of Our Network Marketing Program Is Subject To Challenge By Our IBAs**

We are subject to the risk of challenges to the legality of our network marketing organization by our IBAs, both individually and as a class. Generally, such challenges would be based on claims that our network marketing program was operated as an illegal “pyramid scheme” in violation of federal securities laws, state unfair practice and fraud laws and the Racketeer Influenced and Corrupt Organizations Act. An illegal pyramid scheme is generally a marketing scheme that promotes “inventory loading” and does not encourage retail sales of the products and services to ultimate consumers. Inventory loading occurs when distributors purchase large quantities of non-returnable inventory to obtain the full amount of compensation available under the network marketing program. In the event of challenges to the legality of our network marketing organization by our IBAs, there is no assurance that we will be able to demonstrate that

our network marketing policies were enforced and

the network marketing program and IBAs’ compensation thereunder serve as safeguards to deter inventory loading and encourage retail sales to the ultimate consumers.

To further address the problem of “inventory loading,” our IBAs must sell at least 70% of their inventory before they can reorder.

In the event of challenges to the legality of our network marketing organization by distributors, we would be required to:

demonstrate that our network marketing policies are enforced, and

demonstrate that the network marketing program and distributors’ compensation there under serve as safeguards to deter inventory loading and encourage retail sales to the ultimate consumers.

**Network marketing is subject to intense government scrutiny and regulation, which adds to the expense of doing business and the possibility that changes in the law might adversely affect our ability to sell some of our products in certain markets.**

Network marketing companies, such as ours, are frequently subject to laws and regulations directed at ensuring that product sales are made to consumers of the products and that compensation, recognition, and advancement within the marketing organization are based on the sale of products rather than investment in the sponsoring company. We are subject to the risk that, in one or more of our present or future markets, our marketing system could be found not to comply with these laws and regulations or may be prohibited. Failure to comply with these laws and regulations or such a prohibition could have a material adverse effect on our business, financial condition, and results of operations. Further we may simply be prohibited from distributing products through a network-marketing channel in some foreign countries, or be forced to alter our compensation plan.

The FTC and certain states regulate advertising, product claims, and other consumer matters, including advertising of our products. All advertising, promotional and solicitation materials used by distributors require our approval prior to use. The FTC has in the past several years instituted enforcement actions against many dietary supplement companies for false and misleading advertising of certain products. In addition, the FTC has increased its scrutiny of the use of testimonials and is currently considering revision of its guides governing the use of testimonials and endorsements. We have not been the target of FTC enforcement action. There is no assurance that:

the FTC will not question our advertising or other operations in the future,

· a state will not interpret product claims presumptively valid under federal law as illegal under that state's regulations,  
or

· future FTC regulations or decisions will not restrict the permissible scope of such claims.

We are also subject to the risk that new laws or regulations might be implemented or that current laws or regulations might change, which could require us to change or modify the way we conduct business in certain markets. This could be particularly detrimental to us if we had to change or modify the way we conduct business in markets that represent a significant percentage of our net sales. The FTC released a proposed New Business Opportunity Rule on April 5, 2006. The proposed rule would require pre-sale disclosures for all business opportunities, which might include network marketing compensation plans. The New Business Opportunity Rule is currently only a proposed rule. If implemented at all, the rule ultimately may not be implemented in a form that applies to network marketing compensation plans, or it may change significantly before it is implemented. If the proposed rule were adopted as currently proposed, it would require changes to practices regarding pre-sale disclosures.

In particular, in the past few years, the FTC has taken enforcement action against several dietary supplement companies and against manufacturers of weight loss products generally for false and misleading advertising of some of their products. FTC enforcement actions have resulted in consent decrees and significant monetary fines. While we have not been the target of FTC enforcement action against our product advertising, we cannot guarantee that the FTC, or comparable foreign agencies, will not challenge our advertising or other operations in the future.

**We Are Subject To The Risk Of Claims By Distributors And Their Customers Who May File Actions On Their Own Behalf, As A Class Or Otherwise, And May File Complaints With The FTC Or State Or Local Consumer Affairs Offices**

These agencies may take action on their own initiative against us for alleged advertising or product claim violations or on a referral from distributors, consumers or others. Remedies sought in such actions may include consent decrees and the refund of amounts paid by the complaining distributor or consumer, refunds to an entire class of distributors or customers, or other damages, as well as changes in our method of doing business. A complaint based on the practice of one distributor, whether or not we authorized the practice, could result in an order affecting some or all distributors in a particular state. Also, an order in one state could influence courts or government agencies in other states considering similar matters. Proceedings resulting from these complaints may result in significant defense costs, settlement payments or judgments and could have a material adverse effect on us. The FTC has increased its scrutiny of the use of distributor testimonials. Although it is impossible for us to monitor all the product claims made by our independent distributors, we make efforts to monitor distributor testimonials and restrict inappropriate distributor claims.

**We Face Substantial Competition In The Dietary Supplement, Personal Care Industry, Water Filtration Category and Fuel Additive Industry Including Products That Compete Directly With Calorad**

The dietary supplement, personal care, water filtration and fuel additive industries are highly competitive. It is relatively easy for new companies to enter the industry due to the availability of numerous contract manufacturers, a ready availability of natural ingredients and a relatively relaxed regulatory environment. Numerous companies compete with us in the development, manufacture and marketing of supplements specifically as their sole or principal business. Generally, these companies are well funded and sophisticated in their marketing approaches.

**Depending On The Product Category, Our Competition Varies**

Calorad competes directly with Colvera, a product with different ingredients but a similar concept. Additionally, Calorad competes indirectly with food plans such as Weight Watchers and meal replacement products such as Slim Fast. Our Noni Plus product competes with Morinda and others. Ultimate ME2 competes with Fuel Freedom International, a fuel performance product. Code Blue water filtration system competes with the Brita Products Company which also sells a water filtration system. Our other products have similar well-funded and sophisticated competitors. Increased competitive activity from such companies could make it more difficult for us to increase or keep market share, since such companies have greater financial and other resources available to them and possess far

more extensive manufacturing, distribution and marketing capabilities.

**Government Regulation By The FDA And Other Federal And State Entities Of Our Products Can Impact Our Ability To Market Products**

The manufacturing, processing, formulation, packaging, labeling and advertising of nutritional products are subject to regulation by one or more federal agencies, including the FDA, the FTC, the Consumer Product Safety Commission, the United States Department of Agriculture, the United States Postal Service, the EPA and the Occupational Safety and Health Administration. These activities are also regulated by various agencies of the states and localities, as well as of foreign countries, in which our products may be sold. We may incur significant costs in complying with these regulations. In the event we cannot comply with government regulations affecting our business and products, we may be forced to curtail or cease our business operations.

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On March 7, 2003, the FDA proposed a new regulation to require current good manufacturing practices, or cGMPs, affecting the manufacturing, packing and holding of dietary supplements. The proposed regulation would establish standards to ensure that dietary supplements and dietary ingredients are not adulterated with contaminants or impurities and are labeled to accurately reflect the active ingredients and other ingredients in the products. It also includes proposed requirements for designing and constructing physical plants, establishing quality control procedures, and testing manufactured dietary ingredients and dietary supplements, as well as proposed requirements for maintaining records for handling consumer complaints related to current good manufacturing practices. The final rule resulting from this rulemaking process is currently undergoing review by the Office of Management and Budget. Publication of the final rule is expected in the near future. Because of the long delay in issuing the final rule, there is considerable uncertainty as to the provisions of the final rule, and as to how large an impact the rule will have on the dietary supplement industry.

We anticipate that the new GMPs, once finalized, will be more detailed and rigorous than the GMPs that currently apply to dietary supplements. In particular, they may require dietary supplements to be prepared, packaged, produced and held in compliance with standards similar to those required for drugs.

Our failure to comply with applicable FDA regulatory requirements could result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. We intend to comply with any new cGMPs that are adopted. We recognize, however, that compliance with new GMPs may require us to expend additional, potentially substantial, capital and resources on manufacturing controls and increased testing of raw materials and finished products in the future in order to comply with the law and meet higher quality standards.

We market products that fall under two types of FDA regulations: dietary supplements and personal care products. In general, a dietary supplement:

- is a product (other than tobacco) that is intended to supplement the diet that bears or contains one or more of the following dietary ingredients: a vitamin, a mineral, a herb or other botanical, an amino acid, a dietary substance for use by man to supplement the diet by increasing the total daily intake, or a concentrate, metabolite, constituent, extract, or combinations of these ingredients.

- is intended for ingestion in pill, capsule, tablet, or liquid form.

- is not represented for use as a conventional food or as the sole item of a meal or diet.

- is labeled as a “dietary supplement.”

Personal care products are intended to be applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance without affecting the body’s structure or functions. Included in this definition are products such as skin creams, lotions, perfumes, lipsticks, fingernail polishes, eye and facial make-up preparations, shampoos, permanent waves, hair colors, deodorants, and any material intended for use as a component of a cosmetic product provided such products are not promoted with drug claims. In general, our cosmetic products are not subject to pre-market approval by the FDA. Cosmetics are, however, subject to regulation by the FDA under the Federal Food, Drug and Cosmetic Act adulteration and misbranding provisions. They are also subject to specific labeling regulations, including warning statements, if the product’s safety is not adequately substantiated or if it may be hazardous, as well as ingredient statements and other packaging requirements under the Fair Packaging and Labeling Act. Cosmetics that meet the definition of a drug (i.e. that are intended to treat or prevent disease or affect the structure or function of the body), such as sunscreens, are regulated as drugs. Cosmetics that bear label claims that expressly or impliedly suggest that the product serves such drug purposes will also be regulated as drugs. As a marketer of products that are ingested by consumers or applied topically, we are subject to the risk that one or more of the ingredients in our products may become the subject of adverse regulatory action or product liability action.

**Dietary supplements must follow labeling guidelines outlined by the FDA.**

Under the Dietary Supplement Health and Education Act of 1994, companies that manufacture and distribute dietary supplements are limited in the statements that they are permitted to make about nutritional support on the product label without FDA approval. In addition, a manufacturer of a dietary supplement must have substantiation for any such statement made and must not claim to diagnose, mitigate, treat, cure or prevent a specific disease or class of disease, unless such claim has been authorized by the FDA. The product label must also contain a prominent disclaimer if certain types of claims are included on product labeling. These restrictions may restrict our flexibility in marketing our product.

The processing, formulation, packaging, labeling and advertising of such products, however, are subject to regulation by one or more federal agencies, including the FDA, the FTC, the Consumer Products Safety Commission, the Department of Agriculture and the EPA. Our activities are also subject to regulation by various agencies of the states and localities in which our products are sold. Among other things, such regulation puts a burden on our ability to bring products to market. Any changes in the current regulatory environment could impose requirements that would make bringing new products to market more expensive or restrict the ways we can market our products.

In general, no governmental agency or other third party makes a determination as to whether our products qualify as dietary supplements or personal care products prior to introducing such products into the marketplace. We make this determination based on the ingredients contained in the products and the claims we make for the products.

On December 9, 2006, President Bush signed the Dietary Supplement & Nonprescription Drug Consumer Protection Act into law. This Act requires manufacturers of dietary supplement and over-the-counter products to notify the FDA when they receive reports of serious adverse events. Implementing regulations are due to be issued later in 2007. Expenditure of significant resources may be required to implement programs that comply with the requirements of these regulations.

**If The FTC Or Certain States Object To Our Product Claims And Advertising We May Be Forced To Give Refunds, Pay Damages, Provide Consumer Redress, Enter into a Consent Decree, Cease Marketing Certain Products Or Change Our Business Methods or Promotional Practices**

The FTC and certain states regulate advertising, product claims, and other consumer matters, including advertising of our products. In the past several years the Federal Trade Commission has instituted enforcement actions against many dietary supplement companies for false or deceptive advertising of certain products. In addition, the FTC has increased its scrutiny of the use of testimonials and is currently considering revision of its guidelines governing the use of testimonials and endorsements. We provide no assurance that:

- the FTC will not question our past or future advertising or other operations; or
- a state will not interpret product claims presumptively valid under federal law as illegal under that state's regulations.

Also, our IBAs and their customers may file actions on their own behalf, as a class or otherwise, and may file complaints with the Federal Trade Commission or state or local consumer affairs offices. These agencies may take action on their own initiative or on a referral from IBAs, consumers or others. If taken, such actions may result in:

- entries of consent decrees;
- refunds of amounts paid by the complaining IBA or consumer;
- refunds to an entire class of IBAs or customers;
- other damages; and
- changes in our method of doing business.

**A Large Portion Of Our Sales Is Attributable To Calorad**

A significant portion of our net sales is expected to be dependent upon our Calorad product. Calorad has traditionally represented more than 65% of our net sales and, although we hope to expand and diversify our product offerings, Calorad is expected to provide a large portion of our net sales in the foreseeable future. If Calorad loses market share

or loses favor in the marketplace, our financial results will suffer and we could be forced to curtail our business operations.

### **Our Products Are Subject To Obsolescence; Which Could Reduce Our Sales Significantly**

The introduction by us or our competitors of new dietary supplements, personal care, water filtration and fuel additive products offering increased functionality or enhanced results may render our existing products obsolete and unmarketable. Therefore, our ability to successfully introduce new products into the market on a timely basis and achieve acceptable levels of sales has and will continue to be a significant factor in our ability to grow and remain competitive and profitable. In addition, the nature and mix of our products are important factors in attracting and maintaining our network of IBAs, which consequently affects demand for our products. Although we seek to introduce additional products, the success of new products is subject to a number of conditions, including customer acceptance. There can be no assurance that our efforts to develop innovative new products will be successful or that customers will accept new products.

In addition, no assurance can be given that new products currently experiencing strong popularity will maintain their sales over time. In the event we are unable to successfully increase the product mix and maintain competitive product replacements or enhancements in a timely manner in response to the introduction of new products, competitive or otherwise, our sales and earnings will be materially and adversely affected.

### **We Have No Manufacturing Capabilities And We Are Dependent Upon NDI And Other Companies To Manufacture Our Products**

We have no manufacturing facilities and have no present intention to manufacture any of our dietary supplement and personal care products or water filtration systems. We are dependent upon relationships with independent manufacturers to fulfill our product needs. NDI, a related party, manufactures and supplies approximately 85% of our products. We have contracts with NDI that require us to purchase set amounts of its manufactured products for at least the next five years and possibly the next ten years. It is possible that these contracts with NDI could become unfavorable, and we may not be able to use other manufacturers to provide us with these services if our terms with NDI become unfavorable. In addition, we must be able to obtain our dietary supplement and personal care products at a cost that permits us to charge a price acceptable to the customer, while also accommodating distribution costs and third party sales compensation. Competitors who do own their own manufacturing may have an advantage over us with respect to pricing, availability of product and in other areas through their control of the manufacturing process. In addition, because our agreement with NDI requires us to purchase minimum quantities, we face that risk that we may issue purchase orders for inventory that we do not require. In the event that this occurs, we will be forced to hold larger quantities of inventory, which could adversely affect our cash flow and our ability to pay our operating expenses. In addition, if we are forced to hold longer quantities of inventory, we face the risk that our inventory becomes obsolete with the passage of large amounts of time.

We may not be able to deliver various products to our customers if third party providers fail to provide necessary ingredients to us. We are dependent on various third parties for various ingredients for our products. Some of the third parties that provide ingredients to us have a limited operating history and are themselves dependent on reliable delivery of products from others. As a result, our ability to deliver various products to our users may be adversely affected by the failure of these third parties to provide reliable various ingredients for our products.

### **We Are Materially Dependent Upon Our Key Personnel And The Loss Of Such Key Personnel Could Result In Delays In The Implementation Of Our Business Plan Or Business Failure**

We depend upon the continued involvement of Jay Sargeant, our President, Chief Executive Officer and Director, and Dori O'Neill, our Executive Vice President, Chief Operations Officer, Secretary, Treasurer and Director. The further implementation of our business plan is dependent on the entrepreneurial skills and direction of management, including Mr. Sargeant and Mr. O'Neill. This direction requires an awareness of the market, the competition, current and future markets and technologies that would allow us to continue our operations. The loss or lack of availability of these

individuals could materially adversely affect our business and operations. We do not carry “key person” life insurance for these officers and directors, and we would be adversely affected by the loss of these two key consultants.

**We May Be Subject To Products Liability Claims And May Not Have Adequate Insurance To Cover Such Claims. As With Other Retailers, Distributors And Manufacturers Of Products We Face An Inherent Risk Of Exposure To Product Liability Claims In The Event That The Use Of Our Products Results In Injury**

As a retailer and distributors of products, we face an inherent risk of exposure to product liability claims in the event that the use of our products results in injury. Such claims may include, among others, that our products contain contaminants or include inadequate instructions as to use or inadequate warnings concerning side effects and interactions with other substances. With respect to product liability claims, we have coverage of \$2,000,000 per occurrence and \$2,000,000 in the aggregate. Because our policies are purchased on a year-to-year basis, industry conditions or our own claims experience could make it difficult for us to secure the necessary insurance at a reasonable cost. In addition, we may not be able to secure insurance that will be adequate to cover liabilities. We generally do not obtain contractual indemnification from parties supplying raw materials or marketing our products. In any event, any such indemnification is limited by its’ terms and, as a practical matter, to the creditworthiness of the other party. In the event that we do not have adequate insurance or contractual indemnification, liabilities relating to defective products could require us to pay the injured parties’ damages which are significant compared to our net worth or revenues and we could be forced to curtail or cease our business operations.

**Although We Have Not Experience Any Successful Product Liability Claims, Such Claims could Result In Material Losses**

In the event the relationship with any of our manufacturers becomes impaired, we will be required to obtain alternative manufacturing sources for our products. In such event, there is no assurance that the manufacturing processes of our current manufacturers can be replicated by another manufacturer. We believe that we would be able to obtain alternative sources of our dietary supplement and personal care products. A significant delay or reduction in availability of products, however, could have a material adverse effect on our business, operating results and financial condition. We, as with other marketers of products that are intended to be ingested, face the inherent risk of exposure to product liability claims in the event that the use of our products results in injury. We maintain product liability insurance coverage with coverage limits of \$2,000,000 per occurrence and \$2,000,000 aggregate. Although we have not experienced any successful product liability claims, such claims could result in material losses.

**There Can Be No Assurance That Another Company Will Not Replicate One Or More Of Our Products**

We use several trademarks and trade names in connection with our products and operations, as further described below. We rely on common law trademark rights to protect our unregistered trademarks. Common law trademark rights do not provide with the same level of protection as afforded by a United States federal registration of a trademark. Also, common law trademark rights are limited to the geographic area in which the trademark is actually used. In addition, our product formulations are not protected by patents and are not patentable.

**Because We Have Few Proprietary Rights, Others Can Provide Products And Services Substantially Equivalent To Ours**

We hold no patents. We believe that most of the technology used by us in the design and implementation of our products may be known and available to others. Consequently, others may be able to formulate products equivalent to ours. We rely on confidentiality agreements and trade secret laws to protect our confidential information. In addition, we restrict access to confidential information on a “need to know” basis. However, there can be no assurance that we will be able to maintain the confidentiality of our proprietary information. If our pending trademark or other proprietary rights are violated, or if a third party claims that we violate its’ trademark or other proprietary rights, we may be required to engage in litigation. Proprietary rights litigation tends to be costly and time consuming. Bringing or defending claims related to our proprietary rights may require us to redirect our human and monetary resources to address those claims. If someone infringes on our proprietary information or we are accused of infringing on others, we could be forced to curtail our business operations.

**We Often Use Our Securities As Consideration In Contracts Related To Our Operations; Which Will Cause Existing Shareholders To Experience Dilution**

We often issue our securities as consideration in contracts related to our operations. We issued our securities in these transactions primarily because historically we have had insufficient cash to fund our operations. During 2006, we issued 817,254 restricted common shares for consulting services. As a result of such issuances, existing shareholders of EYI have experienced a dilutive impact to their ownership of our company. We may be forced to issue additional securities of EYI in future transactions in lieu for cash and shareholders would experience additional dilution.

**Our Common Stock May Be Affected By Limited Trading Volume And May Fluctuate Significantly**

Our common stock is traded on the Over-the-Counter Bulletin Board. Our common stock is thinly traded compared to larger, more widely known companies in the nutritional supplement industry. Thinly traded common stock can be more volatile than common stock traded in an active public market. The high and low bid price of our common stock for the last two years was \$0.19 and \$0.01, respectively. Our common stock has experienced, and is likely to

experience in the future, significant price and volume fluctuations, which could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially.



**Our Common Stock Is Deemed To Be “Penny Stock,” Which May Make It More Difficult For Investors To Sell Their Shares Due To Suitability Requirements**

Our common stock is deemed to be “penny stock” as that term is defined in Rule 3a51-1 promulgated under the Securities Exchange Act of 1934. Penny stocks are stock:

· With a price of less than \$5.00 per share;

· That are not traded on a “recognized” national exchange;

· Whose prices are not quoted on the Nasdaq automated quotation system (Nasdaq listed stock must still have a price of not less than \$5.00 per share); or

· In issuers with net tangible assets less than \$2.0 million (if the issuer has been in continuous operation for at least three years) or \$5.0 million (if in continuous operation for less than three years), or with average revenues of less than \$6.0 million for the last three years.

Broker/dealers dealing in penny stocks are required to provide potential investors with a document disclosing the risks of penny stocks. Moreover, broker/dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor. These requirements may reduce the potential market for our common stock by reducing the number of potential investors. This may make it more difficult for investors in our common stock to sell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline.

**The Issuance Of Preferred Stock May Entrench Management Or Discourage A Change Of Control**

Our Articles of Incorporation authorize the issuance of up to 10,000,000 shares of preferred stock that would have designations rights, and preferences determined from time to time by our Board of Directors. Accordingly, our Board of Directors is empowered, without stockholder approval, to issue preferred stock with dividends, liquidation, conversion, voting, or other rights that could adversely affect the voting power or other rights of the holders of our common stock. In the event of issuance, the preferred stock could be used, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the company or, alternatively, granting the holders of preferred stock such rights as to entrench management. Current members of our management that are large stockholders may have peculiar interests that are different from other stockholders. Therefore, conflicting interests of certain members of management and our stockholders may lead to stockholders desiring to replace these individuals. In the event this occurs and the holders of our common stock desired to remove current management, it is possible that our Board of Directors could issue preferred stock and grant the holders thereof such rights and preferences so as to discourage or frustrate attempts by the common stockholders to remove current management. In doing so, management would be able to severely limit the rights of common stockholders to elect the Board of Directors. In addition, by issuing preferred stock, management could prevent other shareholders from receiving a premium price for their shares as part of a tender offer.

**Investors Should Not Rely On An Investment In Our Stock For The Payment Of Cash Dividends**

We have not paid any cash dividends on our capital stock and we do not anticipate paying cash dividends in the future. Investors should not make an investment in our common stock if they require dividend income. Any return on an investment in our common stock will be as a result of any appreciation, if any, in our stock price.

## **RISKS RELATED TO THIS OFFERING**

### **Future Sales By Our Stockholders May Adversely Affect Our Stock Price And Our Ability To Raise Funds In New Stock Offerings**

Sales of our common stock in the public market following this offering could lower the market price of our common stock. Sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that our management deems acceptable or at all. Some of our shareholders, including officers and directors are the holders of “restricted securities”. These restricted securities may be resold in the public market only if registered or pursuant to an exemption from registration. Some of these shares may be resold under Rule 144. As of May 1, 2007, approximately 116,821,629 shares of our common stock are deemed restricted.

Upon completion of this offering, and assuming all shares registered in this offering are resold in the public market, there will be an additional 739,726,079 shares of common stock outstanding. All of these shares of common stock may be immediately resold in the public market upon effectiveness of the accompanying registration statement.

### **Existing Shareholders Will Experience Significant Dilution From The Issuance Of Our Common Stock Upon Conversion Of Convertible Debentures And Warrants**

The issuance of our common stock upon conversion of convertible debentures and warrants will have a dilutive impact on our stockholders. At a recent stock price of \$0.005, we would have to issue 942,169,500 shares of common stock upon conversion of the remaining \$3,768,678 principal balance under the convertible debentures and 124,062,678 shares upon the exercise of warrants. We are registering 739,476,079 shares of our common stock for issuance upon conversion of convertible debentures and 124,062,678 shares upon the exercise of warrants. From June 23, 2006, the date the accompanying registration statement was declared effective by the Securities and Exchange Commission, through May 1, 2007, the convertible debenture holders have converted \$735,862 of the \$4,500,000 original principal balance of the debentures into 136,558,458 shares of our common stock.

### **The Selling Stockholders Intend To Sell Their Shares Of Common Stock In The Market, Which Sales May Cause Our Stock Price To Decline**

The selling stockholders intend to sell in the public market the shares of common stock being registered in this offering. That means that up to 739,976,079 shares of common stock, the number of shares being registered in this offering may be sold. Such sales may cause our stock price to decline. From June 23, 2006, the date the accompanying registration statement was declared effective by the Securities and Exchange Commission, through May 1, 2007, the selling stockholders have sold 131,058,459 shares of our common stock out of the 739,976,079 shares registered. On June 23, 2006, our closing stock price was \$0.022, as compared to \$0.005 on May 1, 2007.

### **The Sale Of Material Amounts Of Common Stock Under The Accompanying Registration Statement Could Encourage Short Sales By Third Parties**

The significant downward pressure on our stock price caused by the sale of the shares being registered in the accompanying registration statement could cause our stock price to decline, thus allowing short sellers of our stock an opportunity to take advantage of any decrease in the value of our stock. The presence of short sellers in our common stock may further depress the price of our common stock.

### **The Price You Pay In This Offering Will Fluctuate**

The price in this offering will fluctuate based on the prevailing market price of the common stock on the Over-the-Counter Bulletin Board. Accordingly, the price you pay in this offering may be higher or lower than the

prices paid by other people participating in this offering.

**The Issuance Of Shares Of Common Stock Under This Offering Could Result In A Change Of Control**

We are registering 739,976,079 shares of common stock in this offering. These shares represent approximately 25% of our authorized capital stock and would upon issuance represent approximately 38% of the then-issued and outstanding common stock and we anticipate all such shares will be sold in this offering. If all or a significant block of these shares are held by one or more shareholders working together, then such shareholder or shareholders would have enough shares to exert significant influence on EYI Industries.

## FORWARD-LOOKING STATEMENTS

### Risks Associated With Forward-Looking Statements

This Prospectus contains certain forward-looking statements regarding management's plans and objectives for future operations including plans and objectives relating to our planned marketing efforts and future economic performance. The forward-looking statements and associated risks set forth in this Prospectus include or relate to, among other things, (a) our projected sales and profitability, (b) our growth strategies, (c) anticipated trends in our industry, (d) our ability to obtain and retain sufficient capital for future operations, and (e) our anticipated needs for working capital. These statements may be found under "Management's Discussion and Analysis or Plan of Operations" and "Business," as well as in this Prospectus generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under "Risk Factors" and matters described in this Prospectus generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Prospectus will in fact occur.

The forward-looking statements herein are based on current expectations that involve a number of risks and uncertainties. Such forward-looking statements are based on assumptions that we will be able to make acquisitions on a timely basis, that we will retain the acquiree's customers, that there will be no material adverse competitive or technological change in conditions in our business, that demand for our products will significantly increase, that our President and Chief Executive Officer will remain employed as such, that our forecasts accurately anticipate market demand, and that there will be no material adverse change in our operations or business or in governmental regulations affecting us or our manufacturers and/or suppliers. The foregoing assumptions are based on judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Accordingly, although we believe that the assumptions underlying the forward-looking statements are reasonable, any such assumption could prove to be inaccurate and therefore there can be no assurance that the results contemplated in forward-looking statements will be realized. In addition, as disclosed elsewhere in the "Risk Factors" section of this prospectus, there are a number of other risks inherent in our business and operations which could cause our operating results to vary markedly and adversely from prior results or the results contemplated by the forward-looking statements. Growth in absolute and relative amounts of cost of goods sold and selling, general and administrative expenses or the occurrence of extraordinary events could cause actual results to vary materially from the results contemplated by the forward-looking statements. Management decisions, including budgeting, are subjective in many respects and periodic revisions must be made to reflect actual conditions and business developments, the impact of which may cause us to alter marketing, capital investment and other expenditures, which may also materially adversely affect our results of operations. In light of significant uncertainties inherent in the forward-looking information included in this prospectus, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved.

Some of the information in this Prospectus contains forward-looking statements that involve substantial risks and uncertainties. Any statement in this prospectus and in the documents incorporated by reference into this prospectus that is not a statement of an historical fact constitutes a "forward-looking statement". Further, when we use the words "may", "expect", "anticipate", "plan", "believe", "seek", "estimate", "internal", and similar words, we intend to identify statements or expressions that may be forward-looking statements. We believe it is important to communicate certain of our expectations to our investors. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions that could cause our future results to differ materially from those expressed in any forward-looking statements. Many factors are beyond our ability to control or predict. You are accordingly cautioned not to place undue reliance on such forward-looking statements. Important factors that may cause our actual results to differ from such forward-looking statements include, but are not limited to, the risk factors discussed below. Before you invest in our common stock, you should be aware that the occurrence of any of the events described under "Risk Factors" in this Prospectus could have a material adverse effect on our business, financial condition and results of

operation. In such a case, the trading price of our common stock could decline and you could lose all or part of your investment.

**SELLING STOCKHOLDERS**

The following table presents information regarding the selling stockholders. A description of each selling shareholder's relationship to EYI Industries and how each selling shareholder acquired the shares to be sold in this offering is detailed in the information immediately following this table.

| <b>Selling Stockholder</b>       | <b>Shares Beneficially Owned Before Offering</b> | <b>Percentage of Outstanding Shares Beneficially Owned Before Offering<sup>(1)</sup></b> | <b>Shares to be Sold in the Offering</b> | <b>Percentage of Outstanding Shares Beneficially Owned After Offering</b> |
|----------------------------------|--|--|--|---|
| Cornell Capital Partners, L.P.   | 13,675,000 <sup>(2)</sup>                        | 4.99%  | 431,894,379 <sup>(3)</sup>               | 0%  |
| Taib Bank, B.S.C. <sup>(2)</sup> | 13,675,000 <sup>(2)</sup>                        | 4.99%  | 171,031,292 <sup>(4)</sup>               | 0%  |
| Certain Wealth, Ltd.             | 13,675,000 <sup>(2)</sup>                        | 4.99%  | 136,800,402 <sup>(5)</sup>               | 0%  |
| Rajesh Raniga                    | 250,000 <sup>(6)</sup>                           | *  | 250,000 <sup>(7)</sup>                   | *   |
|                                  | 41,375,000                                       |  | 739,976,079                              |   |

\* Less than 1%.

(1) Applicable percentage of ownership is based on 399,648,955 shares of common stock outstanding as of May 1, 2007, together with securities exercisable or convertible into shares of common stock within 60 days of May 1, 2007, for each stockholder. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to securities exercisable or convertible into shares of common stock that are currently exercisable or exercisable within 60 days of May 1, 2007 are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Note that affiliates are subject to Rule 144 and Insider trading regulations - percentage computation is for form purposes only.

(2) Please note that the terms of the convertible debentures held by Cornell Capital Partners, L.P., Taib Bank, B.S.C. and Certain Wealth, Ltd. provide that in no event shall the holder be entitled to convert the convertible debentures for a number of shares which, upon giving effect to the conversion, would cause the aggregate number of shares beneficially owned by such holder and its affiliates to exceed 4.99% of the outstanding shares of EYI Industries following such conversion. Because the conversion price may fluctuate based on the market price of our stock, the actual number of shares to be issued upon conversion of the debentures may be higher or lower. We are registering 739,976,073 shares to cover such conversions for the convertible debenture holders.

(3) Includes 307,831,701 shares of common stock underlying convertible debentures and 124,062,678 shares underlying warrants. From June 23, 2006, the date the accompanying registration statement was declared effective by the Securities and Exchange Commission, through May 1, 2007, this selling shareholder has sold 57,082,679 shares of our common stock registered in the accompanying registration statement.

(4) Represents 171,031,292 shares of common stock underlying convertible debentures. From June 23, 2006, the date the accompanying registration statement was declared effective by the Securities and Exchange Commission, through May 1, 2007, this selling shareholder has sold 41,117,176 shares of our common stock registered in the accompanying registration statement.

(5) Represents 136,800,402 shares of common stock underlying convertible debentures. From June 23, 2006, the date the accompanying registration statement was declared effective by the Securities and Exchange Commission, through May 1, 2007, this selling shareholder has sold 32,858,604 shares of our common stock registered in the accompanying registration statement.

(6) Includes 250,000 shares issued in connection with a Consulting Agreement.

(7) Represents 250,000 shares issued in connection with the Consulting Agreement, dated December 27, 2003.

The following information contains a description of each selling shareholder's relationship to EYI Industries and how each selling shareholder acquired the shares to be sold in this offering. None of the selling stockholders have held a position or office, or have any other material relationship, with EYI Industries, except as follows:

### **Shares Acquired In Financing Transactions With EYI Industries**

**Secured Convertible Debentures.** On April 24, 2006, we entered into a secured convertible debenture transaction with Cornell Capital Partners, Taib Bank, B.S.C. and Certain Wealth, Ltd. in the principal amount of \$4,500,000. Pursuant to a Securities Purchase Agreement, on April 24, 2006 EYI Industries received net proceeds of \$1,305,000, associated with the issuance of secured convertible debentures in the principal amount of \$1,500,000 and we will issue additional secured convertible debentures in the principal amount of \$1,500,000 two (2) business days prior to filing the accompanying registration statement and we will issue additional secured convertible debentures in the principal amount of \$1,500,000 two (2) business days prior to the accompanying registration statement being declared effective by the Securities and Exchange Commission. On June 8, 2006, we received net proceeds of \$1,350,000, associated with the issuance of the second tranche of secured convertible debentures in the principal amount of \$1,500,000. On June 20, 2006, we received net proceeds of \$1,350,000, associated with the issuance of the third tranche of secured convertible debentures in the principal amount of \$1,500,000, in the following amounts: \$750,000 to Cornell Capital Partners, \$416,667 to TAIB Bank, B.S.C., and \$333,333 to Certain Wealth, Ltd. The secured convertible debentures are convertible at the holder's option any time up to maturity at a conversion price equal to the lower of (i) \$0.06 or (ii) 80% of the lowest daily volume weighted average price of our common stock for the 5 trading days immediately preceding the conversion date. The secured convertible debentures are secured by all of EYI Industries' assets. The secured convertible debentures accrue interest at a rate of 10% per year and have a term of 3 years. In the event the secured convertible debentures are redeemed, then EYI Industries will issue to the holders a warrant to purchase 100,000 shares for every \$100,000 redeemed at an exercise price equal to 20% of the principal amount being redeemed. The holders purchased the secured convertible debentures from EYI Industries in a private placement on April 24, 2006. EYI Industries is registering in this offering 615,663,401 shares of common stock underlying the secured convertible debentures. From June 23, 2006, the date the accompanying registration statement was declared effective by the Securities and Exchange Commission, to May 1, 2007, Cornell Capital Partners, Taib Bank, B.S.C., and Certain Wealth, Ltd. have cumulatively converted \$735,862 of the \$4,500,000 original principal of the convertible debentures into 136,558,458 shares of our common stock, which are registered in the accompanying registration statement and have sold an aggregate 131,058,459 shares.

Pursuant to the terms of the Securities Purchase Agreement and the issuance of our secured convertible debentures, on April 24, 2006 we issued to Cornell Capital Partners seventeen (17) warrants to purchase up to an aggregate 124,062,678 shares of our common stock at the discretion of Cornell Capital Partners (collectively, the "Warrants") each for good and valuable consideration. Pursuant to the terms of the Warrants, Cornell Capital Partners is entitled to purchase from us: (1) 10,416,650 shares of our common stock at \$0.02 per share, (2) 13,888,866 shares of our common stock at \$0.03 per share, (3) 10,416,650 shares of our common stock at \$0.04 per share, (4) 8,333,320 shares of our common stock at \$0.05 per share, (5) 6,944,433 shares of our common stock at \$0.06 per share, (6) 5,952,371 shares of our common stock at \$0.07 per share, (7) 11,250,000 shares of our common stock at \$0.08 per share, (8) 10,000,000 shares of our common stock at \$0.09 per share, (9) 19,000,000 shares of our common stock at \$0.10 per share, (10) 8,181,818 shares of our common stock at \$0.11 per share, (11) 7,500,000 shares of our common stock at \$0.12 per share, (12) 3,333,333 shares of our common stock at \$0.15 per share, (13) 2,500,000 shares of our common stock at \$0.20 per share, (14) 2,000,000 shares of our common stock at \$0.25 per share, (15) 1,666,666 shares of our common stock at \$0.30 per share, (16) 1,428,571 shares of our common stock at \$0.35 per share and (17) 1,250,000 shares of our common stock at \$0.40 per share upon surrender of the Warrants (or as subsequently adjusted pursuant to the terms of each Warrant) . Each Warrant has "piggy back" registration rights and shall expire five (5) years from the date of issuance, on or about April 24, 2011.

There are certain risks related to sales by Cornell Capital Partners, Taib Bank, B.S.C. and Certain Wealth, Ltd. including:

- The outstanding shares will be issued based on discount to the market rate. As a result, the lower the stock price, the greater number of shares that will be issued to these selling stockholders. This could result in substantial dilution to the interests of other holders of common stock.
- To the extent the selling stockholders sell their common stock, the common stock price may decrease due to the additional shares in the market. This could allow these selling stockholders to sell greater amounts of common stock, the sales of which would further depress the stock price.
- The significant downward pressure on the price of the common stock as the selling stockholders sell material amounts of common stocks could encourage short sales by others. This could place further downward pressure on the price of the common stock.

#### **Other Information Regarding The Selling Shareholders**

***Cornell Capital Partners.*** All investment decisions of Cornell Capital Partners are made by its general partner, Yorkville Advisors, LLC. Mark Angelo, the managing member of Yorkville Advisors, makes the investment decisions on behalf of Yorkville Advisors. Cornell Capital Partners acquired all shares being registered in this offering in financing transactions with EYI Industries.



**Taib Bank, B.S.C.** All investment decisions of Taib Bank, B.S.C. are made by Larry Chaleff, its Managing Director.

**Certain Wealth, Ltd.** All investment decisions of Certain Wealth, Ltd. are made by Larry Chaleff, its Managing Director.

**Rajesh Raniga** is our Company's Chief Financial Officer.

### **USE OF PROCEEDS**

This Prospectus relates to shares of our common stock that may be offered and sold from time to time by Cornell Capital Partners. There will be no proceeds to us from the sale of shares of common stock in this offering. However, we did receive proceeds pursuant to the issuance of secured convertible debentures in the principal amount equal to \$4,500,000, which we are using for general working capital purposes, including, among other things, sales and marketing, product development, operations, international expansion, sales communication and debt retirement.

## PLAN OF DISTRIBUTION

The selling stockholders have advised us that the sale or distribution of EYI Industries' common stock owned by the selling stockholders may be effected directly to purchasers by the selling stockholders or by pledgees, transferees or other successors in interest, as principals or through one or more underwriters, brokers, dealers or agents from time to time in one or more transactions (which may involve crosses or block transactions) (i) on the over-the-counter market or in any other market on which the price of EYI Industries' shares of common stock are quoted or (ii) in transactions otherwise than on the over-the-counter market or in any other market on which the price of EYI Industries' shares of common stock are quoted. Any transferees and pledges will be identified by a post-effective amendment to the accompanying registration statement. Any of such transactions may be effected at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at varying prices determined at the time of sale or at negotiated or fixed prices, in each case as determined by a selling stockholder or by agreement between a selling stockholder and underwriters, brokers, dealers or agents, or purchasers. If the selling stockholders effect such transactions by selling their shares of EYI Industries' common stock to or through underwriters, brokers, dealers or agents, such underwriters, brokers, dealers or agents may receive compensation in the form of discounts, concessions or commissions from the selling stockholders or commissions from purchasers of common stock for whom they may act as agent (which discounts, concessions or commissions as to particular underwriters, brokers, dealers or agents may be in excess of those customary in the types of transactions involved). Any brokers, dealers or agents that participate in the distribution of the common stock may be deemed to be underwriters, and any profit on the sale of common stock by them and any discounts, concessions or commissions received by any such underwriters, brokers, dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act.

Under the securities laws of certain states, the shares of common stock may be sold in such states only through registered or licensed brokers or dealers. The selling stockholders are advised to ensure that any underwriters, brokers, dealers or agents effecting transactions on behalf of the selling stockholders are registered to sell securities in all fifty states. In addition, in certain states the shares of common stock may not be sold unless the shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

Our common stock is deemed to be "penny stock" as that term is defined in Rule 3a51-1 promulgated under the Securities Exchange Act of 1934. Penny stocks are stock: (i) with a price of less than \$5.00 per share; (ii) that are not traded on a "recognized" national exchange; (iii) whose prices are not quoted on the Nasdaq automated quotation system (Nasdaq listed stock must still have a price of not less than \$5.00 per share); or (iv) in issuers with net tangible assets less than \$2.0 million (if the issuer has been in continuous operation for at least three years) or \$5.0 million (if in continuous operation for less than three years), or with average revenues of less than \$6.0 million for the last three years.

Broker/dealers dealing in penny stocks are required to provide potential investors with a document disclosing the risks of penny stocks. Moreover, broker/dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor. These requirements may reduce the potential market for our common stock by reducing the number of potential investors. This may make it more difficult for investors in our common stock to sell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline.

We paid all the expenses incident to the registration, offering and sale of the shares of common stock to the public hereunder other than commissions, fees and discounts of underwriters, brokers, dealers and agents. We estimated that the expenses of the offering to be borne by us would be approximately \$85,000. The estimated offering expenses consisted of: a SEC registration fee of \$2,375, printing expenses of \$5,000, accounting fees of \$20,000, legal fees of \$50,000 and miscellaneous expenses of \$7,625. We will not receive any proceeds from the sale of any of the shares of common stock by the selling stockholders.

The selling stockholders should be aware that the anti-manipulation provisions of Regulation M under the Exchange Act will apply to purchases and sales of shares of common stock by the selling stockholders, and that there are restrictions on market-making activities by persons engaged in the distribution of the shares. Under Registration M, the selling stockholders or their agents may not bid for, purchase, or attempt to induce any person to bid for or purchase, shares of common stock of EYI Industries while such selling stockholder is distributing shares covered by this Prospectus. Accordingly, except as noted below, the selling stockholders are not permitted to cover short sales by purchasing shares while the distribution is taking place. The selling stockholders are advised that if a particular offer of common stock is to be made on terms constituting a material change from the information set forth above with respect to the Plan of Distribution, then, to the extent required, a post-effective amendment to the accompanying registration statement must be filed with the Securities and Exchange Commission.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

THE FOLLOWING INFORMATION SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS OF EYI AND THE NOTES THERETO APPEARING ELSEWHERE IN THIS FILING. STATEMENTS IN THIS MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION AND ELSEWHERE IN THIS PROSPECTUS THAT ARE NOT STATEMENTS OF HISTORICAL OR CURRENT FACT CONSTITUTE "FORWARD-LOOKING STATEMENTS."

### **Overview**

We are in the business of selling, marketing, and distributing a product line consisting of approximately 26 products in four categories: dietary supplements; personal care products; water filtration systems; and a fuel additive product. Currently, our product line consists of: (i) 18 dietary supplement products; (ii) 5 personal care products consisting primarily of cosmetic and skin care products; (iii) 2 water filtration system products; and (iv) 1 fuel additive product. Our products are primarily manufactured by and sold by us under a license and distribution agreement with NDI. Certain of our own products are manufactured for us by third party manufacturers pursuant to formulations developed for us. Our products are sold in the United States, Canada, the Philippines and Hong Kong. Our products are marketed through a network marketing program in which IBAs purchase products for resale to retail customers as well as for their own personal use. We have a list of over 385,000 IBAs, of which approximately 8,000 we consider "active". An "active" independent business associate is one who purchased our products within the preceding 12 months. Approximately 1,750 of these IBAs are considered "very active". A "very active" IBA is one who is on our automatic Convenience Program which allows our IBAs to set up a reoccurring order that is automatically shipped to them each month.

Our independent auditors have added an explanatory paragraph to their audit issued in connection with the financial statements for the period ended December 31, 2006, relative to our ability to continue as a going concern. We have negative working capital of approximately \$4,025,000 and an accumulated deficit incurred through December 31, 2006 of \$18,452,975, which raises substantial doubt about our ability to continue as a going concern. Our ability to obtain additional funding will determine our ability to continue as a going concern. Accordingly, there is substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We have a history of losses. We have incurred an operating loss since inception and had an accumulated deficit of \$18,452,975 as of December 31, 2006. For the year ended December 31, 2006, we incurred a net loss of \$7,105,759. For the year ended December 31, 2005, we incurred a net loss of \$4,262,010. Consequently we will in all likelihood have to rely on external financing for all of our capital requirements. Future losses are likely to continue unless we successfully implement our business plan, which calls for us to increase sales revenue and lower operating expenditures.

### **Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires our 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 reporting periods. Actual results may differ from those estimates.

Our management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. As the number of variables and assumptions affecting the probable future resolution of the uncertainties increase, these judgments become even more subjective and complex. We have identified certain accounting policies, described

below, that are the most important to the portrayal of our current financial condition and results of operations.

*Accounting for Stock Options and Warrants Granted to Employees and Non-Employees*

Statement of Financial Accounting Standards No. 123R, "Accounting for Stock-Based Compensation" ("SFAS No. 123R"), defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

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## **Derivative Instruments**

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 133"), as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

## **Earnings Per Share**

The Company has adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. Basic and diluted loss per share were the same, at the reporting dates, as inclusion of the common stock equivalents would be anti-dilutive.

## **Foreign Currency Translation And Other Comprehensive Income**

The Company has adopted Financial Accounting Standard No. 52. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at rates of exchange in effect at the balance sheet date. Gains or losses are included in income for the year. Non-monetary assets, liabilities and items recorded in income arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction.

As the Company's functional currency is the U.S. dollar, and all translation gains and losses are transactional, the Company has no assets with value recorded in Canadian dollar, and there is no recognition of other comprehensive income in the financial statements.

## **Foreign Currency Valuation And Risk Exposure**

While the Company's functional currency is the U.S. dollar and the majority of its operations are in the United States, the Company maintains its main operations office in Burnaby, British Columbia. The assets and liabilities relating to the Canadian operations are exposed to exchange rate fluctuations. Assets and liabilities of the Company's foreign operations are translated into U.S. dollars at the year-end exchange rates, and revenue and expenses are translated at the average exchange rate during the period. The net effect of exchange difference arising from currency translation is disclosed as a separate component of stockholders' equity. Realized gains and losses from foreign currency transactions are reflected in the results of operations.

## **Income Taxes**

The Company's accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". This statement requires the recognition of deferred tax liabilities and assets for the future consequences of events that have been recognized in the Company's consolidated financial statement or tax returns. Measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and tax bases of EYI assets and liabilities results in a deferred tax asset, SFAS No. 109 requires an evaluation of the probability of being able to realize the future benefits indicated by such an asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.



## **Long-Lived Assets**

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations, and requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. Accordingly, the Company reviews the carrying amount of long-lived assets for impairment where events or changes in circumstances indicate that the carrying amount may not be recoverable. The determination of any impairment would include a comparison of estimated future cash flows anticipated to be generated during the remaining life of the assets to the net carrying value of the assets. For the year ended December 31, 2006, no impairments have been identified.

## **Revenue Recognition**

The Company is in the business of selling products in four categories: dietary supplements, personal care products, water filtration systems and a fuel additive product. Sales of personal care products represent less than 5% of the overall revenue and therefore are not classified separately in the financial statements. The Company recognizes revenue from product sales when the products are shipped and title passes to customers. Administrative fees charged to the Independent Business Associates are included in the gross sales and totaled \$150,554 and \$128,967 for the year ended December 31, 2006 and December 31, 2005 respectively.

## **Segment Information**

The Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," (hereafter "SFAS No. 131") which supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," replacing the "industry segment" approach with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. SFAS No. 131 also requires disclosures about products and services, geographic areas and major customers. The adoption of SFAS No. 131 did not affect the Company's results of operations or financial position.

## **Recent Accounting Pronouncements**

New accounting pronouncements that have a current or future potential impact on our financial statements are as follows:

In February, 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" (hereinafter SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Management has not determined the effect that adopting this statement would have on the Company's financial condition or results of operation.

In September, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87,88,106, and 132(R)" (hereinafter :SFAS No. 158"). This statement requires an employer to

recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not for profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year end statement of financial position, with limited exceptions. The adoption of this statement had no immediate material effect on the Company's financial condition or results of operations.

In September, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (hereinafter "SFAS No. 157"). This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosure about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. This statement does not require any new fair value measurements, but for some entities, the application of this statement may change current practice. The adoption of this statement had no immediate material effect on the Company's financial condition or results of operations.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (hereinafter "FIN 48"), which 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. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect the adoption of FIN 48 to have a material impact on its financial reporting, and the Company is currently evaluating the impact, if any the adoption of FIN 48 will have on its disclosure requirements.

In March 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets-an amendment of FASB Statement No. 140." This statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in any of the following situations: a transfer of the servicer's financial assets that meets the requirements for sale accounting; a transfer of the servicer's financial assets to a qualifying special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale securities or trading securities; or an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates. The statement also requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable and permits an entity to choose either the amortization or fair value method for subsequent measurement of each class of servicing assets and liabilities. The statement further permits, at its initial adoption, a one-time reclassification of available for sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available for sale securities under Statement 115, provided that the available for sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value and requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. This statement is effective for fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations.

In February 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Standards No. 133 and 140" (hereinafter "SFAS No. 155"). This statement established the accounting for certain derivatives embedded in other instruments. It simplifies accounting for certain hybrid financial instruments by permitting fair value remeasurement for any hybrid instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133 as well as eliminating a restriction on the passive derivative instruments that a qualifying special-purpose entity ("SPE") may hold under SFAS No. 140. This statement allows a public entity to irrevocably elect to initially and subsequently measure a hybrid instrument that would be required to be separated into a host contract and derivative in its entirety at fair value (with changes in fair value recognized in earnings) so long as that instrument is not designated as a hedging instrument pursuant to the statement. SFAS No. 140 previously prohibited 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 fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations.

In May 2005, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections," (hereinafter "SFAS No. 154") which replaces Accounting Principles Board Opinion No. 20, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements - An Amendment of APB Opinion No. 28." SFAS No. 154 provides guidance on accounting for and reporting changes in accounting principle and error corrections. SFAS No. 154 requires that changes in accounting

principle be applied retrospectively to prior period financial statements and is effective for fiscal years beginning after December 15, 2005. The Company does not expect SFAS No. 154 to have a material impact on its consolidated financial position, results of operations, or cash flows.

In March 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 47 (“FIN 47”), “Accounting for Conditional Asset Retirement Obligations.” FIN 47 clarifies that the term “conditional asset retirement obligation,” which as used in SFAS No. 143, “Accounting for Asset Retirement Obligations,” refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The entity must record a liability for a “conditional” asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005.

## RESULTS OF OPERATIONS

The following table summarizes operating results as a percentage of revenue, respectively, for the periods indicated:

### *Summary of Year End Consolidated Results*

|  | 31-Dec-06 | Fiscal Year<br>31-Dec-05 | 31-Dec-04 |
|--|-----------|--------------------------|-----------|
| Revenue, net of returns and allowances | 100%      | 100%                     | 100%      |
| Cost of goods sold                     | 31%       | 23%                      | 21%       |
| Gross profit before commission expense | 69%       | 77%                      | 79%       |
| Commission expense                     | 37%       | 39%                      | 41%       |
| Gross profit                           | 33%       | 38%                      | 39%       |
| Operating expenses                     | 108%      | 111%                     | 103%      |
| Operating loss                         | 75%       | 74%                      | 65%       |

During the year ended December 31, 2006, we had total revenues of \$4,131,437 and gross profits of \$1,354,956 or 33%, compared to revenues of \$4,980,408 and gross profits of \$1,883,507 or 38% during the year ended December 31, 2005. We experienced a total decline in revenue of \$848,971 or 17%.

The gross profits generated during fiscal year 2006 were unable to offset our annual operating expenditures, which in turn resulted in an operating loss. For the year ended December 31, 2006 we incurred operating expenses of \$4,456,017 and had an operating loss of \$3,101,061. For the year ended December 31, 2005, we incurred operating expenses of \$5,550,077 and had an operating loss of \$3,666,570.

## REVENUE BY SEGMENT

The following table summarizes our main revenue segments and the comparative net change from the prior year:

### *Revenue by Segments*

|                     | Three months ended |            |            |      | Year ended   |              |             |      |
|---------------------|--------------------|------------|------------|------|--------------|--------------|-------------|------|
|                     | 31-Dec-06          | 31-Dec-05  | Variance   |      | 31-Dec-06    | 31-Dec-05    | Variance    |      |
| Administration fees | \$ 38,973          | \$ 27,951  | \$ 11,022  | 39%  | \$ 150,554   | \$ 128,967   | \$ 21,587   | 17%  |
| Binary Sales        | \$ 829,797         | \$ 856,446 | (\$26,650) | -3%  | \$ 2,977,091 | \$ 3,758,260 | (\$781,169) | -21% |
| Direct sales        | \$ 114,879         | \$ 164,547 | (\$49,668) | -30% | \$ 631,895   | \$ 779,028   | (\$147,133) | -19% |
| Affiliate sales     | \$ 75,891          | \$ 80,302  | (\$4,412)  | -5%  | \$ 361,278   | \$ 304,568   | \$ 56,710   | 19%  |
| Sales Aids          | \$ 3,733           | \$ 917     | \$ 2,816   | 307% | \$ 10,619    | \$ 9,585     | \$ 1,034    | 11%  |

|              |              |            |     |              |              |             |      |
|--------------|--------------|------------|-----|--------------|--------------|-------------|------|
| \$ 1,063,271 | \$ 1,130,163 | (\$66,894) | -6% | \$ 4,131,437 | \$ 4,980,408 | (\$848,971) | -17% |
|--------------|--------------|------------|-----|--------------|--------------|-------------|------|

### Revenue by Segment, Three Month Results

Details of the most significant changes for the quarter ended December 31, 2006 to the quarter ended December 31, 2005 are detailed below:

**Administration fees** - These fees represent the annual membership fees paid by our IBAs. The fourth quarter results for 2006 improved 39% over the same period in 2005. We believe that this improvement in attracting a greater number of new IBAs is related to two key factors:

the launch of our newest product, Ultimate ME2, and

improvements made to our Compensation Plan

**Binary sales** - The binary sales segment represented 78% of our total revenue for the fourth quarter. During this quarter, our binary sales decreased by 3% or \$26,650 over the same period last year. Although binary sales still resulted in a decrease for this quarter of 3%, this is significantly lower than the annualized rate of decline. Management feels that this is directly related to the launch of the newest product, Ultimate ME2 and the broadening awareness of the positive changes to our commission program.

**Direct sales** - Direct sales decreased 30% or \$49,668 over the same period in 2005. The direct sales segment represented \$114,879 or 11% of the total revenue earned during the quarter ended December 31, 2006, as compared to \$164,547 or 15% of the total revenues earned during the year ended December 31, 2005. Management believes that this decline occurred because EYI's marketing efforts have been predominately focused on the binary segment of the business.

### Revenue by Segment, 12 Month Results

Details of the most significant changes from the year ended December 31, 2006 to the year ended December 31, 2005 are detailed below:

**Binary sales** - The binary sales segment represents \$2,977,091 or 72% of the total revenue earned during the year ended December 31, 2006, as compared to \$3,758,260 or 75% of the total revenues earned during the year period ended December 31, 2005. Management believes that our inability to attract and retain IBAs during the first three quarters of the year hindered our growth and caused the 21% decline in binary sales.

**Direct sales** - The direct sales segment represents \$631,895 or 15% of the total revenue earned during the year ended December 31, 2006, as compared to \$779,028 or 16% of the total revenues earned during the year ended December 31, 2005. Our direct sales segment declined 19% in 2006 and, as indicated above, management feels that the lack of marketing efforts on this segment directly contributed to the decline.

**Affiliate sales** - The affiliate sales segment represents \$361,278 or 9% of the total revenue earned during the year ended December 31, 2006, as compared to \$304,568 or 6% of the total revenues earned during the year ended December 31, 2005. We realized a 19% improvement in our affiliate sales over last year. Management believes that this growth is primarily due to EYI's infrastructure with respect to processing affiliate sales transactions. In addition, commissions paid to our affiliates are consistently on time. Management believes that these factors enhance customer confidence and consequently, repeat sales.

**OPERATING EXPENSES**

The following table summarizes operating expenditures and the comparative net change for the Fourth Quarter and Twelve Month periods:

*Operating Expenditures*

|                             | Three months ended |              |               |       | Year ended   |              |               |       |
|-----------------------------|--------------------|--------------|---------------|-------|--------------|--------------|---------------|-------|
|                             | 31-Dec-06          | 31-Dec-05    | Variance      |       | 31-Dec-06    | 31-Dec-05    | Variance      |       |
| Consulting fees             | \$ 209,347         | \$ 498,442   | (\$289,095)   | -58%  | \$ 953,085   | \$ 1,250,278 | (\$297,193)   | -24%  |
| Legal and professional fees | \$ 58,680          | \$ 52,858    | \$ 5,822      | 11%   | \$ 486,831   | \$ 306,948   | \$ 179,883    | 59%   |
| Customer service            | \$ 89,559          | \$ 36,724    | \$ 52,835     | 144%  | \$ 259,280   | \$ 198,500   | \$ 60,780     | 31%   |
| Finance and administration  | \$ 176,309         | \$ 714,905   | (\$538,596)   | -75%  | \$ 819,838   | \$ 1,378,118 | (\$558,280)   | -41%  |
| Sales and marketing         | \$ 29,701          | (\$31,819)   | \$ 61,520     | -193% | \$ 301,332   | \$ 15,741    | \$ 285,591    | 1814% |
| Telecommunications          | \$ 41,314          | \$ 585,192   | (\$543,878)   | -93%  | \$ 139,269   | \$ 946,331   | (\$807,062)   | -85%  |
| Wages and benefits          | \$ 314,966         | \$ 287,191   | \$ 27,775     | 10%   | \$ 1,179,258 | \$ 1,282,438 | (\$103,180)   | -8%   |
| Warehouse expense           | \$ 87,456          | \$ 43,658    | \$ 43,798     | 100%  | \$ 317,124   | \$ 171,724   | \$ 145,400    | 85%   |
|                             | \$ 1,007,334       | \$ 2,187,151 | (\$1,179,817) | -54%  | \$ 4,456,017 | \$ 5,550,077 | (\$1,094,060) | -20%  |

**Operating expenditures, Three Month Results**

We incurred operating expenses in the amount of \$1,007,334 for the three months ended December 31, 2006, compared to \$2,187,151 for the period ended December 31, 2005. The overall decline was \$1,179,817 or 54%. The following explains the most significant:

**Consulting fees** - For the quarter ended December 31, 2006, consulting fees totaled \$209,347 and represented 21% of our total operating expenditures, as compared to \$498,442 or 23% of the total operating expenditures for the quarter ended December 31, 2005. The total decline of \$289,095 or 58% is primarily attributed to the \$274,650 value of vested stock options as reported in December 2005.

**Finance and administration** - For the quarter ended December 31, 2006, finance and administration expenditures totaled \$176,309 and represented 18% of our total operating expenditures, as compared to \$714,905 or 32% of the total operating expenditures for the quarter ended December 31, 2005. The results for 2005 were higher as a result of expensing of stock options and financing costs expensed during the year ended December 31, 2005.

**Telecommunications** - For the quarter ended December 31, 2006, telecommunications totaled \$41,314 and represented 4% of our total operating expenditures, as compared to \$585,192 or 27% of the total operating expenditures for the quarter ended December 31, 2005. The results for the prior year are significantly higher due to expenses associated with our agreement with Eyewonder.

**Warehouse expense** - For the quarter ended December 31, 2006, warehouse expenses totaled \$87,456 and represented 9% of our total operating expenditures, as compared to \$43,658 or 2% of the total operating expenditures for the quarter ended December 31, 2005. The results reflect an increase of 100% for the quarter which relate to the additional rent and inventory expenditures associated with our Hong Kong operation.

**Operating expenditures, Twelve Month Results**



We incurred operating expenses in the amount of \$4,456,017 for the year ended December 31, 2006, compared to \$5,550,077 for the period ended December 31, 2005. The overall decline was \$1,094,060 or 20%. The following explains the most significant changes during the periods presented:

**Consulting fees** - For the year ended December 31, 2006, consulting fees declined by \$297,193 or 24% which is primarily attributed to a lesser amount of vested stock options issued to consultants during 2006.

**Legal and professional fees** - For the year ended December 31, 2006, legal and professional fees increased by \$179,882 or 59% over last year. We attribute the increase primarily to the costs associated with the settlement of the Suhl, Harris and Babich legal matter.

**Customer Service** - For the year ended December 31, 2006, customer services fees increased a total of \$60,780 or 31% over last year. These fees have increased based on the increased service provided under our contract with EYI Corp.

**Finance and administration** - For the year ended December 31, 2006, finance and administration expenditures decreased \$558,280 or 41% over last year. The results for 2005 were higher as a result of expensing of stock options and due to expensing \$390,000 in financing costs during the year ended December 31, 2005.

**Sales and marketing** - For the year ended December 31, 2006, we increased our sales and marketing expenditures by \$285,591. These additional expenses relate to the grand opening of our Hong Kong office and to the expenditures relating to our North American Tour.

**Telecommunications** - For the year ended December 31, 2006, telecommunication expenses decreased \$807,062 or 85%. The results for the prior year are significantly higher due to expenses associated with Eyewonder.

**Warehouse expense** - For the year ended December 31, 2006, warehouse expenses increased by a total of \$145,400 or 85% over the prior year. This increase is attributed to additional rental fees and inventory expenditures associated with our Hong Kong operation.

**Other Income (Expense):**

**Interest expense** - For the years ended December 31, 2006 and December 31, 2005, we expensed \$280,313 and \$179,717 respectively. The current year's results include the interest charged to us pursuant to our debentures with Cornell Capital, TAIB Bank, and Certain Wealth.

**Financing fees** - For the year ended December 31, 2006, we incurred total financing fees of \$946,564, which relate to expenses charged pursuant to our debentures with Cornell Capital, TAIB Bank, and Certain Wealth.

**Loss on derivatives** - For the year ended December 31, 2006, the Company reported a loss on derivatives in the amount of \$2,928,321, which is made up of the following two components:

- At December 31, 2006, the Company revalued the derivative embedded in each of the three convertible debentures at \$415,758 each or a total of \$1,247,294. For the year ended December 31, 2006, the Company recognized a loss of \$366,107.
- At December 31, 2006, the Company also calculated a marked-to-market adjustment for the warrants issued to Cornell Capital in connection with the convertible debenture. For the year ended December 31, 2006, the Company recognized a loss of \$2,562,214 as a result of this valuation.

**FINANCIAL CONDITION**

| Working Capital     | As at<br>31-Dec-06 | As at<br>31-Dec-05 | Variance     |      |
|---------------------|--------------------|--------------------|--------------|------|
| Current assets      | \$ 1,904,110       | \$ 382,057         | \$ 1,522,053 | 398% |
| Current Liabilities | \$ 5,928,737       | \$ 2,347,087       | \$ 3,581,650 | 153% |

|                           |               |               |               |      |
|---------------------------|---------------|---------------|---------------|------|
| Working Capital (deficit) | (\$4,024,627) | (\$1,965,030) | (\$2,059,597) | 105% |
|---------------------------|---------------|---------------|---------------|------|

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We had cash and cash equivalents in the amount of \$901,764 as of December 31, 2006 compared to cash in the amount of \$25,639 as of December 31, 2005. We had a working capital deficit of \$4,024,627 as of December 31, 2006 compared to a working capital deficit of \$1,965,030 as of December 31, 2005.

**Current Assets** - We had an increase of \$1,522,052 or 398% in our current assets since December 31, 2005. This increase relates to cash proceeds received from Cornell Capital, additional product inventory, and inventory prepayments.

**Current Liabilities** - We had an increase of \$3,581,650 or 153% in our current liabilities since December 31, 2005. This increase is primarily attributed the Cornell Capital convertible debt and its related interest and derivative.

| Liabilities                                       | As at<br>31-Dec-06 | As at<br>31-Dec-05 | Variance     |
|---|--------------------|--------------------|--------------|
| Accounts payable and accrued liabilities          | \$ 1,427,214       | \$ 1,929,049       | (\$501,835)  |
| Accounts payable - related parties                | \$ 439,256         | \$ 328,038         | \$ 111,218   |
| Convertible debt - related party, net of discount | \$ 252,326         | \$ 0               | \$ 252,326   |
| Derivative on convertible debt                    | \$ 2,456,311       | \$ 0               | \$ 2,456,311 |
| Interest payable, convertible debt                | \$ 1,303,630       | \$ 0               | \$ 1,303,630 |
| Notes payable - related party                     | \$ 50,000          | \$ 90,000          | (\$40,000)   |
|   | \$ 5,928,737       | \$ 2,347,087       | \$ 3,581,650 |

### Cash Provided By Financing Activities

We have continued to finance our business primarily through equity financing agreements. Cash provided by financing activities for the year ended December 31, 2006 was \$5,114,565, compared to \$1,394,044 for the year ended December 31, 2005.

### Financing Requirements

Our consolidated financial statements included with this Annual Report on Form 10-KSB have been prepared assuming that we will continue as a going concern. As shown in the accompanying financial statements, we had negative working capital of approximately \$4,025,000 and an accumulated deficit of approximately \$18,453,000 incurred through December 31, 2006.

Our current sources of working capital may not be sufficient to satisfy our anticipated current working capital needs. In the event we do not receive further financing from Cornell or other third parties to fully implement our business plan we may be required to seek additional financing. We may not be able to obtain additional working capital on acceptable terms, or at all. Accordingly, there is substantial doubt about our ability to continue as a going concern. We anticipate that any additional financing would be through the sales of our common or preferred stock or placement of convertible debt.

In the event that we are unable to raise additional financing on acceptable terms, then we may have to scale back our plan of operations and operating expenditures. We anticipate that we will continue to incur losses until such time as the revenues we are able to generate from sales and licensing of our products exceed our increased operating expenses. We base this expectation in part on the expectation that we will incur increased operating expenses in completing our stated plan of operations and there is no assurance that we will generate revenues that exceed these expenses.

### OFF-BALANCE SHEET ARRANGEMENTS

We have no significant off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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## DESCRIPTION OF BUSINESS

### Overview

We are in the business of selling, marketing, and distributing a product line consisting of approximately 26 products in four categories: dietary supplements, personal care products, water filtration systems and a fuel additive product. Our most successful product is Calorad, a liquid collagen-based dietary supplement presently available in the market. Our products are marketed through a network marketing program in which independent business associates ("IBAs") purchase products for resale to retail customers, as well as for their own personal use. We have a list of over 385,000 IBAs, of which approximately 8,000 we consider "active". An "active" IBA is one who has purchased our products within the preceding 12 months. Approximately 1,750 of these IBAs are considered "very active". A "very active" IBA is one who is on our Convenience Program and is current with their annual administration fee. Our Convenience Program allows our IBAs to set up a reoccurring order that is automatically shipped to them each month.

The IBAs in our network are encouraged to recruit interested people to become new distributors of our products. New IBAs are placed beneath the recruiting IBA in the "network" and are referred to as being in that IBA's "down-line" organization. Our marketing plan is designed to provide incentives for IBAs to build, maintain and motivate an organization of recruited distributors in their down-line organization to maximize their earning potential. IBAs generate income by purchasing our products at wholesale prices and reselling them at retail prices. IBAs also earn commissions on product purchases generated by their down-line organization. Qualified IBAs may also earn additional commissions under the Management Matching Bonus ("MMB") program.

On an ongoing basis, we review our product line for duplication and sales trends and make adjustments accordingly. As of December 31, 2006, our product line consisted of: (i) 18 dietary supplement products; (ii) 5 personal care products, consisting primarily of cosmetic and skin care products; (iii) 2 water filtration system products; (iv) 1 fuel additive product. Our products are primarily manufactured by Nutri-Diem, Inc., ("NDI") a related party, and sold by us under a license and distribution agreement with NDI. Certain of our own products are manufactured for us by third party manufacturers pursuant to formulations developed for us. Our products are sold to our IBAs located in the United States, Canada, the Philippines and Hong Kong.

We believe that our network marketing system is suited to marketing dietary supplements, personal care products, water filtration systems and fuel additive products because sales of such products are strengthened by ongoing personal contact between IBAs and their customers. We also believe that our network marketing system appeals to a broad cross-section of people, particularly those looking to supplement family income or who are seeking part-time work. IBAs are given the opportunity, through our sponsored events and training sessions, to network with other distributors, develop selling skills and establish personal goals.

## Recent Corporate Developments

We experienced the following significant developments through the date of this filing and during fiscal 2006:

- On February 1, 2007, the Board of the Directors of the Company approved a Stock Incentive Plan for its employees, directors and consultants. The plan is for a total of 250,000,000 restricted shares of common stock and expires February 11, 2017. On February 1, 2007 the Board of Directors also approved the grants of 235,000,000 stock options to our officers, employees and consultants.
- On January 23, 2007, EYI entered into a web site design and development agreement with Colossal Head Communications ("Colossal"). Compensation for Colossal will be paid after completion of stages in the project, which is expected to be completed in sixteen weeks once work commences. The estimated cost is \$40,000. Scheduling of phase two of this project is in progress.
- On January 5, 2007, the Company completed a share exchange with certain shareholders of EYI. Shareholders received 1,999,323 restricted shares of the Company in exchange for shares owned by individuals in our subsidiary, Essentially Yours Industries, Inc.
- On January 1, 2007, EYI entered into a Consulting Agreement with New U, Inc. ("New U") for a six month term. New U will receive \$2,000 per month compensation for providing consulting services.
- On October 27, 2006, EYI entered into a consulting agreement with Global Trends, Inc. ("Global Trends") on a month to month basis. Global Trends received 317,254 shares of restricted common stock as compensation for their services.
- On October 20, 2006, EYI entered into a non-binding letter of intent with Mach 3 Technologies, LLC ("Mach 3") for the exclusive distribution rights for the fuel enhancement product Ultimate ME<sup>2</sup> in the Philippines. On November 28, 2006, EYI entered into a definitive agreement with Mach 3 for the exclusive distribution rights for the fuel enhancement product Ultimate ME<sup>2</sup> in the Philippines for a period of three years.
- On October 19, 2006, EYI entered into a consulting agreement with Creative Life Enterprises, Inc. ("Creative Life") on a month to month basis. Creative Life received 500,000 shares of restricted common stock as compensation for their services.
- On October 1, 2006, EYI entered into an agreement with Agoracom Investor Relations Corp. ("Agoracom") to provide investor relations services. Agoracom is to receive \$2,500 per month compensation along with a warrant for the purchase of up to 500,000 shares of common stock at \$0.06 for a period of two years. The agreement expires on October 1, 2007.
- On August 12, 2006, EYI entered into a joint venture agreement with Internet Marketing Consortium ("IMC") to provide multi media strategies, promotional, direct and targeted marketing services for an undetermined period of time. In consideration for the services provided by IMC, we paid a fee of \$25,000.
- On July 27, 2006, EYI entered into an addendum (the "Addendum") to the China Agency Agreement dated September 15, 2005 between Essentially Yours Industries (Hong Kong) Limited ("EYI HK"), Guangzhou Zhongdian Enterprises (Group) Co. Ltd., China Electronics Import and Export South China Corporation. Pursuant to the Addendum, we agreed to extend the purchasing and exclusivity terms of the China Agency Agreement for an additional one year period.

On July 19, 2006, EYI signed a letter of intent with Mach 3. Subject to the receipt of sufficient efficiency testing and Environmental Protection Agency ("EPA") registration, EYI may acquire the exclusive individual residential consumer rights for the USA, Canada and Mexico for the Ultimate ME<sup>2</sup> product. The Ultimate ME2 product is designed to reduce emissions and save fuel. On August 2, 2006 confirmation of EPA registration was received by Mach 3. On October 12, 2006, EYI entered into a definitive agreement with Mach 3 for the exclusive residential rights for the fuel enhancement product ME2 in the US, Canada and Mexico for a period of three years. Pursuant to the agreement, Mach 3 received 967,680 warrants at \$0.06 per share expiring October 12, 2008.



- On July 12, 2006 and July 14, 2006, EYI received letters from Metals & Arsenic Removal Technology, Inc. ("MARTI") advising that the worldwide license for the ARTI-64 technology used for the production of the Code Blue™ product had been transferred from Hydroflo, Inc. to MARTI. MARTI has also transferred some of its inventory to Markus Group Ltd. ("Markus Group") and in the event MARTI is unable to meet production requirements, they have granted the rights to produce Code Blue™ to Markus Group. On July 20, 2006 Markus Group provided EYI with an Indemnity in connection with the letters provided by MARTI. We believe that this transfer will not interfere with the terms of our agreement with MARTI.
- On July 1, 2006, EYI entered into a consulting agreement with James Toll. Mr. Toll provided training and marketing services for a period of three (3) months. Mr. Toll received \$3,750 per month as compensation for his services.
- On May 17, 2006, our wholly owned subsidiary EYI HK entered into a distribution agreement (the "Distribution Agreement") with Nozin, LLC. The Distribution Agreement is for a term of five years for the distribution of the nozin nasal sanitizer product in Hong Kong, Philippines and China. At present, the Company has not placed any purchase orders with Nozin, LLC.
- On May 1, 2006, we entered into a settlement agreement with Thomas K. Viccars, SAV Management Co. Ltd. and VFT Management Co. Ltd. (collectively, "Viccars group") in the amount of \$60,000 pursuant to which we entered into a full and final settlement of all claims by Viccars Group against our company and subsidiaries whereby Mr. Viccars claimed that he was entitled to certain unpaid compensation and benefits from our company and subsidiaries.
- On May 1, 2006, EYI HK amended the Logistics Management Agreement originally dated September 1, 2005 with All In One Global Logistics Ltd. which provides international freight, warehousing and distribution services in Hong Kong.
- On April 24, 2006 we entered into a Securities Purchase Agreement with Cornell Capital Partners, LP ("Cornell") pursuant to which we entered into the following agreements: an Investor Registration Rights Agreement, Irrevocable Transfer Agent Instructions and a Security Agreement. Pursuant to the terms of the Securities Purchase Agreement, we may sell convertible debentures to Cornell in the amount of \$4,500,000 plus accrued interest which are convertible into shares of our common stock. The convertible debentures accrue interest at 10% per annum, convertible at \$0.06 or 80% of the lowest volume weighted average price of EYI's common stock during five (5) trading days immediately preceding the date of conversion as quoted by Bloomberg. Of this amount \$1,500,000 must be paid five days after April 24, 2006, \$1,500,000 must be paid two (2) business days prior to the date a registration statement is filed with the SEC and \$1,500,000 shall be paid two (2) business days prior to the date that such registration statement is declared effective by the SEC. We received proceeds of \$1,305,000 (net of fees associated with the issuance of the convertible debentures) on April 27, 2006 in connection with the issuance of \$1,500,000 of convertible debentures in the following amounts: \$750,000 to Cornell, \$416,667 to TAIB Bank, B.S.C., and \$333,333 to Certain Wealth, Ltd. pursuant to the terms of the Securities Purchase Agreement.
- Pursuant to the terms of the Securities Purchase Agreement and the issuance of our convertible debentures, on April 24, 2006 we issued to Cornell seventeen warrants to purchase up to an aggregate 124,062,678 shares of our common stock at the discretion of Cornell (collectively, the "Warrants"). Cornell is entitled to purchase from us: (1) 10,416,650 shares of our common stock at \$0.02 per share, (2) 13,888,866 shares of our common stock at \$0.03 per share, (3) 10,416,650 shares of our common stock at \$0.04 per share, (4) 8,333,320 shares of our common stock at \$0.05 per share, (5) 6,944,433 shares of our common stock at \$0.06 per share, (6) 5,952,371 shares of our common stock at \$0.07 per share, (7) 11,250,000 shares of our common stock at \$0.08 per share, (8) 10,000,000 shares of our common stock at \$0.09 per share, (9) 19,000,000 shares of our common stock at \$0.10 per share, (10) 8,181,818 shares of our common stock at \$0.11 per share, (11) 7,500,000 shares of our common stock at \$0.12 per share, (12) 3,333,333 shares of our common stock at \$0.15 per share, (13) 2,500,000 shares of our common stock at \$0.20 per

share, (14) 2,000,000 shares of our common stock at \$0.25 per share, (15) 1,666,666 shares of our common stock at \$0.30 per share, (16) 1,428,571 shares of our common stock at \$0.35 per share and (17) 1,250,000 shares of our common stock at \$0.40 per share upon surrender of the Warrants (or as subsequently adjusted pursuant to the terms of each Warrant) . Each Warrant has “piggy back” registration rights and expires five (5) years from the date of issuance.

·On April 6, 2006, Essentially Yours Industries (International) Limited ("EYIINT") signed a Letter of Intent and Good Faith Commitment with Raul Bautista and Rommel Panganiban to act as managing partners and distributors for the Philippines. On September 20, 2006, EYIINT entered into a consignment and distribution licensing agreement with Orientrends, Inc. The agreement is for a period of five years for the sale a portion of our products in the Philippines

- On April 3, 2006, we signed a termination agreement with Cornell terminating our Standby Equity Distribution Agreement, Registration Rights Agreement and Escrow Agreement previously entered into with Cornell on May 13, 2005.
- On March 14, 2006, we entered into an agreement with Porter Public Relations, Inc. ("Porter") pursuant to which Porter provided us with certain public relations services to promote the launch of the Code Blue water filtration system and the Longevity Series consisting of Calorad®, Prosoteine® and Calorad® Cream. Pursuant to the terms of this agreement, we agreed to pay Porter a fee of \$5,000 per month for up to 40 hours of services per month. The agreement was terminated on August 29, 2006.
- On January 27, 2006, we entered into a Consulting Agreement with Mr. Lou Prescott, for a period of six (6) months and \$5,000USD per month to provide EYI with assistance in developing Mr. Prescott's business to business marketing model for EYI. Pursuant to the terms of the agreement we also agreed to purchase Mr. Prescott's gold lead system, and during the term of the agreement, provided Mr. Prescott with 100% of the leads generated by the system.
- On January 19, 2006, we entered into an agreement with Global Consulting Group Inc. ("Global") on a month to month basis. Global provided investor relations services and created investor awareness for a fee of \$15,000.00 USD per month. This agreement was terminated on April 17, 2006.

### **Corporate Organization**

We were incorporated under the laws of the State of Nevada on June 27, 1996, under the name of "Inter N. Corporation". From 1999 to 2002, the Company's business plan was to create a product line of miniaturized microchip technology for insertion into inanimate objects or injection under the skin of animals. The Company again changed the focus of its business to oil and gas opportunities in 2002. From 1999 to 2003, the Company was a non-operating company with limited assets and was not able to raise sufficient funds to fund its business operations. On December 31, 2003, the Company completed a share exchange (the "Exchange") with certain of the shareholders (the "EYI Shareholders") of Essentially Yours Industries, Inc. a Nevada Corporation ("EYI"), under a Share Exchange Agreement, dated November 4, 2003, (the "Exchange Agreement").

Under the terms of the Exchange Agreement, the Company issued 117,991,875 shares of our common stock, representing approximately 79.9% of the then-outstanding common stock, to the EYI Shareholders in exchange for 15,372,733 shares of common stock of EYI held by them. As a result, we underwent a change of control. Following completion of the Exchange, the EYI Shareholders controlled approximately 79.9% of the Company's outstanding common stock and the Company owned approximately 97.9% of EYI's issued and outstanding capital stock. As a result of the transaction, we acquired EYI's business and EYI became our majority-owned subsidiary. Concurrent with the acquisition, we changed our name to "EYI Industries, Inc.", the Company's officers and directors resigned, and nominees of the EYI Shareholders were elected as successors.

### **Subsidiaries And Affiliates**

We presently have eight subsidiaries through which we conduct our operations, described as follows:

- *Essentially Yours Industries, Inc.*, a Nevada Corporation (Majority Owned) was organized on June 20, 2002 upon the completion of a merger between Burrard Capital Corp., a Nevada Corporation, and Essentially Yours Industries, Inc., a Nevada Corporation. The resulting merged entity continued under the name Essentially Yours Industries, Inc. which presently conducts our US business operations.

**642706 B.C. Ltd., dba EYI Management**, located in Burnaby, British Columbia (Wholly Owned), provides accounting, customer service, marketing and financial advisory services to us. 642706 B.C. Ltd. has experience in marketing health and wellness products and experience in financial reporting for the United States and Canada.

- ***Essentially Yours Industries (International) Limited***, located in Hong Kong, (Wholly Owned), is a subsidiary of EYI Industries Inc., incorporated on December 6, 2005 to facilitate our expansion throughout Southeast Asian countries.
- ***Essentially Yours Industries (Hong Kong) Limited***, located in Hong Kong, (Wholly Owned), is a subsidiary of EYI Industries Inc., incorporated on August, 22, 2005 and markets health and wellness products as well as water filtration products for use in Hong Kong and China.
- ***Essentially Yours Industries (Canada), Inc.*** (Wholly Owned), a Canadian Federally incorporated Corporation, was incorporated on September 13, 2002 and is located in Burnaby, British Columbia, and assists us with Canadian sales, sales taxes and reporting.
- ***RGM International, Inc.***, a Nevada Corporation (Wholly Owned), RGM was incorporated on July 3, 1997 in Nevada. RGM is a dormant investment company which holds 1% of Halo.
- ***Halo Distribution LLC***, a Kentucky Corporation, was organized on January 15, 1999. Halo was the distribution center for the Company's product, in addition to other products, until April 30, 2005, at which time the Company made the decision to discontinue its' operations. Halo was dissolved on November 1, 2005.
- ***World Wide Buyers Club***, a (51% owned) dormant Nevada Corporation was organized on May 6, 2004 pursuant to a joint venture agreement. Management and the Board of Directors of the Company determined not to proceed with the joint venture.

The following are our affiliates and are controlled by certain of our directors and shareholders, as described below:

- ***Nutri-Diem, Inc.***, ("NDI") Quebec, Canada. NDI is the manufacturing facility in Quebec that supplies approximately 85% of our products. EYI negotiated with NDI an exclusive Distribution and Licensing Agreement whereby EYI can sell the products of NDI, such as Calorad and Agrisept-L, in the United States and Canada, and elsewhere in the world, subject to the approval of NDI. Michel Grise, President of NDI is one of our shareholders.
- ***Essentially Yours Industries Corp.***, located in Burnaby, B.C., provides services to EYI under a management agreement. These services consist of: computer and management information systems and support. Payments due under the management agreement are at cost of services plus a mark-up of approximately 5%. Essentially Yours Industries Corp. is controlled by Jay Sargeant, our President and Chief Executive Officer.

### **Key Operating Strengths**

Our key operating strengths are primarily attributed to our IBA support programs coupled with our IBA compensation programs. We provide our IBAs with quality products and competitive commission programs, along with training and motivational events and services. We believe that we have established a strong operating platform to support IBAs and facilitate future growth. The key components of this platform include the following:

- quality dietary supplement products, water filtration systems, personal care products and a fuel additive product that we believe appeal to consumers demands for products that contribute to a healthy lifestyle and environment;
- a compensation program that permits IBAs to earn income from profits on the resale of products and residual income from product purchases within an IBAs' down-line organization;
- a communications program that seeks to effectively and efficiently communicate with IBAs by utilizing new technologies and marketing techniques, as well as motivational events and training seminars;

- a continual expansion and improvement of our product line and marketing plan;
- an in-house marketing department; and
- use of computer technology to provide timely and accurate product order processing, weekly commission payment processing and detailed IBA earnings statements.

## Growth Strategy

### New Product Introduction.

- *Code Blue* - In 2005, we introduced Code Blue™, a water filtration system product. The initial shipment of Code Blue Filters did not meet EYI's product specifications. However, these product concerns were corrected with a later version of the Code Blue filter called the G-4, which we introduced and began promoting in 2006. It was our intent to create market awareness of this new product through a year-long promotional tour campaign which began in Spring 2006. Early results of this campaign indicated that product sales were not meeting sales targets and objectives. Management assessed these results and concluded that the problems surrounding the initial product version significantly hindered the public's confidence in the Code Blue product line. Management still believes that this is a quality product with the unique performance feature of reducing arsenic and other contaminants from potable water through a tabletop unit. Management intends to continue to market this product along-side its other products but has scaled back the allocation of future marketing dollars earmarked for the tour campaign.
- *Nozin Nasal Sanitizer* - On May 17, 2006, EYI HK entered into a Distribution Agreement with Nozin. The agreement granted EYI HK distribution rights exclusive to their channel for Nozin Nasal Sanitizer in Hong Kong and the Philippines. The Distribution Agreement granted EYI HK non-exclusive rights for China and all its territories. Prior to issuing a purchase order for this product, management learned that the product falls under the drug classification which would require a registration process of over one year. EYI is not in a position to register products that are classified in the drug category and therefore will not be proceeding with the marketing of Nozin.
- *Ultimate ME2* - In October 2006, EYI signed a definitive agreement with Mach 3. Through this agreement, Mach 3 has granted EYI the right to market the fuel enhancement product Ultimate ME2 ("ME2"). ME2 is a non-polluting fuel performance additive product that enhances and creates efficient combustion that cools the engine of vehicles. Test results indicate that automobiles using ME2 will create fewer emissions for the environment, their engines will run smoother and will consume less fuel. In October 2006, EYI placed its first purchase order of the ME2 product and received delivery at the end of December. The initial three-month launch campaign concluded on January 16, 2007 in which an estimated 8,000 bottles of Ultimate ME2 was sold during this period. In connection with this launch, we also accepted over 1,000 membership applications from new distributors.

### International Expansion.

*Hong Kong and China*- Our Hong Kong office was opened in September 2005 with the fundamental objective to serve the local Hong Kong distributors and provides a product pick-up depot for Code Blue™, Calorad®, Prosoteine®, Agrisept-L®, Definition® drops and cream, and Calorad® Cream. Although sales in the region have not met management's expectations to-date, we intend to maintain this facility because it also serves as our resource and support center for other international expansion projects, including the CEIEC China Agency Agreement.

*Philippines* - In April 2006, our subsidiary, EYIINT, signed a Letter of Intent and Good Faith Commitment with Raul Bautista and Rommel Panganiban to act as managing partners and distributors for the Philippines. On September 20, 2006 we signed a definitive agreement with Orientrends, Inc. in connection with the Letter of Intent. Orientrends has since leased a new office in Makati which will be used for training new Filipino IBAs and will serve as a distribution center of EYI's products within that region. We anticipate that initial sales will begin in the second quarter of 2007.

### Distributor Commission Pay Plan Enhancement.

On July 28, 2006 the Company launched a new component of its commission pay plan for its IBAs called the Matching Management Bonus Program ("MMB"). Management believes that this enhancement will give IBAs an additional incentive to sell more products, recruit new sales people and assist their existing and future customers.

In 2007, we intend to launch a further enhancement to our commission pay plan called Environmental Hero Awards (“EHA”). This program is designed to run in conjunction with our existing compensation program and will allow eligible IBA’s to generate bonuses paid from a separate pool of up to 5% of our binary product sales. Management believes that this new commission plan addendum will encourage the sales of our environmentally friendly product, Ultimate ME2, as well as our other products.



## Industry Overview

Over the past several years, widely publicized reports and medical research findings have suggested a correlation between the consumption of dietary supplements and the reduced incidence of certain diseases. Thousands of such reports and research findings can be found on the International Bibliographic Information on Dietary Supplements (IBIDS) database produced by the Office of Dietary Supplements. In 1995, the United States Congress established the Office of Dietary Supplements, a division of the National Institutes of Health, to conduct and coordinate research into the role of dietary supplements in maintaining health and preventing disease. In addition, Congress has established the Office of Alternative Medicine within the National Institutes of Health to foster research into alternative medical treatments, which may include natural remedies.

We believe the following factors drive growth in the nutrition industry:

- The general public's heightened awareness and understanding of the connection between diet and health;
- Rising health care costs and the worldwide trend towards preventative health care; and
- Product introductions in response to new scientific findings.

According to the World Health Organization ("WHO") arsenic in drinking water is a global situation and can cause severe health challenges with long term exposure. As reported by WHO, reliable data on exposure and health effects are rarely available, but it is clear that there are many countries in the world where arsenic in drinking water has been detected at concentration greater than guideline value 0.01mg/L. As a matter of prevention and control, WHO recommends the most important remedial action is prevention by providing safe-drinking-water.

According to the EPA, in typical urban areas cars, buses, trucks and off highway mobile sources such as construction vehicles and boats, produce at least half of the hydrocarbons and nitrogen oxides. Even though nationally these pollutants are created from a great varied of industrial and combustion process, the personal automobile is the single greatest polluter. EPA studies show that many people typically associate air pollution with the billowing smokestacks of large industries. Air pollution emissions from each individual car are generally small. America's population of automobiles and drivers are increasing. This combined with the traffic congestion of urban areas results in a very large amount of air pollution. The EPA believes that emissions from millions of vehicles on our nations roads each day contribute substantially to our air pollution problems. Driving a private car is probably a typical citizen's most "polluting" daily activity.

## Products

Our product line consists of products in the categories of dietary supplement products, personal care products, water filtrations systems and a fuel additive product. We currently market approximately 26 products. For the year ended December 31, 2006, Calorad sales represented over 65% of our net sales and is expected to provide a large portion of our net sales in the foreseeable future. In the third quarter of 2006, we launched our newest product, Ultimate ME2, which generated 6% of our overall 2006 gross revenues.

## Dietary Supplements

We offer 18 products in the dietary supplement category which contain herbs, vitamins, minerals and other natural ingredients. As stated above, the dietary supplement product Calorad is expected to provide a large portion of our net sales in the foreseeable future. The following products represent the majority of our product sales in the dietary supplement category:

· ***Agrisept-L®***: Agrisept-L is a dietary supplement of citrus extracts used as a germicide.

· ***Calorad®***: Calorad is a liquid collagen-based dietary supplement. Calorad is available in three formulas: beef, fish, and AM.

· ***Definition® (drops)***: Definition is a natural herbal product designed to feed and nurture the female breast. This product is available in both cream and drop formulations.

· ***Iso-Greens®***: Iso-Greens is a nutrient-rich green food supplement. The vegetables in Iso-Greens combine to supply 39 of the vitamins, minerals and amino acids found in food, including Vitamin B-12.

· **Noni Plus®:** Noni is an extract of organic Noni fruit and liquid trace minerals. It has been used by natives and ancient healers of many countries.

· **Oxy-Up®:** Oxy-Up is a liquid stabilized oxygen supplement.

· **Prosoteine®:** Prosoteine is a plant based, natural, stimulant-free liquid protein supplement.

· **Triomin:** Triomin is a liquid trace mineral dietary supplement.

## Personal Care Products

We offer 5 personal care products. The following products represent the majority of our product sales in the personal care category:

· **Calorad® (cream):** Calorad cream is a topical serum with a base of collagen that aids the skin during the natural aging process. The exclusive mixture of ingredients in Calorad cream stimulate, moisturize and nourish to bio-illuminate skin. The active ingredients in Calorad cream are compatible with the biologic structure of the human skin. The formulation is a selection of the most recent biotechnology ingredients, working in perfect synergy, easily penetrating the cellular metabolism level of the skin.

· **Definition® (cream):** Definition is a safe, non-invasive, natural herbal product designed to feed and nurture the female breast. The selected ingredients work in harmony, helping the body to maintain the nutritional needs of the mammary glands. It works with the body's natural capabilities to maintain the shape and tone of youth in the female breast.

## Water Filtration Systems

· **Code Blue™ Water Filtration System:** Code Blue is a pour-through drinking water filtration system (containing a pitcher and filter) that reduces Arsenic, Chlorine, Nitrates, Nitrites, Mercury and other contaminants from potable water.

· **Code Blue™ Filter** is a filter that reduces Arsenic, Chlorine, Nitrates, Nitrites, Mercury and other contaminants from potable water.

## Fuel Additive Product

· Ultimate ME<sup>2</sup> is a fuel performance product that reduces fuel consumption and emissions.

**Promotional Materials.** We will also derive revenues from the sale of various educational and promotional materials designed to aid our distributors in maintaining and building their businesses. Such materials include various sales aids, informational videotapes and cassette recordings, and product and marketing brochures. We produce many of our promotional materials in-house and have the capability to create just-in-time marketing pieces as needed and constantly update our marketing material.

**New Product Identification.** We expand our product line through the development of new products. New product ideas are derived from a number of sources, including trade publications, scientific and health journals, consultants, distributors and other third parties. Prior to introducing new products, we investigate product formulation as it relates to regulatory compliance and other issues.

We rely upon NDI and other manufacturers, independent researchers and vendor research departments for product development services. When a new product concept is identified or when an existing product must be reformulated, the new product concept or reformulation project is generally submitted to NDI or other manufacturers for technical development and implementation. Nutri-Diem owns all of the rights to the products that they produce. We do not incur any expense for the development of any products by Nutri-Diem. We continually review our existing products for potential enhancements to improve their effectiveness and marketability. While we consider our product formulations to be proprietary trade secrets, such formulations are not patented. Accordingly, there is no assurance that another company will not replicate one or more of our products.

**Product Procurement and Distribution Insurance.** Approximately 85% of our product line in the dietary supplement category is manufactured by NDI, a related party, utilizing theirs and our product formulations, as well as product formulations it licenses to us. A majority of our product line in the personal care category is also manufactured by NDI

We have contracts with NDI that grant to us the exclusive license and right to market, sell and distribute in Canada and the United States and a non-exclusive right to market on the Internet certain products owned by Michel Grise Consultant, Inc., a Quebec corporation, which is controlled by Michel Grise. To maintain the license and distribution rights granted by those contracts, we are obligated to purchase from NDI during that period commencing on June 1, 2003, and continuing through and including May 31, 2004, products totaling \$1,530,000. Those contracts also specify that for the period from June 1, 2004 to May 31, 2005, we are required to purchase from NDI products totaling \$3,825,000. Additionally, those contracts specify that for each year commencing on June 1, and ending on May 31 thereafter during the term of that agreement we are required to purchase products totaling \$5,355,000. The provisions of those contracts specify that NDI will offer us the right to sell, market and distribute in those territories any new product developed by NDI.

If we are not in default at the expiration of the initial five year period, those contracts will be automatically renewed for another five year period. In the event we fail to make the minimum purchase during any year, NDI has the option, to require us to pay NDI an amount equal to 15% of the difference between the minimum amount for the respective year and the amount of actual purchases during that year. Additionally, in the event that we do not purchase the minimum amount during any particular year and do not pay NDI that 15%, NDI at its sole discretion, may terminate the respective contract or cause the license granted in the contract to be non-exclusive

In the event the relationship with any of our manufacturers becomes impaired, we will be required to obtain alternative manufacturing sources for our products.

In such event, there is no assurance that the manufacturing processes of our current manufacturers can be replicated by another manufacturer. We believe that we would be able to obtain alternative sources of our dietary supplement and personal care products. A significant delay or reduction in availability of products, however, could have a material adverse effect on our business, operating results and financial condition. We, as with other marketers of products that are intended to be ingested, face the inherent risk of exposure to product liability claims in the event that the use of our products results in injury. We maintain product liability insurance coverage with coverage limits of \$2,000,000 per occurrence and \$2,000,000 aggregate. Although we have not experienced any successful product liability claims, such claims could result in material losses.

All of the items in our product line include a customer satisfaction guarantee. Within 30 days of purchase, any retail customer or IBA who is not satisfied with our product for any reason may return it or any unused portion to the distributor from whom it was purchased or to us for a full refund or credit toward the purchase of another product. IBAs may obtain replacements from us for products returned to them by retail customers, if they return such products on a timely basis. Furthermore, in most jurisdictions, we maintain a buy-back program. Under this program, we will repurchase products sold to a distributor (subject to a 10% restocking charge), provided that the distributor resigns as a distributor and returns the product in marketable condition within one year of original purchase, or longer where required by applicable state law or regulations. We believe this buy-back program addresses a number of the regulatory compliance issues pertaining to network marketing systems. We expect that the cost of products returned to us will be less than 2% of gross sales.

Below is a summary of return information based on our sales transactions that were paid by credit card for the year ended December 31, 2006:

| Month | Deposit | Sales | Returns | Chargebacks | Adj./Disc. | Net Deposit |
|-------|---------|-------|---------|-------------|------------|-------------|
|-------|---------|-------|---------|-------------|------------|-------------|

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|              |              |              |           |          |            |              |
|--------------|--------------|--------------|-----------|----------|------------|--------------|
| January-06   | \$ 350,329   | \$ 352,929   | \$ 14,887 | \$ 0     | \$ 12,196  | \$ 325,846   |
| February-06  | \$ 343,419   | \$ 345,703   | \$ 1,983  | \$ 756   | \$ 10,572  | \$ 332,393   |
| March-06     | \$ 361,146   | \$ 371,173   | \$ 8,961  | \$ 688   | \$ 12,505  | \$ 349,019   |
| April-06     | \$ 313,197   | \$ 322,800   | \$ 9,412  | \$ 0     | \$ 10,991  | \$ 302,397   |
| May-06       | \$ 316,811   | \$ 338,460   | \$ 21,321 | \$ 143   | \$ 11,149  | \$ 305,847   |
| June-06      | \$ 331,526   | \$ 334,805   | \$ 2,944  | \$ 143   | \$ 10,717  | \$ 321,001   |
| July-06      | \$ 312,428   | \$ 315,036   | \$ 2,252  | \$ 241   | \$ 10,492  | \$ 302,052   |
| August-06    | \$ 279,370   | \$ 283,649   | \$ 4,279  | \$ 0     | \$ 9,967   | \$ 269,403   |
| September-06 | \$ 296,712   | \$ 298,075   | \$ 997    | \$ 103   | \$ 9,534   | \$ 287,442   |
| October-06   | \$ 304,681   | \$ 309,896   | \$ 4,746  | -\$103   | \$ 10,321  | \$ 294,932   |
| November-06  | \$ 321,345   | \$ 325,240   | \$ 3,534  | \$ 0     | \$ 10,683  | \$ 311,023   |
| December-06  | \$ 458,678   | \$ 461,367   | \$ 2,329  | \$ 0     | \$ 16,427  | \$ 442,611   |
|              | \$ 3,989,644 | \$ 4,059,134 | \$ 77,644 | \$ 1,971 | \$ 135,554 | \$ 3,843,964 |
|              |              | 100.00%      | -1.91%    | -0.05%   | -3.34%     | 94.70%       |

Our specific refund policies are as follows:

**Retail Customer Guarantee**

All EYI products have a thirty (30) day satisfaction guarantee from the date of purchase unless specifically extended in the case of special promotions. In the event of a dissatisfied customer, the IBA is responsible to return the customer's money and have all remaining products returned to the IBA. The IBA then forward's the following to EYI:

- 1) Proof of refund;
- 2) Written explanation from the customer;
- 3) EYI's Order number;
- 4) Proof of Purchase (Bill of Sale); and
- 5) The unused portion of the product (Refunds will be void if 50% of the product is not returned).

Upon receipt of the above items, provided that the IBA has acted in a timely fashion, EYI will promptly replace any returned product to the IBA. An IBA acting in a "timely fashion" means that items one through five must be received by EYI within twenty (20) days of the date of refund transaction. Refunds will be void if 50% of the product is not returned.

To request a refund, the IBA must return the unused portion of the product within 30 days from the date of purchase. In addition, the IBA must include the purchase/invoice number and cover the cost of the return. The refund offer is void if the product is more than 50% used.

**Refund To Independent Business Associates**

An IBA may request a return, by returning the unused portion of a product within 30 days from the day of purchase. IBA's must include the purchase/invoice number and cover the cost of the product return.

If an IBA is not satisfied with a given EYI product, EYI will replace the product with a product of same or like value, less shipping and handling charges. The IBA is responsible for the replacement shipping and handling cost.

Refunds will be issued upon request. Please keep in mind that EYI will not issue any refunds for product(s) previously certified as sold under the 70% rule. (Please refer to EYI's Policies and Procedures, for details). As well, refunds will be less commission paid on the returned product. Business volume issued at the time of purchase will be removed from the binary and adjusted accordingly at the time of the return. IBA's effected by the negative adjustment will be responsible to reimburse EYI for all commission they may have earned at the time of the purchase.

Refunds are less original shipping and handling fee's and are subject to a 10% processing fee.

The offer is void if product is more than 50% used.

The above will be offered up until one (1) year from the purchase date providing the product is returnable to stock and in re-sellable condition.

**Distribution And Marketing**

Our product line is distributed from a third party warehouse in Bensalem, PA, our facility and warehouse in Burnaby, British Columbia, our 20 consignment centers located throughout USA and Canada and a portion of our product line is distributed from our offices in the Philippines and Hong Kong.



We distribute our product line through our network marketing system where Independent Business Associates (“IBAs”) purchase product at wholesale and through person-to-person contact, re-sell the product at retail prices. At December 31, 2006, we had approximately 8,000 “active” IBAs. To be considered “active” a distributor must have purchased our products within the preceding 12 months. Our IBAs are independent contractors who purchase products directly from us for resale to retail consumers. IBAs may elect to work on a full-time or part-time basis. We believe our network marketing system appeals to a broad cross-section of people, particularly those seeking to:

- supplement family income,
- start a home business, or
- pursue employment opportunities other than conventional, full-time employment.

A majority of our IBAs sell our products on a part-time basis.

· We believe that our network marketing system is ideally suited to marketing our product line because sales of our products are strengthened by ongoing personal contact between retail consumers and IBAs, many of whom use our products themselves. Sales are made through direct personal sales presentations, as well as presentations made to groups. These sales methods are designed to encourage individuals to purchase our products by informing potential customers and IBAs of our product line and results of personal use, and the potential financial benefits of becoming a distributor. Our marketing efforts are typically focused on middle-income families and individuals.

Our network marketing program encourages individuals to develop their own down-line network marketing organizations. Each new IBA is either linked to:

- the existing distributor that personally enrolled the new distributor into our network marketing program, or
- the existing distributor in the enrolling distributor’s down-line as specified by the enrolling distributor at the time of enrollment.

Growth of an IBAs’ down-line organization is dependent on the recruiting and enrollment of additional IBAs by the distributor or the IBAs within such distributor’s down-line organization. We currently do not keep records that would enable us to calculate IBA turnover frequency. We are currently working on a program that may enable us in the future to track IBA turnover frequency.

IBAs are encouraged to assume responsibility for training and motivation of other IBAs within their down-line organization and to conduct opportunity meetings as soon as they are appropriately trained. We strive to maintain a high level of motivation, morale, enthusiasm and integrity among the members of our network marketing organization. We believe this result is achieved through a combination of products, sales incentives, personal recognition of outstanding achievement, and quality promotional materials. Under our network marketing program, IBAs purchase sales aids from us and assume the costs of advertising and marketing our product line to their customers, as well as the direct cost of recruiting new IBAs. We believe that this form of sales organization is cost efficient, because our direct sales expenses are primarily limited to the payment of commissions, which are only incurred when products are sold.

We continually strive to improve our marketing strategies, including the compensation structure within our network marketing program and the variety and mix of products in our line, to attract and motivate IBAs. These efforts are designed to increase IBAs’ monthly product sales and the recruiting of new IBAs.

Growth of our network marketing program is in part attributable to our incentive structure. IBAs earn profits by purchasing from our product line at wholesale prices and selling our product line to their customers at retail. Additionally, we have a commission structure which provides for payment of commissions on product purchases made by other IBAs in a distributor's down-line organization. IBAs derive this commission income mainly through their Business Volume, as described below.

Business Volume is assigned to most of our products and is used to calculate sales commission. The Business Volume, in most instances, is 50% of the wholesale cost of a product. Commissions are based on the total Business Volume which has been generated both personally and through the IBAs' down-line activity. Therefore, as a down-line grows, it is possible for greater commissions to be earned. None of our IBAs have derived \$1 million per year or greater for the years ended 2006, 2005 or 2004.

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In order for an IBA to earn commissions, there are four requirements:

- an IBA needs to create a Business Center by filling out our IBA Application and Agreement Form;
- an IBA needs to qualify his Business Center with a 100 Business Volume order of our products;
- an IBA needs to activate his Business Center by making two personal sales to two people who become qualified IBAs within one year of entry into the business; and
- an IBA needs to be current with their annual administration fee.

The average commission earned by our IBAs during the twelve month period starting on January 1, 2006 and ending on December 31, 2006 was approximately \$1,450.

To aid IBAs in meeting the monthly personal product purchase requirement to qualify for commissions, we developed the "Convenience Program." Under the Convenience Program purchasing arrangement, each Business Center establishes a standing product order (20 Business Volume minimum), which is automatically charged to a credit card or deducted from a bank account each month prior to shipment of the ordered products. Additionally, the Convenience Program allows IBAs to purchase certain products at reduced prices. As of December 31, 2006, we had approximately 1,750 IBAs participating in the Convenience Program.

Under our Consignment Center Program, we designate IBAs to operate consignment centers. Each Consignment Center located in North America, functions as our product distribution center, carrying our products. As of December 31, 2006, we had 20 consignment centers. Consignment centers provide hubs of local product and business training. They sell to customers at the point of purchase, teach sales and marketing techniques, distribute literature about our products and business while lowering our shipping and data-entry costs.

| <b>OWNER NAME</b>               | <b>ADDRESS</b>            | <b>CITY</b>       | <b>PROVINCE/STATE</b> |
|---------------------------------|---------------------------|-------------------|-----------------------|
| Dawn Liston /Empower Net        | 116 N Lindsay Rd #9       | Mesa              | ARIZONA               |
| Calen Darnel                    | 4269 Frew Rd              | Delta             | BRITISH COLUMBIA      |
| Mercy Girala-Tye                | 3325 W 183 St             | Torrance          | CALIFORNIA            |
| Jose Corzo                      | #3750 SW 185 Ave          | Miramar           | FLORIDA               |
| Audrey Franklin/Pure Life       | 2183 Briar Cliff Rd       | Atlanta           | GEORGIA               |
| Gary Au/ G & S Distributors LLC | 1063 Kalai Place          | Pearl City        | HAWAII                |
| Monty Pearson                   | HC 11 Box 69B             | Kamiah            | IDAHO                 |
| Denise Hulse                    | 2208 N Stoneybrook        | Wichita           | KANSAS                |
| Gary Young                      | 52 Lurline Dr             | Covington         | LOUISIANA             |
| Ron & Donna Boersema            | 86 East 33rd St           | Holland           | MICHIGAN              |
| Drew McCaughey                  | 7518 Norene               | Whitmere Lake     | MICHIGAN              |
| Elizabeth Lefler                | 222 Valleyview Rd         | Highland          | MISSOURI              |
| Bill Van Eck                    | 31 Debby Cres             | Brantford         | ONTARIO               |
| Brenda Noble                    | 223 Centre St N           | Brampton          | ONTARIO               |
| Michael D. Monnie               | 9715 SW Omara St          | Tigard            | OREGON                |
| Jack Herd                       | 2704 Market St            | Camphill          | PENNSYLVANIA          |
| Michael Whelan Sr.              | 2476 Pine Rd              | Huntingdon Valley | PENNSYLVANIA          |
| Petra Olivares                  | 320 Calle Benitez Castano | San Juan          | PUERTO RICO           |
| Robert Norton                   | 6881 Creekcove Way        | Midvale           | UTAH                  |
| Paula Cabunoc                   | 16312 45th Place S        | Tukwila           | WASHINGTON            |

We maintain a computerized system for processing distributor orders and calculating commission payments, which enables us to remit such payments promptly to IBAs. We believe that prompt and accurate remittance of commissions is vital to recruiting and maintaining IBAs, as well as increasing their motivation and loyalty to us. We calculate and pay commissions weekly.

We are committed to providing the best possible support to our IBAs. IBAs in our network marketing program are provided training guides and are given the opportunity to participate in our training programs. We sponsor weekly conference calls for our IBAs, which include testimonials from successful IBAs and satisfied customers, as well as current product and promotional information.

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We produce weekly newsletters which provide information on us, our products and network marketing system. The newsletter is designed to help recruit new IBAs by answering commonly asked questions and includes product information and business building information. The newsletter also provides a forum for us to give additional recognition to our IBAs for outstanding performance. In addition, we sponsor training sessions for our IBAs. At these training sessions IBAs are provided the opportunity to learn more about our product line and selling techniques so that they can build their businesses more rapidly.

We also maintain an Internet site, [www.eyicom.com](http://www.eyicom.com), which is an integral part of our product sales, customer retention, IBA recruitment and IBA development efforts. Further, we provide IBAs with a free e-commerce Internet “home page” to aid their marketing efforts.

### **Government Regulation**

In the United States (as well as in any foreign markets in which we may sell our products), we are subject to laws, regulations, administrative determinations, court decisions and similar constraints (as applicable, at the federal, state and local levels) (hereinafter “regulations”). These regulations include and pertain to, among others:

- the formulation, manufacture, packaging, labeling, distribution, importation, sale and storage of our products,
- our product claims and advertising (including direct claims and advertising as well as claims and advertising by distributors, for which we may be held responsible), and
- our network marketing organization.

We believe we are currently in compliance with all regulations. In the past, we have met and passed inspections by the United States Food and Drug Administration (“FDA”). Our past FDA violations are as follows: on October 7, 2002, we had a Food and Drug label inspection. A notice to re-label on Calorad was submitted on October 9, 2002. A panel was added to our Calorad product to round the calories to be in compliance with the DSHEA Act of 1994. The “may proceed” release was issued on November 6, 2002. On February 2, 2004, a notice to redeliver from the Department of Treasury/United States Customs Service in Detroit, Michigan was issued requesting an inspection and import permit along with an original CFI certificate (Canadian Food Inspection Agency Certificate). On entry number #336-0214262-5. We met all requirements and the shipment was released on February 27, 2004. On August 16, 2005 a hold was designated on entry number #336-0524098-8. Samples were collected by the FDA and sent to a lab for analysis on August 18, 2005. This was a routine sampling that the FDA performs on products at any given time to ensure product contents match the product labels. Testing was completed and the product was released on September 8, 2005. On October 5, 2005 we received a hold from the FDA for two products, requesting label clarification on one product and clarification on website claims for another product. On November 21, 2005 the first product was released under direction to make a small label adjustment on the next product run. We intend to comply with this request. On November 15, 2005 the second product was released after review of marketing materials available on the internet.

**Formulations:** We are reliant on our manufacturers’ knowledge and expertise as they develop our formulas. We do investigate the individual ingredients to ensure they fall under the 1994 DSHEA Act definitions as well as the Food and Drug Administration (“FDA”) cosmetic regulations. We also receive confirmation that all preservatives are GRAS (generally recognized as safe).

**Manufacturing:** We are reliant on our manufacturers that they are compliant with GMP regulations and safety regulations put forth by the FDA.

**Packaging:** We are reliant on our manufacturers that our packaging is in compliance with FDA regulations.

**Labeling:** We consult with our FDA attorneys on a need-to-know basis regarding labeling and have an in-house labeling specialist that is experienced in the 1994 DSHEA Act.

***Distribution:*** Our facility has Food Grade Certification within the State of Pennsylvania and is also registered with the FDA as a Food Grade Facility.

***Sale and Storage:*** We have an in-house Quality Control department that oversees this area, as well as ensures our distribution facility is compliant with all applicable laws in this area.

***Importation:*** We have an in-house purchasing agent that works with all applicable laws with respect to NAFTA, bio-terrorism and agricultural requirements, as well as a brokerage firm that works for us. We have always successfully imported product to the United States with very few inspections or violations.

## **Products**

The formulation, manufacture, packaging, storing, labeling, advertising, distribution and sale of our products are subject to regulation by federal agencies, including the Food and Drug Administration, the Federal Trade Commission, the Consumer Product Safety Commission, the United States Department of Agriculture, the Environmental Protection Agency, and the United States Postal Service. Our activities are also regulated by various agencies of the states, localities and foreign countries in which our products are or may be manufactured, distributed and sold. The Food and Drug Administration, in particular, regulates the formulation, manufacture and labeling of dietary supplements, cosmetics and skin care products, including some of our products. Food and Drug Administration regulations require us and our suppliers to meet relevant regulatory good manufacturing practices for the preparation, packaging and storage of these products. Good manufacturing practices for dietary supplements have yet to be promulgated, but are expected to be proposed. The Dietary Supplement Health and Education Act of 1994 revised the provisions of the Federal Food, Drug and Cosmetic Act concerning the composition and labeling of dietary supplements, which we believe is generally favorable to the dietary supplement industry. The Dietary Supplement Health and Education Act created a new statutory class of “dietary supplements.” This new class includes vitamins, minerals, herbs, amino acids and other dietary substances for human use to supplement the diet. In general, a dietary supplement is a product (other than tobacco) that is intended to supplement the diet that bears or contains one or more of the following dietary ingredients: a vitamin, a mineral, a herb or other botanical, an amino acid, a dietary substance for use by man to supplement the diet by increasing the total daily intake, or a concentrate, metabolite, constituent, extract, or combinations of these ingredients; is intended for ingestion in pill, capsule, tablet, or liquid form; is not represented for use as a conventional food or as the sole item of a meal or diet; and is labeled as a “dietary supplement.” However, the Dietary Supplement Health and Education Act (“DSHEA”) grandfathered, with certain limitations, dietary ingredients that were on the market before October 15, 1994. A dietary supplement containing a new dietary ingredient and placed on the market on or after October 15, 1994 must have a history of use or other evidence establishing a basis for expected safety. Manufacturers of dietary supplements having a “structure-function” statement must have substantiation that the statement is truthful and not misleading.

The majority of our sales come from products that are classified as dietary supplements under the Federal Food, Drug and Cosmetic Act. The labeling requirements for dietary supplements have been set forth in final regulations with respect to labels affixed to containers beginning after March 23, 1999. These regulations include how to declare nutrient content information, and the proper detail and format required for the “supplemental facts” box. We revise our product labels in compliance with these regulations. The costs of product re-labeling were immaterial. Many states have also recently become active in the regulation of dietary supplement products. These states may require modification of labeling or formulation of certain of our products sold in these states.

In January 2000, the FDA published a final rule that defines the types of statements that can be made concerning the effect of a dietary supplement on the structure or function of the body pursuant to the DSHEA. Under the DSHEA, dietary supplement labeling may bear “structure/function” claims, which are claims that the products affect the structure or function of the body, without prior FDA approval. They may not without prior FDA approval, bear a claim that they can prevent, treat, cure, mitigate or diagnose disease, otherwise known as a “drug claim”. The final rule describes

how the FDA will distinguish drug claims from structure/function claims. Dietary supplements, like conventional foods, are also permitted to make “health claims”, which are claims that are exempt from regulation as “drug” claims pursuant to the amendments to the FDCA established by the NLEA in 1990. A “health claim” is a claim, ordinarily approved by the FDA regulation, on a food or dietary supplement product’s labeling that “characterizes the relationship of any substance to a disease or health-related condition”. To help assure that foods, dietary supplements and cosmetics comply with the provisions of the FDCA and FDA’s regulations, the FDA has numerous enforcement tools, including the ability to issue warning letters, initiate product seizures and injunctions and pursue criminal penalties.



The manufacturer of dietary supplements is subject to existing FDA current good manufacturing practices, or “cGMP”, regulations for food. In March 2003, the FDA proposed detailed cGMP regulations specifically for dietary supplements. The FDA is expected to publish final cGMP regulations for dietary supplements in the near future.

Personal care products, regulated by the FDA as cosmetics are intended to be applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance. Included in this definition are products such as skin creams, lotions, perfumes, lipsticks, fingernail polishes, eye and facial make-up preparations, shampoos, permanent waves, hair colors, deodorants, and any material intended for use as a component of a cosmetic product-provided such products are not promoted with drug claims.

In general, our cosmetic products are not subject to pre-market approval by the FDA. Cosmetics are, however, subject to regulation by the FDA under the Federal Food, Drug, and Cosmetic Act adulteration and misbranding provisions. They are also subject to specific labeling regulations, including warning statements, if the product's safety is not adequately substantiated or if it may be hazardous, as well as ingredient statement and other packaging requirements under the Fair Packaging and Labeling Act. Cosmetics that meet the definition of a drug (i.e., that are intended to treat or prevent disease or affect the structure or function of the body), such as sunscreens, are regulated as drugs. Cosmetics that bear label claims that expressly or impliedly suggest that the product serves such drug purposes will also be regulated as drugs.

As a marketer of products that are ingested by consumers or applied topically, we are subject to the risk that one or more of the ingredients in our products may become the subject of adverse regulatory action or product liability action.

The EPA regulations require that each manufacturer or importer of gasoline, diesel fuel, or a fuel additive have its product registered prior to its introduction into commerce. ME<sup>2</sup>'s EPA registration number is #204320001.

A small portion of our products sold in Canada have separate labels or combination labels to satisfy Canadian compliance organizations, such as the Food Inspection Agency and Health Canada. Health Canada is moving towards stricter compliance guidelines for dietary supplement products through its recently created Office of Natural Health Products. New compliance guidelines through the Office of Natural Health Products may affect the formulation, manufacture, packaging, storing, labeling, advertising, distribution and sale of our products in Canada. We plan to comply with all regulations promulgated by Office of Natural Health Products. Due to the small percentage of sales in Canada, we do not hold separate Canadian labels for our complete product line.

In foreign markets, prior to commencing operations and prior to making or permitting sales of our products, we may be required to obtain an approval, license or certification from the country's ministry of health or comparable agency. Prior to entering a new market in which a formal approval, license or certificate is required, we will be required to work extensively with local authorities to obtain the requisite approvals. The approval process generally will require us to present each product and product ingredient to appropriate regulators and, in some instances, arrange for testing of products by local technicians for ingredient analysis. Such approvals may be conditioned on reformulation of our products or may be unavailable with respect to certain products or ingredients.

### **Product Claims And Advertising**

The Federal Trade Commission and certain states regulate advertising, product claims, and other consumer matters, including advertising of our products. All advertising, promotional and solicitation materials used by distributors require our approval prior to use. The Federal Trade Commission has in the past several years instituted enforcement actions against several dietary supplement companies for false and misleading advertising of certain products. In addition, the Federal Trade Commission has increased its scrutiny of the use of testimonials. We have not been the target of Federal Trade Commission enforcement action. There is no assurance that:

- the Federal Trade Commission will not question our advertising or other operations in the future,
- a state will not interpret product claims presumptively valid under federal law as illegal under that state's regulations, or
- future Federal Trade Commission regulations or decisions will not restrict the permissible scope of such claims.

We are also subject to the risk of claims by distributors and their customers who may file actions on their own behalf, as a class or otherwise, and may file complaints with the Federal Trade Commission or state or local consumer affairs offices. These agencies may take action on their own initiative against us for alleged advertising or product claim violations or on a referral from distributors, consumers or others. Remedies sought in such actions may include consent decrees and the refund of amounts paid by the complaining distributor or consumer, refunds to an entire class of distributors or customers, or other damages, as well as changes in our method of doing business. A complaint based on the practice of one distributor, whether or not we authorized the practice, could result in an order affecting some or all distributors in a particular state. Also, an order in one state could influence courts or government agencies in other states considering similar matters. Proceedings resulting from these complaints may result in significant defense costs, settlement payments or judgments and could have a material adverse effect on us. The FTC has increased its scrutiny of the use of distributor testimonials. Although it is impossible for us to monitor all the product claims made by our independent distributors, we make efforts to monitor distributor testimonials and restrict inappropriate distributor claims. The FTC has been more aggressive in pursuing enforcement against dietary supplement products since the passage of DSHEA in 1994, and has brought numerous actions against dietary supplement companies, some resulting in several million dollar civil penalties and/or restitution as well as court-ordered injunctions.

### **NAD Enforcement**

The National Advertising Division, or "NAD", of the Council of Better Business Bureaus oversees an industry-sponsored self-regulatory system that permits competitors to resolve disputes over advertising claims. The NAD may challenge a company's advertising on its own initiative or at the request of a competitor. While the NAD has no ultimate enforcement authority of its own, it may refer advertising that it views as violating FTC requirements or guidelines to the FTC for further action.

### **Bioterrorism Act Compliance**

In June of 2002 Congress passed the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 ("Bioterrorism Act"). Several provisions of the Bioterrorism Act have resulted in additional regulatory compliance issues. Under the Bioterrorism Act, domestic and foreign facilities that manufacture, process, pack, or hold food for human or animal consumption in the United States must register with the FDA. In November 2004, we met this requirement by registering with the FDA. In addition, the Bioterrorism Act requires companies to provide FDA with prior notification of all food importation, including dietary supplement importation. The Bioterrorism Act also mandates recordkeeping and records maintenance requirements. We currently believe we are in compliance with all Bioterrorism Act requirements.

### **Compliance Efforts**

We attempt to remain in full compliance with all applicable laws and regulations governing the manufacture, labeling, sale, distribution, and advertising of our dietary supplements. We retain special legal counsel for advice on both US Food and Drug Administration and US Federal Trade Commission legal issues.

### **Network Marketing System**

Our network marketing system is subject to a number of federal and state regulations administered by the Federal Trade Commission and various state agencies. These regulations are generally directed at ensuring that product sales are ultimately made to consumers (as opposed to other distributors) and that advancement within an organization be based on sales of the organization's products, rather than investment in the organization or other non-retail sales related criteria. For instance, in certain markets there are limits on the extent to which distributors may earn royalties on sales generated by distributors that were not directly sponsored by the distributor.

Our network marketing program and activities are subject to scrutiny by various state and federal governmental regulatory agencies to ensure compliance with various types of laws and regulations. These laws and regulations include securities, franchise investment, business opportunity and criminal laws prohibiting the use of “pyramid” or “endless chain” types of selling organizations. The compensation structure of such selling organizations is very complex, and compliance with all of the applicable laws is uncertain in light of evolving interpretation of existing laws and the enactment of new laws and regulations pertaining to this type of product distribution. We have an ongoing compliance program with assistance from legal counsel experienced in the laws and regulations pertaining to network sales organizations. We are not aware of any legal actions pending or threatened by any governmental authority against us regarding the legality of our network marketing operations.

We currently have IBAs in the United States, Canada, Hong Kong and Philippines. We review the requirements of various states, as well as seek legal advice regarding the structure and operation of our selling organization to ensure that it complies with all of the applicable laws and regulations pertaining to network sales organizations. On the basis of these efforts and the experience of our management, we believe that we are in compliance with all applicable federal and state regulatory requirements. We have not obtained any no-action letters or advance rulings from any federal or state security regulator or other governmental agency concerning the legality of our operations, nor are we relying on a formal opinion of counsel to such effect. We, accordingly, are subject to the risk that, in one or more of our markets, our marketing system could be found to not comply with applicable laws and regulations. Our failure to comply with these regulations could have a material adverse effect on us in a particular market or in general.

We are subject to the risk of challenges to the legality of our network marketing organization, including claims by our distributors, both individually and as a class. Most likely these claims would be based on our network marketing program allegedly being operated as an illegal “pyramid scheme” in violation of federal securities laws, state unfair practice and fraud laws and the Racketeer Influenced and Corrupt Organizations Act.

We believe that our network marketing system is not classified as a pyramid scheme under the standards set forth in applicable law. In particular, in most jurisdictions, we maintain an inventory buy-back program to address the problem of “inventory loading.” Pursuant to this program, we repurchase products sold to a distributor (subject to a 10% restocking charge) provided that the distributor returns the product in marketable condition within one year of original purchase, or longer where required by applicable state law or regulations.

Our literature provided to distributors describes our buy-back program. However, as is the case with other network marketing companies, the commissions paid by us to our distributors are based on product purchases, including purchases of products that are personally consumed by the down-line distributors. Basing commissions on sales of personally consumed products may be considered an inventory loading purchase. Furthermore, distributors’ commissions are based on the wholesale prices received by us on product purchases or, in some cases, based upon the particular product purchased, on prices less than the wholesale prices.

On April 5, 2006, the FTC released a proposed New Business Opportunity Rule. The proposed rule would require pre-sale disclosures for all business opportunities, which might include network marketing compensation plans. The New Business Opportunity Rule is currently only a proposed rule. If implemented at all, the rule ultimately may not be implemented in a form that applies to network marketing compensation plans, or may change significantly before it is implemented. If the proposed rule were adopted as currently proposed, it will require us to change some of our current practices regarding pre-sale disclosures.

To further address the problem of “inventory loading,” our IBAs must sell at least 70% of their inventory before they can reorder.

In the event of challenges to the legality of our network marketing organization by distributors, we would be required to:

- demonstrate that our network marketing policies are enforced, and
- demonstrate that the network marketing program and distributors’ compensation thereunder serve as safeguards to deter inventory loading and encourage retail sales to the ultimate consumers.

## **Competition**

We are subject to significant competition in recruiting IBAs from other network marketing organizations, including those that market products in the dietary supplement and personal care categories, as well as other types of products.

There are more than 300 companies worldwide that utilize network marketing techniques, many of which are substantially larger, offer a greater variety of products, and have available considerably greater financial resources than us. Our ability to remain competitive depends, in significant part, on our success in recruiting and retaining IBAs through an attractive commission plan and other incentives. We believe that our commission plan and incentive programs provide our IBAs with significant income potential. However, there can be no assurance that our programs for recruitment and retention of IBAs will continue to be successful.

In addition, the business of marketing products in the dietary supplement and personal care categories is highly competitive. This market segment includes numerous manufacturers, other network marketing companies, catalog companies, distributors, marketers, retailers and physicians that actively compete in the sale of such products. We also compete with other providers of such products, especially retail outlets, based upon convenience of purchase and immediate availability of the purchased product. The market is highly sensitive to the introduction of new products or weight management plans (including various prescription drugs) that may rapidly capture a significant share of the market. As a result, our ability to remain competitive depends, in part, upon the successful introduction and addition of new products to our line.

Depending on the product category, our competition varies. Calorad competes directly with Colvera, a product with different ingredients but a similar concept. Additionally, Calorad competes indirectly with food plans such as Weight Watchers and meal replacement products such as Slim Fast. Our Noni Plus product competes with Tahitian International and others. Our other products have similar well funded and sophisticated competitors. Increased competitive activity from such companies could make it more difficult for us to increase or keep market share, since such companies have greater financial and other resources available to them and possess far more extensive manufacturing, distribution and marketing capabilities.

Ultimate ME2 competes directly with the engine efficiency supplements produced by Fuel Freedom International, a network marketing company.

Code Blue competes directly with Brita, a water filtration line of products available in retail outlets.

Our network marketing competitors include small, privately held companies, as well as larger, publicly held companies with greater financial resources and greater product and market diversification and distribution. Our competitors include Reliv International, Mannatech Incorporated, Usana Health Services, Alticor Inc. (Amway Corp.), Avon Products Inc., Herbalife Ltd., Mary Kay Inc., Metaluca, Inc., Nature's Sunshine Products Inc., Nu Skin Enterprises Inc. as well as mass retail establishments.

## **Employees**

As at March 30, 2007 we had 36 employees and managers. Of this total, 3 are executive officers, 4 are in accounting, 1 is in investor relations, 1 is in international development, 12 are in operations, 3 are in sales and marketing, 2 are in sales communication, 5 are in information systems, 1 is in product development, 3 are in purchasing/warehouse and 1 is in administration. We consider our employee relations to be good. None of our employees or managers are members of a trade union and we have not experienced any business interruption as a result of any labor disputes.

## **Research And Development Expenditures**

We have not incurred any research or development expenditures during our last two fiscal years.

## **Intellectual Property**

We use several trademarks and trade names in connection with our products and operations, as further described below. We rely on common law trademark rights to protect our unregistered trademarks. Common law trademark rights do not provide with the same level of protection as afforded by a United States federal registration of a trademark. Also, common law trademark rights are limited to the geographic area in which the trademark is actually used. In addition, our product formulations are not protected by patents and are not patentable. Therefore, there can be no assurance that another company will not replicate one or more of our products.

We have a License Agreement with NDI that gives EYI the exclusive right to use the trademarks solely in connection with the sale, marketing and distribution of the products. Our agreement states that we have non-exclusive rights to use the trademarks on the Internet. The agreement is based on a five year term, with automatic renewal for another five year period. We also have license agreement which gives EYI the exclusive right to the trademarks for the purpose of sales and marketing activities. The agreement is based on a 50 year term with a yearly renewal each year thereafter.



On June 30, 2002, the following NDI trademarks were licensed to EYI Nevada pursuant to the Marketing and Distribution Agreement in place between NDI and EYI. The owner of the trademarks set out in the table below is Michel Grise Consultants Inc., an associated company of NDI and is controlled by Michel Grise:

| <b>Product</b>  | <b>Status</b>        |
|-----------------|----------------------|
| Agrisept-L(R)   | Registered Trademark |
| Beaugest(R)     | Registered Trademark |
| Bellaffina(R)   | Registered Trademark |
| Calorad(R)      | Registered Trademark |
| Citrex(R)       | Registered Trademark |
| Citrio(R)       | Registered Trademark |
| Definition(R)   | Registered Trademark |
| Emulgent(R)     | Registered Trademark |
| Fem Fem(R)      | Registered Trademark |
| Golden Treat(R) | Registered Trademark |
| Hom Hom(R)      | Registered Trademark |
| Invisible(R)    | Registered Trademark |
| Livocare(R)     | Registered Trademark |
| Melan Plus(R)   | Registered Trademark |
| Neocell(R)      | Registered Trademark |
| NRG(R)          | Registered Trademark |
| Parablast(R)    | Registered Trademark |
| Parattack(R)    | Registered Trademark |
| Prosoteine(R)   | Registered Trademark |
| Sea Krit(R)     | Registered Trademark |

On June 30, 2002, EYI Nevada acquired a license from Essentially Yours Industries Corp., an affiliated company, to use the below trademarks and formulas for a term of 50 years, renewable at the option of EYI Nevada on a yearly basis thereafter at the same yearly rate of \$1.00 per year, from year to year:

| <b>Copyright/Trademark</b>                           | <b>Status of Application</b> |
|--|------------------------------|
| Citri-plus(R)  | Registered Trademark         |
| EYI w/design(R)                                      | Registered Trademark         |
| Essential Marine(R)                                  | Registered Trademark         |
| Essentially Yours(R)                                 | Registered Trademark         |
| Essentially Yours Industries Corp. (with design) (R) | Registered Trademark         |
| Iso greens(R)  | Registered Trademark         |

The following additional products are licensed to EYI Nevada:

|   |                      |
|---|----------------------|
| Just Go Pro! (R)  | Registered Trademark |
| Oxy Up(TM)  | Registered Trademark |
| The Ultimate Performance Enhancer! (TM)                     | Registered Trademark |
| Code Blue DRINK ONLY THE WATER(TM)                          | Pending Trademark    |
| How do you take your water...with or without Arsenic?! (TM) | Pending Trademark    |

## MANAGEMENT

### Directors And Executive Officers

The following information sets forth the names of our officers and directors, their present positions with our company, and their biographical information.

| <b>Name</b>   | <b>Age</b> | <b>Position with the Company</b>  | <b>Date First Elected or Appointed</b>   |
|---------------|------------|---|--|
| Jay Sargeant  | 59         | President, Chief Executive Officer and Director                                       | Director, Chief Executive Officer and President since December 31, 2003.                                       |
| Dori O'Neill  | 47         | Executive Vice-President, Treasurer, Chief Operations Officer, Secretary and Director | Executive Vice-President, Treasurer, Chief Operations Officer, Secretary and Director since December 31, 2003. |
| Rajesh Raniga | 41         | Chief Financial Officer   |  |

Chief Financial Officer since  
December 31, 2003.

**Jay Sargeant.** Mr. Sargeant has been our President, Chief Executive Officer and a member of our Board of Directors since December 31, 2003. Mr. Sargeant graduated from Boston State College in 1979 with a Bachelors Degree in English Literature and Psychology. From 1995 until June 30, 2002, the date of our merger with EYI, Mr. Sargeant was a director of Essentially Yours Industries, Corp. a Canadian Federal corporation and our Affiliate. Mr. Sargeant resigned as a member of the Board of Directors of Essentially Yours Industries, Corp. to concentrate on our sales and marketing efforts. Mr. Sargeant was a founder of Essentially Yours Industries, Corp.

**Dori O'Neill.** Mr. O'Neill has been our Executive Vice President, Chief Operations Officer and a member of our Board of Directors since December 31, 2003. From 1997 to June 2002, Mr. O'Neill served as a Vice President and a member of the Board of Directors of Essentially Yours Industries Corp., a Canadian Federal corporation and our Affiliate, from December 2001 to June 2002. From 1994 through 1998 Mr. O'Neill was a self-employed consultant.

**Rajesh Raniga.** Mr. Raniga has been our Chief Financial Officer since December 31, 2003. Mr. Raniga is a Certified General Accountant. From 1989 to present Mr. Raniga has practiced with Delves Freer Anderson Raniga Caine as a general partner. In his private practice, prior to joining us, he specialized in auditing publicly-listed companies as well as acquisitions and mergers. He has also sat on the Board of Directors and served as the Chief Financial Officer of Uniserve Communications Services Inc., an internet service provider listed on the TSX Venture Exchange in Canada.

### **Family Relationships**

There is no family relationship between any of our officers or directors.

### **TERMS OF OFFICE**

Our directors are appointed for one-year terms to hold office until the next annual general meeting of the holders of our common stock or until removed from office in accordance with our by-laws. Our officers are appointed by our Board of Directors and hold office until removed by our Board of Directors.

### **COMMITTEES OF THE BOARD OF DIRECTORS**

#### **Audit Committee**

The Board of Directors performs the functions of an audit committee, but no written charter governs the actions of the Board of Directors when performing the functions of an audit committee. The Board of Directors approves the selection of our independent accountants and meets and interacts with the independent accountants to discuss issues related to financial reporting. In addition, the Board of Directors reviews the scope and results of the audit with the independent accountants, reviews with management and the independent accountants our annual operating results, considers the adequacy of our internal accounting procedures and considers other auditing and accounting matters including fees to be paid to the independent auditor and the performance of the independent auditor.

We presently do not have a compensation committee, an executive committee of our Board of Directors, stock plan committee or any other committees. However, our Board of Directors will consider establishing various committees during the current fiscal year.

#### **Audit Committee Financial Expert**

Our Board of Directors has determined that we do not presently have a director who meets the definition of an “audit committee financial expert”. We believe that the cost related to appointing a financial expert to our Board of Directors at this time is prohibitive.

#### **Nomination Committee**

Our Board of Directors does not maintain a nominating committee. As a result, no written charter governs the director nomination process. The size of our company and the size of the Board of Directors, at this time, do not require a separate nominating committee. Our independent directors annually review all director performance over the past year and make recommendations to the Board of Directors for future nominations. When evaluating director nominees, our independent directors consider the following factors:

- The appropriate size of the Company’s Board of Directors;
- The needs of the Company with respect to the particular talents and experience of its directors;

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·The knowledge, skills and experience of nominees, including experience in finance, administration or public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the board;

· Experience with accounting rules and practices; and

·The desire to balance the benefit of continuity with the periodic injection of the fresh perspective provided by new board members.

Other than the foregoing, there are no stated minimum criteria for director nominees, although the Board of Directors may also consider such other factors as it may deem are in the best interests of the Company and its stockholders. In addition, the Board of Directors identifies nominees by first evaluating the current members of the board willing to continue in service. Current members of the board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination. If any member of the Board of Directors does not wish to continue in service or if the board decides not to re-nominate a member for re-election, the Board of Directors then identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of the Board of Directors are polled for suggestions as to individuals meeting the criteria described above. The board may also engage in research to identify qualified individuals. To date, we have not engaged third parties to identify or evaluate or assist in identifying potential nominees, although we reserve the right in the future to retain a third party search firm, if necessary. The Board of Directors does not typically consider stockholder nominees because it believes that its current nomination process is sufficient to identify directors who serve our best interests.

## CODE OF ETHICS

We adopted a Code of Ethics applicable to our Chief Executive Officer, Chief Financial Officer, Corporate Controller and certain other finance executives, which is a “code of ethics” as defined by applicable rules of the SEC. Our Code of Ethics is attached to our Annual Report on Form 10-KSB filed with the SEC on April 14, 2004. If we make any amendments to our Code of Ethics other than technical, administrative, or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of our Code of Ethics to our chief executive officer, chief financial officer, or certain other finance executives, we will disclose the nature of the amendment or waiver, its effective date and to whom it applies in a Current Report on Form 8-K filed with the SEC.

## SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than ten percent of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based on our review of the copies of such forms received by us, we believe that during the fiscal year ended December 31, 2006 all such filing requirements applicable to our officers and directors were complied with exception that reports were filed late by the following persons:

| <b>Name and Principal Position</b>  | <b>Number of Late Form 4 Reports</b> | <b>Transactions Not Timely Reported</b> | <b>Known Failures to File a Required Form</b> |
|---|--------------------------------------|---|---|
| Jay Sargeant,<br>President, Chief Executive Officer,<br>and Director                      | 0                                    | 0                                       | -   |
| Dori O’Neill<br>President, Chief Operations Officer,<br>Secretary, Treasurer and Director | 0                                    | 0                                       | -   |

**ITEM 10. EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table sets forth certain summary information concerning the compensation paid or accrued for each of EYI's last three completed fiscal years to EYI's or its principal subsidiaries' Chief Executive Officer and each of its other executive officers that received compensation in excess of \$100,000 during such period (as determined at December 31, 2006, the end of EYI's last completed fiscal year) (the "Named Executive Officers"):

**SUMMARY COMPENSATION**

| Name and<br>Principal Position                               | Year                | Salary<br>(\$)            | Bonus<br>(\$)           | Stock<br>Awards<br>(\$) | Option<br>Awards<br>(\$) | Non-Equity<br>Incentive<br>Compensation<br>(\$) | Change<br>in<br>Pension<br>Value<br>and<br>Non-qualified<br>Deferred<br>Compensation<br>(\$) | All Other<br>Compensation<br>(\$) | Total<br>(\$)             |
|--|---------------------|---------------------------|-------------------------|-------------------------|--------------------------|---|--|-----------------------------------|---------------------------|
|  |                     |                           |                         |                         |                          |   |  |                                   |                           |
| <b>Jay Sargeant</b>  |                     |                           |                         |                         |                          |   |  |                                   |                           |
| President,<br>Principal<br>Executive Officer<br>and Director |                     |                           | (1)                     |                         |                          |   |  |                                   | (1)                       |
|  | 2006                | \$ 240,000                | \$ 5,000                | —                       | —                        | —   | —  | —                                 | \$ 245,000                |
|  | 2005                | \$ 240,000 <sup>(1)</sup> | —                       | —                       | 1,500,000                | —   | —  | —                                 | —                         |
|  | 2004                | \$ 240,000 <sup>(1)</sup> | —                       | —                       | 4,200,000                | —   | —  | —                                 | —                         |
| <b>Dori O'Neil<sup>(2)</sup></b>                             |                     |                           |                         |                         |                          |   |  |                                   |                           |
| Chief<br>Operations<br>Officer, Secretary<br>And Director    |                     |                           | (2)                     |                         |                          |   |  |                                   | (2)                       |
|  | 2006                | \$ 240,000                | \$ 5,000                | —                       | —                        | —   | —  | —                                 | \$ 245,000                |
|  | 2005                | \$ 240,000 <sup>(2)</sup> | —                       | —                       | 1,500,000                | —   | —  | —                                 | —                         |
|  | 2004                | \$ 240,000 <sup>(2)</sup> | —                       | —                       | 7,400,000                | —   | —  | —                                 | —                         |
| <b>Rajesh Raniga</b>   |                     |                           |                         |                         |                          |   |  |                                   |                           |
| Principal<br>Financial<br>Officer                            |                     |                           |                         |                         |                          |   |  |                                   |                           |
|  | 2006                | \$ 24,000                 | —                       | —                       | —                        | —   | —  | —                                 | \$ 24,000                 |
|  | 2005                | \$ 24,000                 | —                       | —                       | —                        | —   | —  | —                                 | —                         |
|  | 2004                | \$ 24,000                 | —                       | —                       | 450,000                  | —   | —  | —                                 | —                         |
| <b>Donna Key</b>   |                     |                           |                         |                         |                          |   |  |                                   |                           |
| Chief Financial<br>Officer <sup>(3)</sup>                    |                     |                           |                         |                         |                          |   |  |                                   |                           |
|  | 2006                | \$ 110,200 <sup>(4)</sup> | \$ 2,500 <sup>(4)</sup> | —                       | —                        | —   | —  | 6,347 <sup>(4)</sup>              | \$ 118,751 <sup>(4)</sup> |
|  | 2005 <sup>(5)</sup> |                           |                         |                         |                          |   |  |                                   |                           |
|  | 2004 <sup>(5)</sup> |                           |                         |                         |                          |   |  |                                   |                           |

**Notes:**

(1) We paid management consulting fees to Flaming Gorge, Inc., a private company controlled by Mr. Sargeant, our President, CEO and director, for his management of the operation of the Company and our subsidiaries, reporting to the Board of Directors, and appointing managers to oversee certain departments. Mr. Sargeant was compensated at the rate of \$20,000 per month, on a month to month basis commencing November 5, 2002. The agreement was for an initial five-year term, which is automatically renewable upon expiration of the five-year period on a year-to-year basis.

Effective January 1, 2004, we extended the consulting agreement of Mr. Sargeant for an additional five years.

(2) We paid management consulting fees to O'Neill Enterprises Inc., a private company controlled by Mr. O'Neill, our Executive Vice-President, COO, Secretary, Treasurer and director, for the management of day to day activities and operations of the Company and our subsidiaries. Mr. O'Neill was compensated at the rate of \$15,000 per month, on a month to month basis commencing November 5, 2002. The agreement was for an initial five-year term, which is automatically renewable upon expiry of the five-year period on a year-to-year basis. Effective January 1, 2004, we increased the consulting fees payable to Mr. O'Neill to \$20,000 per month, and extended the term by five years.

(3) Mrs. Keay is the Chief Financial Officer of EYI.

(4) Mrs. Keay is paid an annual salary of \$125,000 CDN per year, \$600 CDN per month car allowance and a bonus of \$2,500 CDN. Based on the Bank of Canada 2006 average exchange rate of 1.1343 the total amount is equal to \$118,751 US.

(5) Mrs. Keay did not earn more than \$100,000 US for the fiscal years ended December 31, 2005 or 2004.



## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

| Name          | Option awards   |   |   |                            | Stock Awards           |   |  |  |  |
|---------------|---|---|---|----------------------------|------------------------|---|--|--|--|
|               | Number of securities underlying unexercised options (#) | Number of securities underlying unexercised options (#) | Number of securities underlying unexercised options (#) | Option exercise price (\$) | Option expiration date | Number of shares or units of stock that have not vested (#) | Market value of shares or units of stock that have not vested (\$) | Number of shares, units or other rights that have not vested (#) | Equity incentive plan awards: Market value of unearned shares, units or other rights that have not vested (\$) |
| Jay Sargeant  | 1,500,000   | —   | —   | \$ 0.06                    | Feb-9-07               | —   | —  | —  | —  |
| Dori O'Neill  | 1,500,000   | —   | —   | \$ 0.06                    | Feb-9-07               | —   | —  | —  | —  |
| Rajesh Raniga | —   | —   | —   | —                          | —                      | —   | —  | —  | —  |
| Donna Keay    | —   | —   | —   | —                          | —                      | —   | —  | —  | —  |

## COMPENSATION ARRANGEMENTS

## Compensation of Directors

All of our directors receive reimbursement for out-of-pocket expenses for attending Board of Directors meetings. From time to time we may engage certain members of the Board of Directors to perform services on behalf of the Company and may compensate such persons for the performance of those services.

In November 2002, we entered into a consulting agreement with Flaming Gorge, Inc., a company controlled by Jay Sargeant, our President, Chief Executive Officer and a member of our Board of Directors. Pursuant to this agreement, we agreed to pay Flaming Gorge, Inc. \$20,000 per month in consideration of management consulting services provided by Mr. Sargeant to us. The agreement automatically renews on a year-to-year basis at the end of the initial five (5) year term. Effective January 1, 2004, we extended the consulting agreement of Mr. Sargeant for an additional five years.

In November 2002, we entered into a consulting agreement with O'Neill Enterprises, Inc., a company controlled by Dori O'Neill, our Executive Vice President, Chief Operations Officer, Secretary, Treasurer and a member of our Board of Directors. Pursuant to the agreement, we agreed to pay \$15,000 per month in consideration of management consulting services provided by Mr. O'Neill to us. This agreement automatically renews on a year-to-year basis at the

end of the initial five (5) year term. Effective January 1, 2004, we increased the consulting fees payable to O'Neill Enterprises, Inc., to \$20,000 per month for management consulting services provided by Mr. O'Neill to us. Effective January 1, 2004, we extended the consulting agreement of Mr. O'Neill for an additional five years.

### **LONG-TERM INCENTIVE PLANS**

We do not have any long-term incentive plans, pension plans, or similar compensatory plans for our directors or executive officers.

### **Security Ownership of Management**

We are not aware of any arrangement that might result in a change in control in the future.

### **Securities Authorized for Issuance Under Equity Compensation Plans**

The following table sets forth certain information concerning all equity compensation plans previously approved by stockholders and all previous equity compensation plans not previously approved by stockholders, as of the most recently completed fiscal year. On February 17, 2004, our Board of Directors approved the Stock Compensation Program (the "Plan"). The Plan became effective on March 30, 2004. Under the Plan, options to purchase up to 25,000,000 shares of our common stock may be granted to our employees, officers, directors, and eligible consultants of our company. The Plan provides that the option price be the fair market value of the stock at the date of grant as determined by the Board of Directors. Options granted become exercisable and expire as determined by the Board of Directors. On February 1, 2007 the Board of Directors approved a Stock Incentive Plan for 250,000,000 shares of common stock.

**EQUITY COMPENSATION PLAN INFORMATION AS AT DECEMBER 31, 2006**

| <b>Plan Category</b>                                       | <b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b><br><b>(a)</b> | <b>Weighted-average exercise price of outstanding options, warrants and rights</b><br><b>(b)</b> | <b>Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a))</b><br><b>(c)</b> |
|--|--|--|---|
| Equity Compensation Plans approved by security holders     | Nil  | N/A  | N/A   |
| Equity Compensation Plans not approved by security holders | 2,270,000  | \$ 0.06  | 14,430,000  |
| Total  | 2,270,000  | \$ 0.14  | 14,430,000  |

**Stock Compensation Program**

On February 17, 2004, we established our Stock Compensation Program. The purpose of the Plan is to advance the interests of our company and our stockholders by strengthening our ability to obtain and retain the services of the types of employees, consultants, officers and directors who will contribute to our long term success and to provide incentives which are linked directly to increases in stock value which will inure to the benefit of all our stockholders. The Plan is administered by our Board of Directors or by a committee of two or more non-employee directors appointed by the Board of Directors (the "Administrator"). Subject to the provisions of the Plan, the Administrator has full and final authority to grant the awards of stock options and to determine the terms and conditions of the awards and the number of shares to be issued pursuant thereto. Options granted under the Plan may be either "incentive stock options," which qualify for special tax treatment under the Internal Revenue Code of 1986, as amended, (the "Code"), nonqualified stock options or restricted shares.

All of our employees and members of our Board of Directors are eligible to be granted options. Individuals who have rendered or are expected to render advisory or consulting services to us are also eligible to receive options. The maximum number of shares of our common stock with respect to which options or rights may be granted under the Plan to any participant is 25,000,000 shares, subject to certain adjustments to prevent dilution.

The exact terms of the option granted are contained in an option agreement between us and the person to whom such option is granted. Eligible employees are not required to pay anything to receive options. The exercise price for incentive stock options must be no less than 70% of the fair market value of the common stock on the date of grant. The exercise price for nonqualified stock options is determined by the Administrator in its sole and complete discretion. An option holder may exercise options from time to time, subject to vesting. Options will vest immediately upon death or disability of a participant and upon certain change of control events.

The Administrator may amend the Plan at any time and in any manner, subject to the following: (1) no recipient of any award may, without his or her consent, be deprived thereof or of any of his or her rights there under or with respect thereto as a result of such amendment or termination; and (2) any outstanding incentive stock option that is modified, extended, renewed, or otherwise altered must be treated in accordance with Section 424(h) of the Code.

The Plan terminates on March 30, 2014 unless sooner terminated by action of the Board of Directors. All awards granted under the Plan expire ten years from the date of grant, or such shorter period as is determined by the Administrator. No option is exercisable by any person after such expiration. If an award expires, terminates or is canceled, the shares of our common stock not purchased there under may again be available for issuance under the Plan.

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We filed a registration statement under the Securities Act of 1933, as amended, to register the 25,000,000 shares of our common stock reserved for issuance under the Plan on March 30, 2004.

On February 1, 2007 the Board of Directors approved a Stock Incentive Plan for the grant of up to 250,000,000 shares of common stock to the Company's employees, directors, and consultants. The Plan terminates on February 1, 2017 unless sooner terminated by action of the Board of Directors. All awards granted under the Stock Incentive Plan expire ten years from the date of grant, or such shorter period as is determined by the Board of Directors. No option is exercisable by any person after such expiration. If an award expires, terminates or is canceled, the shares of our common stock not purchased there under may again be available for issuance under the Stock Incentive Plan.

### **DESCRIPTION OF PROPERTY**

Our principal office is located at 7865 Edmonds Street, Burnaby, B.C., Canada, V3N 1B9. The rent from January 1, 2006 to December 31, 2006 was at a rate of CDN\$12,500.00 plus goods and service tax (“GST”) per month. The lease is for a period of seven years commencing January 1, 2005 and our monthly rent increases by CDN\$500 per month in January of each year. The rent for the period January 1, 2007 to December 31, 2007 is CDN\$13,000 per month plus GST.

We also have an office located at Units 1-3, 15th Floor, No. 1 Minden Avenue, Tsim Sha Tsui Kowloon. On September 28, 2005, EYI HK entered into a Lease with Dombas Estates Limited for the lease of the office space. The lease is for a two year term at a monthly rent of approximately \$3,500 USD (HK\$22,920).

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## LEGAL PROCEEDINGS

Other than as described below, we are not a party to any material legal proceedings and to our knowledge, no such proceedings are threatened or contemplated.

### **Action By Suhl, Harris and Babich**

In 2003 a consolidated action was brought by the plaintiffs Wolf Suhl, Christine Harris and Edward Babich in the Supreme Court of British Columbia pursuant to an order pronounced in the New Westminster Registry under Action No. S061589 on May 7, 2003, which allowed the plaintiffs to proceed with an action against EYI. In February 2006, the Supreme Court of British Columbia made an order that the Company and Mr. Jay Sargeant be added to the lawsuit. The Plaintiffs' total claim in this matter was approximately \$478,000. On September 5, 2006 we paid \$200,000 in full and final settlement and a consent dismissal order was pronounced on September 13, 2006 concluding the action.

### **Action by The State of Texas, et al**

On August 25, 2006 the State of Texas filed a Plaintiffs' First Amended Original Petition in the District Court of Travis County, Texas naming Essentially Yours Industries, Inc. A/K/A Essentially Yours Corp. A/K/A Burrard Capital, Inc. a foreign (NV) Corporation. The action arises from EYI's predecessor organization, Essentially Yours Industries, Corp., a Canadian Corporation's unpaid sales tax for the State of Texas in the amount of \$179,094.84 plus interest and costs. A hearing on this matter has been set for June 11, 2007 at 9:00 am at the District Court of Travis County, Texas.

**PRINCIPAL SHAREHOLDERS****Security Ownership Of Certain Beneficial Owners And Management**

The following table sets forth information about the beneficial ownership of our common stock as of May 1, 2007, by (i) each person who we know is the beneficial owner of more than 5% of the outstanding shares of common stock (ii) each of our directors or those nominated to be directors, and executive officers, and (iii) all of our directors and executive officers as a group.

| <b>Title of Class</b>                   | <b>Name and Address of Beneficial Owner</b>                                | <b>Amount and Nature of Beneficial Ownership</b>  | <b>Percentage of Common Stock<sup>(1)</sup></b> |
|---|--|---|---|
| <b>Directors and Executive Officers</b> |  |   |   |
| Common Stock                            | Jay Sargeant<br>3324 Military Avenue<br>Los Angeles, California            | 162,659,146<br>Direct and Indirect <sup>(2)</sup> | 40.70%  |
| Common Stock                            | Dori O'Neill<br>7865 Edmonds Street<br>Burnaby, British Columbia<br>Canada | 90,763,361<br>Direct and Indirect <sup>(3)</sup>  | 22.71%  |
| Common Stock                            | Rajesh Raniga<br>13357-56 Avenue<br>Surrey, British Columbia<br>Canada     | 250,000<br>Direct and Indirect <sup>(4)</sup>     | *   |
| Common Stock                            | Donna Keay<br>11483 94th Avenue<br>Delta, BC V4C 3R3                       | 1,381,572<br>Direct and Indirect <sup>(5)</sup>   | *   |
| Common Stock                            | All Directors and Executive Officers<br>as a Group (Four Persons)          | 255,054,079<br>Direct and Indirect                | 63.82%  |

\* Represents less than 1%.

<sup>(1)</sup> Applicable percentage of ownership is based on 399,648,955 shares of common stock outstanding as of May 1, 2007 together with securities exercisable or convertible into shares of common stock within 60 days of May 1, 2007 for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to securities exercisable or convertible into shares of common stock that are currently exercisable or exercisable within 60 days of May 1, 2007 are deemed to be beneficially owned by the person holding such options for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

<sup>(2)</sup> The shares are held as follows: (i) 146,419 shares held by Mr. Jay Sargeant (ii) 50,000 shares are held by Northern Colorado, Inc., a company controlled by Mr. Sargeant; (iii) 42,462,727 shares are held by Viper Network Inc., a



company controlled by Mr. Sargeant; (iv) 120,000,000 shares which may be acquired by Mr. Sargeant on exercise of incentive stock options within 60 days of May 1, 2007.

(3) The shares are held as follows: 3,454,500 shares of our common stock are held by Dori O'Neill directly, 7,308,861 shares are held by O'Neill Enterprises Inc., a company controlled by Mr. O'Neill and 80,000,000 shares may be acquired by Mr. O'Neill on exercise of incentive stock options within 60 days of May 1, 2007.

(4) Consists of 250,000 shares held directly by Mr. Raniga.

(5) Consists of 1,381,572 shares held directly by Mrs. Keay.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except as described below, none of the following parties has over the past two years, 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, other than noted in this section:

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; and

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

In November 2002, we entered into a consulting agreement with O'Neill Enterprises, Inc., a company controlled by Dori O'Neill, our Executive Vice President, Chief Operations Officer, Secretary, Treasurer and a member of our Board of Directors. Pursuant to the agreement, we agreed to pay \$15,000 per month in consideration of management consulting services provided by Mr. O'Neill to us. This agreement automatically renewed on a year-to-year basis at the end of the initial five (5) year term. Effective January 1, 2004, we increased the consulting fee payable to Mr. O'Neill to \$20,000 per month with a five year extension.

In November 2002, we entered into a consulting agreement with Flaming Gorge, Inc., a company controlled by Jay Sargeant, our President, Chief Executive Officer and a member of our Board of Directors. Pursuant to the agreement, we agreed to pay \$20,000 per month in consideration of management consulting services provided by Mr. Sargeant to us. This agreement automatically renewed on a year-to-year basis at the end of the initial five (5) year term. Effective January 1, 2004, we extended the consulting agreement of Mr. Sargeant for an additional five year extension.

In January 2004, we entered into a consulting agreement with Rajesh Raniga to act as our Chief Financial Officer on a month to month basis for consideration of \$150 per hour with a minimum charge of \$2,000 per month and 250,000 shares of our common stock. In January, 2004, we issued 250,000 shares of restricted common stock to Rajesh Raniga Inc. for prior consulting services provided to EYI. Mr. Raniga became our Chief Financial Officer on January 1, 2004.

On May 27, 2002, pursuant to a Declaration of Trust and the revised First Amendment to Trust Agreement dated December 23, 2003, 91,874,538 shares of our common stock were held by Jay Sargeant as trustee on behalf of certain beneficiaries. Of the 91,874,538 shares held pursuant to the trust, 26,397,436 of the shares were owned by Mr. Sargeant beneficially. The trust was unwound in February 2006 and the shares were distributed to the beneficiaries of the trust.

We have a contract with NDI that grants to us the exclusive license and right to market, sell and distribute in Canada and the United States and a non-exclusive right to market on the Internet certain products owned by Michel Grise Consultant, Inc., a Quebec corporation, which is controlled by Michel Grise. Mr. Grise is a director of our subsidiary EYI. To maintain the license and distribution rights granted by those contracts, we are obligated to purchase from NDI during that period commencing on June 1, 2003, and continuing through and including May 31, 2004, products totaling \$1,530,000. Those contracts also specify that for the period from June 1, 2004 to May 31, 2005, we are required to purchase from NDI products totaling \$3,825,000. Additionally, those contracts specify that for each year commencing on June 1, and ending on May 31 thereafter during the term of that agreement we are required to purchase products totaling \$5,355,000. The provisions of those contracts specify that NDI will offer us the right to

sell, market and distribute in those territories any new product developed by NDI.

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**MARKET PRICE OF AND DIVIDENDS  
ON THE REGISTRANT'S COMMON EQUITY AND OTHER SHAREHOLDER MATTERS**

Our shares have been trading on the Over-The-Counter Bulletin Board (the "OTCBB") under the symbol EYII since January 30, 2004 following completion of the Exchange Agreement between our Company, certain of our shareholders and Safe ID Corporation, see "Item 1. Description of Business" above. The shares of Safe ID Corporation traded on the OTC BB under the symbol "MYID" from January 17, 2001 to January 30, 2004. The following table contains the reported high and low bid prices for the common stock as reported on the OTCBB for the periods indicated:

| <b>YEAR 2005</b>                 | <b>High Bid</b> | <b>Low Bid</b> |
|----------------------------------|-----------------|----------------|
| Quarter Ended March 31, 2005     | \$ 0.19         | \$ 0.03        |
| Quarter Ended June 30, 2005      | \$ 0.06         | \$ 0.02        |
| Quarter Ended September 30, 2005 | \$ 0.19         | \$ 0.03        |
| Quarter Ended December 31, 2005  | \$ 0.12         | \$ 0.02        |

| <b>YEAR 2006</b>                 | <b>High Bid</b> | <b>Low Bid</b> |
|----------------------------------|-----------------|----------------|
| Quarter Ended March 31, 2006     | \$ 0.04         | \$ 0.02        |
| Quarter Ended June 30, 2006      | \$ 0.05         | \$ 0.02        |
| Quarter Ended September 30, 2006 | \$ 0.02         | \$ 0.01        |
| Quarter Ended December 31, 2006  | \$ 0.01         | \$ 0.01        |

| <b>YEAR 2007</b>             | <b>High Bid</b> | <b>Low Bid</b> |
|------------------------------|-----------------|----------------|
| Quarter Ended March 31, 2007 | \$ 0.0075       | \$ 0.004       |

The source of the high and low bid information is the OTCBB. The market quotations provided reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

#### **HOLDERS OF COMMON STOCK**

As of May 1, 2007, we had 193 registered stockholders holding 399,648,955 shares of our common stock.

#### **DIVIDENDS**

Since our inception, we have not declared nor paid any cash dividends on our capital stock and we do not anticipate paying any cash dividends in the foreseeable future. Our current policy is to retain any earnings in order to finance the expansion of our operations. Our Board of Directors will determine future declaration and payment of dividends, if any, in light of the then-current conditions they deem relevant and in accordance with applicable corporate law.

#### **Recent Sales Of Unregistered Securities**

On January 5, 2007 we completed a share exchange with certain of the shareholders of EYI, under a Share Exchange Agreement, dated January 5, 2007, (the "Exchange Agreement"). Under the terms of the Exchange Agreement, we issued 1,999,323 restricted shares of our common stock to the EYI shareholders in exchange for 260,485 shares of common stock held by them in EYI.

On October 27, 2006 we issued 317,254 shares of restricted common stock pursuant to a consultant pursuant to a consulting agreement. All securities were endorsed with a restrictive legend pursuant to Regulation S of the Securities

Act of 1933 confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act

On October 19, 2006 we issued 500,000 shares of restricted common stock pursuant to a consultant pursuant to a consulting agreement. All securities were endorsed with a restrictive legend pursuant to Regulation S of the Securities Act of 1933 confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act

On October 12, 2006 we issued a warrant to Mach 3 Technologies for the purchase of up to 967,680 shares of restricted common stock pursuant to an agreement dated October 12, 2006 between EYI and Mach 3 Technologies.

On October 1, 2006 we issued a warrant for the purchase of up to 500,000 shares of restricted common stock to Agora pursuant to our investor relations agreement with Agora.

On April 24, 2006 we entered a Securities Purchase Agreement with Cornell Capital Partners, Taib Bank, B.S.C. and Certain Wealth, Ltd. pursuant to which we entered into the following agreements: an Investor Registration Rights Agreement, Irrevocable Transfer Agent Instructions and a Security Agreement. Pursuant to the terms of the Share Purchase Agreement, we may sell convertible debentures to these entities in the principal amount of \$4,500,000 plus accrued interest which are convertible into shares of our common stock. Of this amount \$1,500,000 has been paid, \$1,500,000 must be paid two (2) business days prior to the date a registration statement is filed with the Securities and Exchange Commission and \$1,500,000 shall be paid two (2) business days prior to the date that such registration statement is declared effective by the Securities and Exchange Commission. We received proceeds of \$1,305,000 (net of fees associated with the issuance of the convertible debentures) on April 27, 2006 in connection with the issuance of \$1,500,000 of convertible debentures in the following principal amounts: \$750,000 to Cornell Capital Partners, \$416,667 to Taib Bank, B.S.C., and \$333,333 to Certain Wealth, Ltd. pursuant to the terms of the Securities Purchase Agreement. On June 8, 2006, we received net proceeds of \$1,350,000, associated with the issuance of the second tranche of convertible debentures in the principal amount of \$1,500,000 in the following principal amounts: \$750,000 to Cornell Capital Partners, \$416,667 to TAIB Bank, B.S.C., and \$333,333 to Certain Wealth, Ltd. On June 20, 2006, we received net proceeds of \$1,350,000, associated with the issuance of the third tranche of secured convertible debentures in the principal amount of \$1,500,000, in the following amounts: \$750,000 to Cornell Capital Partners, \$416,667 to TAIB Bank, B.S.C., and \$333,333 to Certain Wealth, Ltd. Each of the convertible debentures was issued pursuant to section 4(2) and Rule 506 of Regulation D of the Securities Act.

Pursuant to the terms of the Securities Purchase Agreement and the issuance of our convertible debentures, on April 24, 2006 we issued to Cornell Capital Partners seventeen (17) warrants to purchase up to an aggregate 124,062,678 shares of our common stock at the discretion of Cornell Capital Partners each for good and valuable consideration. Pursuant to the terms of the warrants, Cornell Capital Partners is entitled to purchase from us: (1) 10,416,650 shares of our common stock at \$0.02 per share, (2) 13,888,866 shares of our common stock at \$0.03 per share, (3) 10,416,650 shares of our common stock at \$0.04 per share, (4) 8,333,320 shares of our common stock at \$0.05 per share, (5) 6,944,433 shares of our common stock at \$0.06 per share, (6) 5,952,371 shares of our common stock at \$0.07 per share, (7) 11,250,000 shares of our common stock at \$0.08 per share, (8) 10,000,000 shares of our common stock at \$0.09 per share, (9) 19,000,000 shares of our common stock at \$0.10 per share, (10) 8,181,818 shares of our common stock at \$0.11 per share, (11) 7,500,000 shares of our common stock at \$0.12 per share, (12) 3,333,333 shares of our common stock at \$0.15 per share, (13) 2,500,000 shares of our common stock at \$0.20 per share, (14) 2,000,000 shares of our common stock at \$0.25 per share, (15) 1,666,666 shares of our common stock at \$0.30 per share, (16) 1,428,571 shares of our common stock at \$0.35 per share and (17) 1,250,000 shares of our common stock at \$0.40 per share upon surrender of the warrants (or as subsequently adjusted pursuant to the terms of each warrant) . Each warrant has "piggy back" registration rights and shall expire five (5) years from the date of issuance, on or about April 24, 2011.

On October 10, 2005, we issued 500,000 shares of restricted common stock to our legal consultant pursuant to a contract for legal services. All securities were endorsed with a restrictive legend pursuant to Regulation S of the Securities Act of 1933 confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act.

On October 10, 2005, we also issued 250,000 shares of restricted common stock to Agora pursuant to our investor relations agreement with Agora. All securities were endorsed with a restrictive legend pursuant to Regulation S of the Securities Act of 1933 confirming that the securities cannot be resold without registration under the Securities Act or

an applicable exemption from the registration requirements of the Securities Act.

On June 9, 2005, we issued 1,000,000 shares of common stock and 3,000,000 warrants for the purchase of shares of our common stock at an exercise price of \$0.02 per share to one investor. The shares were purchased from us in a private placement transaction pursuant to Rule 506 of Regulation D of the Securities Act. All securities were endorsed with a restrictive legend confirming that the securities cannot be resold without registration under the Securities act or an applicable exemption from the registration requirements of the Securities Act.

On January 1, 2004 the Company entered into an agreement with a consultant to provide services in exchange for 250,000 common shares at \$0.28. During the quarter ended March 31, 2004 we issued 100,000 shares of our common stock at a price of \$0.28 per share to a consultant in respect of fees owed for certain consulting services provided to us by the consultant. All securities issued were endorsed with a restrictive legend confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act. The issuance was completed pursuant to Section 4(2) of the Securities Act on the basis that the consultant was a sophisticated investor.

During the quarter ended June 30, 2004, we issued 50,000 shares of our common stock at a price of \$0.22 per share to a consultant in respect of fees owed for certain consulting services provided to us by the consultant. All securities issued were endorsed with a restrictive legend confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act. The issuance was completed pursuant to Section 4(2) of the Securities Act on the basis that the consultant was a sophisticated investor.

During the quarter ended June 30, 2004, we issued 5,476,190 units at a price of \$0.21 per unit to Eyewonder in respect of certain amounts owed to Eyewonder under our Letter Agreement with Eyewonder. Each unit was comprised of one share of our common stock and one share purchase warrant entitling Eyewonder to purchase one share of our common stock at an exercise price of \$0.30 per share for a period expiring May 4, 2009. Eyewonder is a subcontractor, which provides streaming video technology to EYI. The Company believes that the Eyewonder transaction was not a related party transaction, as the Company and Eyewonder had no prior relationship and no individuals and/or entities were related to the Company and Eyewonder. The issuance was completed pursuant to Section 4(2) of the Securities Act on the basis that Eyewonder was a sophisticated investor.

As of June 7, 2004, we completed the sale of 136,548 units at a price of \$0.21 per unit for proceeds of \$28,675 to seven investors. Each unit was comprised of one share of our common stock and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one share of our common stock at a price of \$0.30 per share for the three year period following closing. A total of 136,548 shares and 136,548 share purchase warrants were issued. The purchasers consisted of seven "accredited investors", as defined by Rule 501 of Regulation D of the Securities Act. The sales were completed pursuant to Rule 506 of Regulation D of the Securities Act. All securities issued were endorsed with a restrictive legend confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act.

On June 22, 2004, we issued 1,266,589 and 33,411 restricted shares of our common stock to Cornell Capital Partners and Newbridge Securities Corporation, respectively in payment of certain fees owed to Cornell Capital Partners and Newbridge under the terms of the Standby Equity Distribution Agreement and a Placement Agent Agreement. All issuances were completed pursuant to Rule 506 of Regulation D of the Securities Act on the basis that Newbridge and Cornell are "accredited investors", as defined by Rule 501 of Regulation D of the Securities Act. All securities issued were endorsed with a restrictive legend confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act.

On June 22, 2004, we entered into a secured convertible debenture transaction with Cornell Capital Partners in the principal amount of \$500,000. The sale of these Secured Convertible Debentures is complete. EYI Industries received \$250,000 from the issuance of the first Secured Convertible Debenture on June 22, 2004, and we received \$250,000 five business days following the filing of the accompanying registration statement. The Secured Convertible Debentures are convertible at the holder's option any time up to maturity at a conversion price equal to the lower of (i) 120% of the closing bid price of the common stock as of the date of issuance, or (ii) 80% of the average of the lowest daily volume weighted average price of our common stock for the 5 trading days immediately preceding the conversion date. At maturity, the remaining unpaid principal and accrued interest under the debentures shall be, at our option, either paid or converted into shares of common stock at a conversion price equal to the lower of (i) 120% of the closing bid price of the common stock as of the date of issuance or (ii) 80% of the lowest closing bid price of the common stock for the lowest trading days of the 5 trading days immediately preceding the conversion date. The Secured Convertible Debenture is secured by all of EYI Industries' assets. The Secured Convertible Debentures accrue interest at a rate of 5% per year and have a term of 3 years. In the event the Secured Convertible Debentures are redeemed, then EYI Industries will issue to the holders a warrant to purchase 50,000 shares for every \$100,000 redeemed at an exercise price of 120% of the closing bid price as of June 22, 2004. The holders purchased the Secured Convertible Debentures from EYI Industries in a private placement on June 22, 2004. On September 24, 2004, we issued the second secured convertible debenture in the principal amount of \$250,000 to Cornell Capital Partners on



the same terms and conditions as the secured convertible debenture described above. EYI Industries is registering in this offering 8,352,823 shares of common stock underlying the Secured Convertible Debentures. On April 4, 2005, Cornell Capital Partners assigned all of its rights and interests in the secured convertible debentures to Taib Bank E.C. All investment decisions of Taib Bank E.C. are made by Larry Chaleff, its Managing Director. In addition, on April 4, 2005, EYI Industries and Taib Bank E.C. entered into a Redemption Agreement, whereby EYI Industries agreed to first use any proceeds received by EYI Industries under the Equity Distribution Agreement with Cornell Capital Partners to redeem any remaining principal and accrued interest under the assigned Secured Convertible Debentures.

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| <b>Year</b> | <b>Name of Holder</b>                                    | <b>Date</b>    | <b>Shares of<br/>Common<br/>Stock Sold</b> | <b>Reason Shares Issued</b>                                      |
|-------------|--|----------------|--|--|
| <b>2006</b> | Creative Life Enterprises, Inc.                          | October 2006   | 500,000                                    | Consulting Fees  |
|             | Global Trends, Inc.                                      | October 2006   | 317,254                                    | Consulting Fees  |
| <b>2005</b> | Janet Carpenter  | February 2005  | 800,000                                    | Shares in lieu of guarantee and pledge                           |
|             | Private Placement at \$0.02 per unit warrants at \$0.02  | June 2005      | 1,000,000                                  | Private Placement, raise capital                                 |
|             | AGORA Investor Relations Corp.                           | July 2005      | 250,000                                    | Shares issued in connection with investor relations agreement    |
|             | M. Ali Lakhani Personal Law Corporation                  | September 2005 | 500,000                                    | Shares issued as signing bonus for agreement for legal services  |
| <b>2004</b> | Private Placement at \$0.14 per unit; warrants at \$0.20 | January 2004   | 857,143                                    | Private Placement raise capital                                  |
|             | Rajesh Raniga Inc.                                       | January 2004   | 250,000                                    | Consulting Fees valued at \$0.28 per share                       |
|             | Private Placement at \$0.21 per unit; warrants at \$0.30 | March 2004     | 609,312                                    | Private Placement raise capital                                  |
|             | Equis Capital Corp.                                      | March 2004     | 100,000                                    | Consulting Fees  |
|             | Eyewonder Inc.   | May 2004       | 5,476,190                                  | Service Fees   |
|             | Michael Hatrak   | May 2004       | 50,000                                     | Consulting Fees  |
|             | Private Placement at \$0.21 per unit; warrants at \$0.30 | June 2004      | 566,833                                    | Private Placement to raise capital                               |
|             | Cornell Capital Partners, LP                             | June 2004      | 1,266,589                                  | Commitment fee pursuant to Standby Equity Distribution Agreement |
|             | Newbridge Securities                                     | June 2004      | 33,411                                     | Placement Agent fee  |

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|              |                        |               |           |   |
|--------------|------------------------|---------------|-----------|---|
|              | Corporation            |               |           | in connection with<br>Standby Equity<br>Distribution<br>Agreement |
| <b>2003*</b> | PNG Trading Co. Ltd.   | February 2003 | 250,000   | Issued in lieu of funds<br>received                               |
|              | Hightech International | March 2003    | 2,120,000 | Settlement of Debt  |

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In February 2005, the Company issued 800,000 shares of our common stock at a deemed price of \$0.05 per share to Janet Carpenter. These shares were given to Ms. Carpenter in consideration of her providing the guarantee and pledge required for our loan agreement with Cornell Capital.

In June 2005, we completed the sale of 1,000,000 units at a price of \$0.02 per unit for proceeds of \$20,000 to one investor. Each unit was comprised of one share of our common stock and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one share of our common stock at a price of \$0.02 per share for a one year period following closing. A total of 1,000,000 shares and 1,000,000 share purchase warrants were issued. The purchaser is an “accredited investor”, as defined by Rule 501 of Regulation D of the Securities Act. The sale was completed pursuant to Rule 506 of Regulation D of the Securities Act. All securities issued were endorsed with a restrictive legend confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act.

With respect to the sale of unregistered securities referenced above, all transactions were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 (the “1933 Act”), and Regulation D promulgated under the 1933 Act. In each instance, the purchaser had access to sufficient information regarding EYI so as to make an informed investment decision. More specifically, EYI had a reasonable basis to believe that each purchaser was an “accredited investor” as defined in Regulation D of the 1933 Act and otherwise had the requisite sophistication to make an investment in EYI’s common stock.

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\*Current management of EYI Industries has limited information with respect to the issuances of unregistered securities prior to the Share Exchange transaction consummated on December 31, 2003 between our company and certain shareholders of Essentially Yours Industries, Inc.

## DESCRIPTION OF SECURITIES

### Common Stock

Our Articles of Incorporation authorize the issuance of 3,000,000,000 shares of common stock, \$0.001 par value per share. As of May 1, 2007, 399,648,955 shares of common stock were issued and outstanding. The following description is a summary of the capital stock of EYI Industries and contains the material terms of the capital stock. Additional information can be found in EYI Industries' Articles of Incorporation and Bylaws.

Each holder of our common stock is entitled to one vote per share of common stock standing in such holder's name on our records on each matter submitted to a vote of our stockholders, except as otherwise required by law. Holders of our common stock do not have cumulative voting rights so that the holders of more than 50% of the combined shares of our common stock voting for the election of directors may elect all of the directors if they choose to do so and, in that event, the holders of the remaining shares of our common stock will not be able to elect any members to our board of directors. Holders of our common stock are entitled to equal dividends and distributions, per share, when, as and if declared by our board of directors from funds legally available. Holders of our common stock do not have preemptive rights to subscribe for any of our securities nor are any shares of our common stock redeemable or convertible into any of our other securities. If we liquidate, dissolve or wind up our business or affairs, our assets will be divided up pro-rata on a share-for-share basis among the holders of our common stock after creditors and preferred shareholders, if any, are paid.

### Preferred Stock

Our Articles of Incorporation authorize the issuance of 10,000,000 shares of preferred stock, \$0.001 par value per share, the designation and rights of which are to be determined by our Board of Directors. As of May 1, 2007, no shares of preferred stock were issued and outstanding.

Our Board of Directors has authority, without action by the shareholders, to issue all or any portion of the authorized but unissued preferred stock in one or more series and to determine the voting rights, preferences as to dividends and liquidation, conversion rights, and other rights of such series. We consider it desirable to have preferred stock available to provide increased flexibility in structuring possible future acquisitions and financing and in meeting corporate needs which may arise. If opportunities arise that would make desirable the issuance of preferred stock through either public offering or private placements, the provisions for preferred stock in our Articles of Incorporation would avoid the possible delay and expense of a shareholder's meeting, except as may be required by law or regulatory authorities. Issuance of the preferred stock could result, however, in a series of securities outstanding that will have certain preferences with respect to dividends and liquidation over the common stock which would result in dilution of the income per share and net book value of the common stock. Issuance of additional common stock pursuant to any conversion right which may be attached to the terms of any series of preferred stock may also result in dilution of the net income per share and the net book value of the common stock. The specific terms of any series of preferred stock will depend primarily on market conditions, terms of a proposed acquisition or financing, and other factors existing at the time of issuance. Therefore, it is not possible at this time to determine in what respect a particular series of preferred stock will be superior to our common stock or any other series of preferred stock which we may issue. Our Board of Directors may issue additional preferred stock in future financing, but has no current plans to do so at this time.

The issuance of preferred stock could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock. We intend to furnish holders of our common stock annual reports containing audited financial statements and to make public quarterly reports containing unaudited financial information.



*Summary Of Warrants Outstanding*

| <b>Period Issued</b>                          | <b>Issued Warrants</b> | <b>Purchase Price</b> | <b>Aggregate Value</b> | <b>Details of Issuance</b>  |
|---|------------------------|-----------------------|------------------------|---|
| <b>4<sup>th</sup> Quarter 2003</b>            | 3,668,413              | \$ -                  | \$ -                   | Balance of Safe ID warrants   |
| <b>1<sup>st</sup> Quarter 2004</b>            | 857,143                | \$ 0.20               | \$ 171,429             | Private Placement \$0.14 per unit; warrants exercise price is \$0.30                      |
|   | 609,312                | \$ 0.30               | \$ 182,794             | Private Placement \$0.21 per unit; warrants exercise price is \$0.30                      |
|   | 916,667                | \$ 0.24               |                        | Balance of reverse acq/share exchange not properly determined December 31, 2003 (expired) |
| <b>2<sup>nd</sup> Quarter 2004</b>            | 5,476,190              | \$ 0.21               | \$ 1,150,000           | Pursuant to an Agreement with Eyewonder dated May 4, 2004                                 |
|   | 566,833                | \$ 0.30               | \$ 170,050             | Private Placement \$0.21 per unit; warrants exercise price is \$0.30                      |
|   | 26,129                 | \$ 0.31               | \$ 8,100               | Pursuant to an agreement dated May 25, 2004 with Source Capital Group, Inc.               |
| <b>2<sup>nd</sup> Quarter 2005</b>            | 3,000,000              | \$ 0.02               | \$ 60,000              | Private Placement \$0.02 per unit, warrant exercise price is \$0.02                       |
| <b>2<sup>nd</sup> Quarter 2006</b>            | 124,062,678            | \$ 0.02-0.40          | \$ 10,791,663          | Pursuant to a Share Purchase Agreement with Cornell Capital Partners                      |
| <b>4<sup>th</sup> Quarter 2006</b>            | 967,680                | \$ 0.06               | \$ 58,060              | Pursuant to an Agreement with Mach 3 Technologies, Inc.                                   |
|   | 500,000                | \$ 0.06               | \$ 30,000              | Pursuant to an Agreement with Agoracom Investor Relations                                 |
| <b>Total warrants</b>                         | 140,651,045            |                       | \$ 12,622,096          |   |
| <b>Canceled warrants</b>                      | 9,644,497              |                       | 592,373                |   |
| <b>Outstanding warrants as of May 1, 2007</b> | 131,006,548            |                       | 12,029,723             |   |

*Summary Of The Grant Of Options*

| <b>Date of Grant</b> | <b>Number of Options</b> | <b>Exercise Price (US)</b> | <b>Options Exercised</b> | <b>Vesting Period</b>                       | <b>Capacity of Grant</b>  |
|----------------------|--------------------------|----------------------------|--------------------------|---|---|
| March 30, 2004       | 3,200,000                | \$ 0.165                   | 3,200,000                | March 30, 2004                              | Consultant  |
|                      | 1,000,000                | \$ 0.165                   | 1,000,000                | March 30, 2004                              | Employee  |
| April 5, 2004        | 1,439,000                | \$ 0.20                    | 300,000                  | 50% August 5, 2004 and 50% August 5, 2005   | Canadian Consultants and Employees  |
| April 5, 2004        | 2,990,000                | \$ 0.20                    | 36,360                   | Fully vested upon issuance                  | Senior Management and Executives  |
| April 30, 2004       | 6,400,000                | \$ 0.19                    | 0                        | Fully vested upon issuance                  | Consultants (Executive Officers)  |
| April 30, 2004       | 2,910,000                | \$ 0.19                    | 0                        | 50% October 1, 2004 and 50% October 1, 2005 | US Consultants providing services in various to EYI   |
| April 30, 2004       | 2,000,000                | \$ 0.19                    | 0                        | Vesting on October 1, 2004                  | Consultant working with EYI with respect to products in Latin Countries                       |
| June 1, 2004         | 100,000                  | \$ 0.22                    | 0                        | Vesting on August 1, 2004                   | Consultant working with EYI in assisting in the development and marketing of new EYI products |
| July 2, 2004         | 100,000                  | \$ 0.26                    | 0                        | 50% October 4, 2004 and 50% October 4, 2005 | Consultants providing assistance to EYI Senior Management                                     |
| September 30, 2004   | 2,650,000                | \$ 0.11                    | 400,250                  | Vesting on September 30, 2004               | Senior Management/Consultants   |
| October 13, 2004     | 500,000                  | \$ 0.08                    | 250,000                  | Vesting October 13, 2004                    | Consultant  |
| November 1, 2004     | 250,000                  | \$ 0.20                    | 0                        | 50% February 1 2005 and 50% February 1 2006 | Consultant  |
| December 27, 2004    | 7,450,000                | \$ 0.08                    | 100,000                  | 100% December 31, 2004                      | Senior Management/Consultants and Employees   |
| February 9, 2005     | 6,000,000                | \$ 0.06                    | 3,000,000                | 100% February 9, 2005                       | Senior Management   |
| March 10, 2005       | 250,000                  | \$ 0.04                    | 250,000                  | 100% March 10, 2005                         | Consultant  |
| May 30, 2005         | 500,000                  | \$ 0.03                    | 0                        | 100% May 30, 2005                           | Senior Management   |
| June 1, 2005         | 500,000                  | \$ 0.10                    | 0                        | 50% October 1, 2005 and 50% August 1, 2006  | Consultant  |
|                      | 140,000                  | \$ 0.02                    | 0                        |   | Employees   |



November  
29, 2005

50% May 29,  
2006 and 50%  
November 29,  
2006

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| <b>Date of Grant</b> | <b>Number of Options</b> | <b>Exercise Price (US)</b> | <b>Options Exercised</b> | <b>Vesting Period</b>                                 | <b>Capacity of Grant</b>            |
|----------------------|--------------------------|----------------------------|--------------------------|---|-------------------------------------|
| September 1, 2006    | 5,000                    | \$ 0.06                    | 0                        | 100% September 1, 2006                                | Employee                            |
| September 10, 2006   | 5,000                    | \$ 0.06                    | 0                        | 100% September 10, 2006                               | Employee                            |
| September 15, 2006   | 10,000                   | \$ 0.06                    | 0                        | 100% September 15, 2006                               | Employee                            |
| December 11, 2006    | 5,000                    | 0.06                       | 0                        | 100% December 11, 2006                                | Employee                            |
| February 1, 2007     | 235,000,000              | \$ 0.052                   | 0                        | 100% February 1, 2007<br>25 % each 1 year anniversary | Consultants, Employees and Officers |
| February 22, 2007    | 5,000                    | 0.06                       | 0                        | 100% February 22, 2007                                | Employee                            |

\*\*\*In addition under an Agreement dated May 4, 2004, EYI Industries has agreed to issue options to purchase 1,100,000 shares of common stock at a price of \$0.22 per share to certain individuals designated by Eyewonder.

### **Convertible Debentures**

Between June 27, 2006 and May 1, 2007, the Company issued 60,082,679 shares to Cornell Capital to retire \$331,236 of the convertible debt.

Between June 27, 2006 and May 1, 2007, the Company issued 42,507,172 shares to Taib Bank, E.C. to retire \$222,401 of the convertible debt.

Between June 27, 2006 and May 1, 2007, the Company issued 33,968,604 shares to Certain Wealth to retire \$177,685 of the convertible debt.

### **Transfer Agent**

The transfer agent for our common stock is Corporate Stock Transfer of Denver, Colorado and its telephone number is (303) 282-4800.

### **Disclosure Of SEC Position On Indemnification For Securities Act Liabilities**

Our Articles of Incorporation, as well as our By-Laws provide for the indemnification of directors, officers, employees and agents of the corporation to the fullest extent provided by the corporate laws of the State of Nevada, as well as is described in the Articles of Incorporation and the By-Laws. These sections generally provide that the Company may indemnify any person who was or is a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative except for an action by or in right of the corporation by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation. Generally, no indemnification may be made where the person has been determined to be negligent or guilty of misconduct in the performance of his or her duties to the Company.

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

in the Securities Act of 1933, and is, therefore, unenforceable.

**Anti-Takeover Effects Of Provisions Of The Articles Of Incorporation Authorized And Unissued Stock**

The authorized but unissued shares of our common and preferred stock are available for future issuance without our shareholders' approval. These additional shares may be utilized for a variety of corporate purposes including but not limited to future public or direct offerings to raise additional capital, corporate acquisitions and employee incentive plans.

### **EXPERTS**

The financial statements of EYI Industries incorporated herein have been so incorporated in reliance upon the report of independent certified public accountants, Williams and Webster, P.S., given upon their authority as experts in auditing and accounting. The accountants are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited interim financial information because that report is not a "report" or a "part" of the Registration Statement prepared or certified by the accountants within the meaning of Section 7 and 11 of the 1933 Act.

### **LEGAL MATTERS**

The validity of the shares of common stock offered hereby was passed upon for us by Burton Bartlett & Glogovac of Reno, Nevada.

### **AVAILABLE INFORMATION**

We have filed with the Securities and Exchange Commission a registration statement on Form SB-2 under the Securities Act with respect to the securities offered by this prospectus. This prospectus, which forms a part of the registration statement, does not contain all the information set forth in the registration statement, as permitted by the rules and regulations of the Commission. For further information with respect to us and the securities offered by this prospectus, reference is made to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document that we have filed as an exhibit to the registration statement are qualified in their entirety by reference to the to the exhibits for a complete statement of their terms and conditions. The registration statement and other information may be read and copied at the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains a web site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission.

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Board of Directors  
EYI Industries, Inc.  
Burnaby, British Columbia, Canada

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying consolidated balance sheet of EYI Industries, Inc. as of December 31, 2006 and December 31, 2005 and the related consolidated statements of operations, stockholders' deficit and cash flows for the periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EYI Industries, Inc. as of December 31, 2006 and December 31, 2005 and the results of its operations, stockholders' equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has recorded significant losses from operations, has insufficient revenues to support operational cash flows and has a working capital deficit which together raise substantial doubt about its ability to continue as a going concern. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Williams & Webster  
Williams & Webster, P.S.  
Certified Public Accountants  
Spokane, Washington  
March 30, 2007

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**EYI INDUSTRIES, INC.**  
**CONSOLIDATED BALANCE SHEETS**

|   | December 31,<br>2006 | December 31,<br>2005 |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| Current Assets  |                      |                      |
| Cash  | \$ 901,764           | \$ 25,639            |
| Accounts receivable, net of allowance   | 18,425               | 48,783               |
| Other accounts receivable   | 67,582               | -                    |
| Prepaid expenses  | 181,048              | 12,387               |
| Inventory   | 735,291              | 295,248              |
| <b>Total Current Assets</b>   | <b>1,904,110</b>     | <b>382,057</b>       |
| Other Assets  |                      |                      |
| Property, plant and equipment, net  | 77,452               | 49,671               |
| Deposits  | 46,432               | 67,603               |
| <b>Total Other Assets</b>   | <b>123,884</b>       | <b>117,274</b>       |
| Intangible Assets   |                      |                      |
|   | 12,829               | 15,044               |
| <b>Total Assets</b>   | <b>\$ 2,040,823</b>  | <b>\$ 514,375</b>    |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  |                      |                      |
| Current Liabilities   |                      |                      |
| Accounts payable and accrued liabilities  | \$ 1,427,214         | 1,929,049            |
| Accounts payable - related parties  | 439,256              | 328,038              |
| Interest payable, convertible debt  | 252,326              | -                    |
| Convertible debt - related party, net of discount   | 2,456,311            | -                    |
| Derivative on convertible debt  | 1,303,630            | -                    |
| Notes payable - related party   | 50,000               | 90,000               |
| <b>Total Current Liabilities</b>  | <b>5,928,737</b>     | <b>2,347,087</b>     |
| Net liabilities from discontinued operations  | 375,344              | 375,344              |
| Minority Interest In Subsidiary   | 120,739              | 262,057              |
| Stockholders' Deficit   |                      |                      |
| Preferred stock, \$0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding  | -                    | -                    |
| Common stock, \$0.001 par value; 3,000,000,000 shares authorized, 345,675,516 and 217,600,875 shares issued and outstanding, respectively | 345,675              | 217,600              |
| Additional paid-in capital  | 9,536,004            | 6,155,518            |
| Stock options and warrants  | 4,382,299            | 2,698,984            |
| Subscription receivable   | (195,000)            | (195,000)            |
| Accumulated deficit   | (18,452,975)         | (11,347,215)         |
| <b>Total Stockholders' Deficit</b>  | <b>(4,383,997)</b>   | <b>(2,470,113)</b>   |
| <b>Total Liabilities And Stockholders' Deficit</b>  | <b>\$ 2,040,823</b>  | <b>\$ 514,375</b>    |

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

**EYI INDUSTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

|  | Year Ended<br>December 31,<br>2006 | Year Ended<br>December 31,<br>2005 |
|--|------------------------------------|------------------------------------|
| Revenue, Net Of Returns And Allowances   | \$ 4,131,437                       | \$ 4,980,408                       |
| Cost Of Goods Sold   | 1,261,702                          | 1,165,976                          |
| Gross Profit Before Commission Expense   | 2,869,735                          | 3,814,432                          |
| Commission Expense   | 1,514,779                          | 1,930,925                          |
| Gross Profit After Cost Of Goods Sold And Commission Expense                                       | 1,354,956                          | 1,883,507                          |
| Operating Expenses   |                                    |                                    |
| Consulting fees  | 953,085                            | 1,250,278                          |
| Legal and professional fees  | 486,831                            | 306,948                            |
| Customer service   | 259,280                            | 198,500                            |
| Finance and administration   | 819,838                            | 1,378,118                          |
| Sales and marketing  | 301,332                            | 15,741                             |
| Telecommunications   | 139,269                            | 946,331                            |
| Wages and benefits   | 1,179,258                          | 1,282,438                          |
| Warehouse expense  | 317,124                            | 171,724                            |
| Total Operating Expenses   | 4,456,017                          | 5,550,077                          |
| Loss From Operations   | (3,101,061)                        | (3,666,570)                        |
| Other Income (Expenses)  |                                    |                                    |
| Interest and other income  | 2,610                              | 3,978                              |
| Interest expense   | (280,313)                          | (179,717)                          |
| Financing fees   | (946,564)                          | -                                  |
| Gain/(loss) on derivatives   | (2,928,321)                        | -                                  |
| Foreign currency gain (discount)   | 6,572                              | (124,096)                          |
| Total Other Income (Expenses)  | (4,146,016)                        | (299,835)                          |
| Net Loss Before Taxes  | (7,247,077)                        | (3,966,405)                        |
| Provision For Income Taxes   | -                                  | -                                  |
| Net Loss Before Allocation To Minority Interest  | (7,247,077)                        | (3,966,405)                        |
| Allocation Of Loss To Minority Interest  | 141,318                            | 84,763                             |
| Loss From Discontinued Operations  | -                                  | (380,368)                          |
| Net Loss   | \$ (7,105,759)                     | \$ (4,262,010)                     |
| Basic And Diluted  |                                    |                                    |
| Net Loss Per Common Share  | \$ (0.02)                          | \$ (0.02)                          |
| Weighted Average Number Of<br>Common Stock Shares Outstanding<br>For Basic And Diluted Calculation | 333,018,096                        | 200,846,048                        |

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



**EYI INDUSTRIES, INC.**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT**

|   | Common Stock<br>Number of<br>Shares | Common Stock<br>Amount | Additional<br>Paid-in<br>Capital | Subscription<br>Receivable | Option/<br>Warrants | Retained<br>Earnings | Total          |
|---|-------------------------------------|------------------------|----------------------------------|----------------------------|---------------------|----------------------|----------------|
| Balance, December 31, 2004  | 162,753,292                         | \$ 162,753             | \$ 3,048,606                     | \$ (15,000)                | \$ 2,563,044        | \$ (7,085,205)       | \$ (1,325,802) |
| Stock issued at \$0.06 per share for promissory note for exercise of options                                    | 3,000,000                           | 3,000                  | 177,000                          | (180,000)                  | -                   | -                    | -              |
| Vested stock options issued for consulting at an average price of \$0.07 per share                              | -                                   | -                      | -                                | -                          | 35,250              | -                    | 35,250         |
| Vested stock options issued for employee and management at an average price of \$0.07 compensation at per share | -                                   | -                      | -                                | -                          | 133,750             | -                    | 133,750        |
| Stock issued to employee for financing guaranty & pledge valued at \$0.05 per share                             | 800,000                             | 800                    | 39,200                           | -                          | -                   | -                    | 40,000         |
| Nazlin - options exercised  | 250,000                             | 250                    | 14,750                           | -                          | (5,000)             | -                    | 10,000         |
| Gladys Sargeant 506 subscription agreement  | 1,000,000                           | 1000                   | 4,000                            | -                          | 15,000              | -                    | 20,000         |
| Vested stock options issued for consulting at an average price of \$0.03 per share                              | -                                   | -                      | -                                | -                          | 62,250              | -                    | 62,250         |
| Cancelled stock options issued for compensation and consulting at an average price of \$0.08                    | -                                   | -                      | 425,300                          | -                          | (425,300)           | -                    | -              |

per option

|   |   |   |       |   |         |   |   |
|---|---|---|-------|---|---------|---|---|
| Cancelled stock options issued for compensation at \$0.20 | - | - | 2,400 | - | (2,400) | - | - |
|---|---|---|-------|---|---------|---|---|

|   |           |       |        |   |   |   |        |
|---|-----------|-------|--------|---|---|---|--------|
| Stock issued to TAIB Bank to retire \$75,000 of \$300,000 debenture | 2,027,027 | 2,027 | 72,973 | - | - | - | 75,000 |
|---|-----------|-------|--------|---|---|---|--------|

|   |           |       |         |   |   |   |         |
|---|-----------|-------|---------|---|---|---|---------|
| Stock issued to TAIB Bank to retire \$170,000 of \$300,000 debenture plus interest \$10,830 | 4,487,096 | 4,487 | 176,343 | - | - | - | 180,830 |
|---|-----------|-------|---------|---|---|---|---------|

|   |         |     |        |   |   |   |        |
|---|---------|-----|--------|---|---|---|--------|
| Stock issued to TAIB Bank to retire \$5,000 debenture plus interest of 14,245 | 375,146 | 375 | 18,870 | - | - | - | 19,245 |
|---|---------|-----|--------|---|---|---|--------|

|   |         |     |        |   |   |   |        |
|---|---------|-----|--------|---|---|---|--------|
| Stock issued to Agora as part of contract | 250,000 | 250 | 12,250 | - | - | - | 12,500 |
|---|---------|-----|--------|---|---|---|--------|

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|   | <b>Common Stock<br/>Number of<br/>Shares</b> | <b>Common Stock<br/>Amount</b> | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Subscription<br/>Receivable</b> | <b>Option/<br/>Warrants</b> | <b>Retained<br/>Earnings</b> | <b>Total</b> |
|---|--|--------------------------------|---|------------------------------------|-----------------------------|------------------------------|--------------|
| Stock issued to Lakhani as part of contract   | 500,000                                      | 500                            | 34,500                                    | -                                  | -                           | -                            | 35,000       |
| Stock issued for exercise of options at \$0.08 per share  | 100,000                                      | 100                            | 7,900                                     | -                                  | -                           | -                            | 8,000        |
| Stock issued to Cornell to retire promissory note   | 22,789,581                                   | 22,789                         | 1,008,099                                 | -                                  | -                           | -                            | 1,030,888    |
| Vested stock options issued for consulting at an average price of \$0.20 per share                              | -  | -                              | -   | -                                  | 33,500                      | -                            | 33,500       |
| Vested stock options issued for employee and management at an average price of \$0.20 compensation at per share | -  | -                              | -   | -                                  | 27,840                      | -                            | 27,840       |
| Stock issued to Cornell in exchange for \$700,000 pursuant to SEDA  | 19,268,733                                   | 19,269                         | 680,731                                   | -                                  | -                           | -                            | 700,000      |
| Cancelled stock options issued for compensation   | -  | -                              | 10,500                                    | -                                  | (10,500)                    | -                            | -            |
| Vested stock options issued for consulting at an average price of \$0.20 per share                              | -  | -                              | -   | -                                  | 271,550                     | -                            | 271,550      |
| Beneficial conversion of convertible debt   | -  | -                              | 422,096                                   | -                                  | -                           | -                            | 422,096      |
| Net loss for year ended December 31, 2005   | -  | -                              | -   | -                                  | -                           | (4,262,010)                  | (4,262,010)  |
| Balance, December 31, 2005  | 217,600,875                                  | 217,600                        | 6,155,518                                 | (195,000)                          | 2,698,984                   | (11,347,215)                 | (2,470,113)  |

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|  |            |        |           |   |       |   |           |
|--|------------|--------|-----------|---|-------|---|-----------|
| Vested stock options issued for consulting at an average price of \$0.20 per share | -          | -      | -         | - | 3,750 | - | 3,750     |
| Stock issued to Cornell in exchange for \$1,084,565 pursuant to SEDA               | 42,941,686 | 42,942 | 1,041,623 | - | -     | - | 1,084,565 |
| Shares returned to treasury  | (268,639)  | (269)  | 269       | - | -     | - | -         |
| Beneficial conversion of convertible debt  | -          | -      | 200,207   | - | -     | - | 200,207   |
| Stock issued to Cornell to retire portion of debenture                             | 34,095,618 | 34,096 | 182,140   | - | -     | - | 216,236   |
| Stock issued to Certain Wealth to retire portion of debenture                      | 22,430,351 | 22,430 | 104,195   | - | -     | - | 126,625   |

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|  | Common Stock<br>Number of<br>Shares | Common Stock<br>Amount | Additional<br>Paid-in Capital | Subscription<br>Receivable | Option/<br>Warrants | Retained<br>Earnings | Total     |
|--|-------------------------------------|------------------------|-------------------------------|----------------------------|---------------------|----------------------|-----------|
| Stock issued to TAIB Bank to retire portion of debenture       | 28,058,371                          | 28,058                 | 130,403                       | -                          | -                   | -                    | 158,461   |
| Warrants issued to Cornell Capital for financing services      | -                                   | -                      | -                             | -                          | 3,148,413           | -                    | 3,148,413 |
| Vested stock options issued for consulting at \$0.10 per share | -                                   | -                      | -                             | -                          | 5,000               | -                    | 5,000     |
| Vested stock options issued to employees at \$0.02 per share   | -                                   | -                      | -                             | -                          | 1,400               | -                    | 1,400     |
| Expired consultant stock options                               | -                                   | -                      | 961,300                       | -                          | (961,300)           | -                    | -         |
| Expired employee stock options                                 | -                                   | -                      | 311,717                       | -                          | (311,717)           | -                    | -         |
| Stock issued to Cornell to retire portion of debenture         | 15,371,998                          | 15,372                 | 95,864                        | -                          | -                   | -                    | 111,236   |
| Stock issued to Certain Wealth to retire portion of debenture  | 6,825,244                           | 6,825                  | 42,331                        | -                          | -                   | -                    | 49,156    |
| Stock issued to TAIB Bank to retire portion of debenture       | 8,546,756                           | 8,547                  | 53,033                        | -                          | -                   | -                    | 61,580    |
| Vested stock options issued to employees at \$0.06 per share   | -                                   | -                      | -                             | -                          | 40                  | -                    | 40        |
| Expired consultant stock options                               | -                                   | -                      | 38,500                        | -                          | (38,500)            | -                    | -         |
| Expired employee stock options                                 | -                                   | -                      | 99,988                        | -                          | (99,988)            | -                    | -         |
| Beneficial conversion of convertible debt                      | -                                   | -                      | 67,604                        | -                          | -                   | -                    | 67,604    |
| Stock issued to Cornell to retire portion of debenture         | 17,226,614                          | 17,227                 | 62,773                        | -                          | -                   | -                    | 80,000    |
| Stock issued to Certain Wealth to retire portion of debenture  | 14,940,436                          | 14,940                 | 51,429                        | -                          | -                   | -                    | 66,369    |
| Stock issued to TAIB Bank to retire portion of debenture       | 18,679,280                          | 18,679                 | 64,302                        | -                          | -                   | -                    | 82,981    |

|  |   |   |   |   |       |   |       |
|--|---|---|---|---|-------|---|-------|
| Vested stock options issued to employees at \$0.06 per share | - | - | - | - | 1,415 | - | 1,415 |
| Warrants issued to a consulting firm for services            | - | - | - | - | 862   | - | 862   |

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|  | Common Stock |            | Additional   |              | Option/      | Retained        | Total          |
|--|--------------|------------|--------------|--------------|--------------|-----------------|----------------|
|  | Number of    | Amount     | Paid-in      | Subscription | Warrants     | Earnings        |                |
|  | Shares       |            | Capital      | Receivable   |              |                 |                |
| Warrants issued to a manufacturer for services       | -            | -          | -            | -            | 1,440        | -               | 1,440          |
| Expired consultant stock options                     | -            | -          | 30,000       | -            | (30,000)     | -               | -              |
| Expired employee stock options                       | -            | -          | 37,500       | -            | (37,500)     | -               | -              |
| Beneficial conversion of convertible debt            | -            | -          | 170,669      | -            | -            | -               | 170,669        |
| Restricted shares issued to a consultant at \$0.006  | 500,000      | 500        | 2,500        | -            | -            | -               | 3,000          |
| Restricted shares issued to a consultant at \$0.0069 | 317,254      | 317        | 1,872        | -            | -            | -               | 2,189          |
| Net loss for year ended December 31, 2006            | -            | -          | -            | -            | -            | (7,105,759)     | (7,105,759)    |
|  | 345,675,516  | \$ 345,675 | \$ 9,536,004 | \$ (195,000) | \$ 4,382,299 | \$ (18,452,975) | \$ (4,383,997) |

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

**EYI INDUSTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | Year Ended<br>December 31,<br>2006 | Year Ended<br>December 31,<br>2005 |
|--|------------------------------------|------------------------------------|
| <b>Cash Flows Provided (Used) By Operating Activities</b>                      |                                    |                                    |
| Net loss   | \$ (7,105,759)                     | \$ (4,262,010)                     |
| Loss allocated to minority interest  | 141,318                            | 84,763                             |
|  | (7,247,077)                        | (4,346,772)                        |
| Adjustments to reconcile net loss<br>to net cash used by operating activities: |                                    |                                    |
| Depreciation and amortization  | 22,352                             | 52,645                             |
| Stock and warrants issued for employee compensation and consulting             | 13,907                             | 547,800                            |
| Stock issued for options exercised in lieu of debt                             | -                                  | 11,500                             |
| Stock issued for options exercised in lieu of consulting and legal fees        | -                                  | 57,500                             |
| Stock issued for consulting services   | 5,189                              | -                                  |
| Stock issued for interest on convertible debt                                  | -                                  | 44,570                             |
| Loss/(gain) on valuation of derivative   | 2,928,321                          | -                                  |
| Stock issued for financing guaranty & pledge                                   | -                                  | 40,000                             |
| Discount recognized on convertible debt  | 451,356                            | 120,276                            |
| Beneficial conversion of convertible debt                                      | 438,480                            | 422,096                            |
| Liabilities in excess of assets on discontinued operations                     | -                                  | (30,494)                           |
| Decrease (increase) in:  |                                    |                                    |
| Related party receivables  | (67,582)                           | -                                  |
| Accounts receivable  | 30,358                             | (12,722)                           |
| Prepaid expenses   | (168,661)                          | 840,377                            |
| Inventory  | (440,043)                          | (55,607)                           |
| Deposits   | 21,171                             | (65,367)                           |
| Increase (decrease) in:  |                                    |                                    |
| Accounts payable and accrued liabilities                                       | (501,836)                          | 788,048                            |
| Accounts payable - related parties   | 111,218                            | 168,583                            |
| Notes payable, related party   | (40,000)                           | -                                  |
| Interest payable, convertible debt   | 252,326                            | (10,616)                           |
| Net cash used by operating activities  | (4,190,521)                        | (1,428,183)                        |
| <b>Cash Flows Provided (Used) By Investing Activities</b>                      |                                    |                                    |
| Decrease (increase) in restricted cash   | -                                  | 100,248                            |
| Decrease (increase) in property, plant, and equipment                          | (47,919)                           | (39,797)                           |
| Purchase of trademarks   | -                                  | (673)                              |
| Net cash provided by investing activities                                      | (47,919)                           | 59,778                             |
| <b>Cash Flows Provided (Used) By Financing Activities</b>                      |                                    |                                    |
| Net change in bank indebtedness  | -                                  | (72,456)                           |
| Issuance of stock, net of private placement costs & warrants                   | -                                  | 16,500                             |
| Repayment of convertible debt  | -                                  | (250,000)                          |
| Proceeds from Cornell SEDA   | 1,084,565                          | 700,000                            |
| Proceeds from Cornell promissory note  | -                                  | 1,000,000                          |
| Net proceeds from convertible debt   | 4,030,000                          | -                                  |



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|   |           |           |
|---|-----------|-----------|
| Net cash provided by financing activities | 5,114,565 | 1,394,044 |
| Net increase in cash and cash equivalents | 876,125   | 25,639    |

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|   | Year Ended<br>December<br>31,<br>2006 | Year Ended<br>December<br>31,<br>2005 |
|---|---------------------------------------|---------------------------------------|
| <b>CASH - Beginning Of Year</b>   | 25,639                                | -                                     |
| <b>CASH - End Of Period</b>   | \$ 901,764                            | \$ 25,639                             |
| <b>Supplemental Cash Flow Disclosures:</b>                              |                                       |                                       |
| Interest expense paid   | \$ 280,313                            | \$ 179,717                            |
| Income taxes paid   | \$ -                                  | \$ -                                  |
| <b>Non-Cash Investing And Financing Transactions:</b>                   |                                       |                                       |
| Stock options and warrants vested for consulting and compensation       | \$ 13,907                             | \$ 547,800                            |
| Beneficial conversion of convertible debt                               | \$ 438,480                            | \$ -                                  |
| Loss on valuation of derivative   | \$ 2,928,321                          | \$ -                                  |
| Discount recognized on convertible debt                                 | \$ 451,356                            | \$ 120,276                            |
| Stock issued for consulting services                                    | \$ 5,189                              | \$ -                                  |
| Stock issued for options exercised in lieu of debt                      | \$ -                                  | \$ 11,500                             |
| Stock issued for options exercised in lieu of consulting and legal fees | \$ -                                  | \$ 67,500                             |
| Stock issued to retire part of prom note                                | \$ -                                  | \$ 175,000                            |
| Stock issued for redemption of convertible debenture                    | \$ -                                  | \$ 250,000                            |
| Stock issued for interest on convertible debenture                      | \$ -                                  | \$ 44,570                             |
| Stock and warrants issued through 506 Private Placement                 | \$ -                                  | \$ 20,000                             |
| Stock issued for financing guaranty & pledge                            | \$ -                                  | \$ 40,000                             |

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 - DESCRIPTION OF BUSINESS

Essentially Yours Industries, Inc. (hereinafter "EYI") was incorporated on June 21, 2002 in the State of Nevada. The main business activities of EYI were acquired through a merger with the former entity, Burrard Capital, Inc., and other entities to other products, until April 30, 2005 at which time the Company made the decision to discontinue its' operations. The second subsidiary is RGM International Inc., which was incorporated on July 3, 1997, in the State of Nevada. RGM International Inc. is a dormant investment company, which owns one percent of Halo. The third subsidiary is Essentially Yours Industries (Canada) Inc. (hereinafter "EYI Canada"), which was organized on September 13, 2002, in the province of British Columbia, Canada. EYI Canada markets health and wellness care products for use in Canada. The fourth subsidiary is 642706 B.C. Ltd., doing business as EYI Management, which was organized on February 22, 2002, in the province of British Columbia, Canada. EYI Management provides accounting, customer service and marketing services to the consolidated entity. The fifth subsidiary is Essentially Yours Industries (Hong Kong) Limited (hereinafter "EYI HK"). EYI HK was organized on August 23, 2005 in Hong Kong. EYI HK markets health and wellness care products for use in Hong Kong and China. The sixth subsidiary is Essentially Yours Industries (International) Limited (hereinafter "EYI INTL"). EYI INTL was organized on concerning EYI's reorganization. On December 31, 2003, EYI entered into a share exchange agreement of its stock with Safe ID Corporation (hereinafter "Safe ID"). This transaction was accounted for as a share exchange and recapitalization. As a result of this transaction, Safe ID has changed its name to EYI Industries, Inc. (hereinafter "the Company") and is acting as the parent holding company for the operating subsidiaries.

The principal business of the Company is the marketing of health and wellness care products, a water filtration system, and a fuel additive product. The Company sells its products primarily through network marketing distributors which in turn sell the products to the end customers. The Company also sells product directly and through affiliates. The Company maintains its principal business office in Burnaby, British Columbia. Effective for the period ended December 31, 2003, the Company elected to change its year-end from June 30 to December 31.

The Company has six wholly owned subsidiaries. The first subsidiary is Halo Distribution LLC (hereinafter "Halo"), which was organized on January 15, 1999, in the State of Kentucky. Halo was the distribution center for the Company's product, in addition December 6, 2005 to facilitate the expansion throughout other Southeast Asian countries.

In addition, the Company owns approximately 98% of Essentially Yours Industries, Inc. ("EYI"), incorporated on June 21, 2002 in the State of Nevada. EYI markets health and wellness care products for use in USA. The Company also owns 51% of World Wide Buyers' Club Inc. (hereinafter "WWBC"), a Nevada corporation, which was organized by a joint venture agreement effective May 6, 2004.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

This summary of significant accounting policies of EYI Industries, Inc., is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

#### Accounting Method

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Accounting Pronouncements - Recent**

““In February, 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115” (hereinafter SFAS No. 159”). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Management has not determined the effect that adopting this statement would have on the Company's financial condition or results of operation.

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In September, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87,88,106, and 132(R)" (hereinafter "SFAS No. 158"). This statement requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not for profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year end statement of financial position, with limited exceptions. The adoption of this statement had no immediate material effect on the Company's financial condition or results of operations.

In September, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (hereinafter "SFAS No. 157"). This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosure about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. This statement does not require any new fair value measurements, but for some entities, the application of this statement may change current practice. The adoption of this statement had no immediate material effect on the Company's financial condition or results of operations.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (hereinafter "FIN 48"), which 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. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect the adoption of FIN 48 to have a material impact on its financial reporting, and the Company is currently evaluating the impact, if any the adoption of FIN 48 will have on its disclosure requirements.

In March 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets-an amendment of FASB Statement No. 140." This statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in any of the following situations: a transfer of the servicer's financial assets that meets the requirements for sale accounting; a transfer of the servicer's financial assets to a qualifying special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale securities or trading securities; or an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates. The statement also requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable and permits an entity to choose either the amortization or fair value method for subsequent measurement of each class of servicing assets and liabilities. The statement further permits, at its initial adoption, a one-time reclassification of available for sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available for sale securities under Statement 115, provided that the available for sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value and requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. This statement is effective for fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations.

In February 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Standards No. 133 and 140"

(hereinafter “SFAS No. 155”). This statement established the accounting for certain derivatives embedded in other instruments. It simplifies accounting for certain hybrid financial instruments by permitting fair value remeasurement for any hybrid instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133 as well as eliminating a restriction on the passive derivative instruments that a qualifying special-purpose entity (“SPE”) may hold under SFAS No. 140. This statement allows a public entity to irrevocably elect to initially and subsequently measure a hybrid instrument that would be required to be separated into a host contract and derivative in its entirety at fair value (with changes in fair value recognized in earnings) so long as that instrument is not designated as a hedging instrument pursuant to the statement. SFAS No. 140 previously prohibited 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 fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity’s fiscal year. Management believes the adoption of this statement will have no impact on the Company’s financial condition or results of operations.

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In May 2005, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections," (hereinafter "SFAS No. 154") which replaces Accounting Principles Board Opinion No. 20, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements - An Amendment of APB Opinion No. 28." SFAS No. 154 provides guidance on accounting for and reporting changes in accounting principle and error corrections. SFAS No. 154 requires that changes in accounting principle be applied retrospectively to prior period financial statements and is effective for fiscal years beginning after December 15, 2005. The Company does not expect SFAS No. 154 to have a material impact on its consolidated financial position, results of operations, or cash flows.

In March 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations." FIN 47 clarifies that the term "conditional asset retirement obligation," which as used in SFAS No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The entity must record a liability for a "conditional" asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Management believes the adoption of this statement will have no impact on the financial statements of the Company.

#### **Accounts Receivable and Bad Debts**

The Company records accounts receivable at net realizable value and estimates bad debts utilizing the allowance method, based upon past experience and current market conditions. The Company recorded an allowance to cover accounts receivable balances over 60 days of \$45,570 and \$26,346 for December 31, 2006 and December 31, 2005, respectively.

#### **Advertising Expenses**

Advertising expenses consist primarily of costs incurred in the design, development, and printing of Company literature and marketing materials. The Company expenses all advertising expenditures as incurred. The Company's advertising expenses were \$75,166 and \$39,208 for the year ended December 31, 2006 and December 31, 2005, respectively.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid investments and short-term debt instruments with original maturities of three months or less to be cash equivalents.

#### **Compensated Absences**

Employees of the Company are entitled to paid vacation, and sick days, depending on job classification, length of service, and other factors. The Company accrued vacation pay in the amounts of \$64,789 and \$61,686 at December 31, 2006 and December 31, 2005, respectively.

#### **Concentration of Credit Risk**

The Company maintains its cash in two commercial banks. Although the financial institutions are considered creditworthy, at December 31, 2006 the Company's cash balance exceeded Federal Deposit Insurance Corporation (FDIC) limits by \$707,116 (see Note 14).

**Cost of Sales**

Cost of sales consists of the purchase price of products sold, inbound and outbound shipping charges, packaging supplies and costs associated with service revenues and marketplace business.

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## **Derivative Instruments**

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 133"), as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

The Company has determined that derivatives existed because of features of the convertible debt as of the balance sheet date of December 31, 2006 (See Note 5.)

## **Earnings Per Share**

The Company has adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. Basic and diluted loss per share were the same at the reporting dates, as inclusion of the common stock equivalents would be anti-dilutive.

## **Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

## **Fair Value of Financial Instruments**

The Company's financial instruments as defined by Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," include cash, trade accounts receivable, and accounts payable and accrued expenses. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at December 31, 2006 and December 31, 2005.

## **Foreign Currency Translation and Other Comprehensive Income**

The Company has adopted Financial Accounting Standard No. 52. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at rates of exchange in effect at the balance sheet date. Gains or losses are included in income for the year. Non-monetary assets, liabilities and items recorded in income arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction.

As the Company's functional currency is the U.S. dollar, and all translation gains and losses are transactional, the Company has no assets with values recorded in Canadian dollars or Hong Kong dollars and there is no recognition of other comprehensive income in the financial statements.

### **Foreign Currency Valuation and Risk Exposure**

While the Company's functional currency is the U.S. dollar and the majority of its operations are in the United States, the Company maintains its main office in Burnaby, British Columbia. The Company also maintains an office in Kowloon, Hong Kong. The assets and liabilities relating to both the Canadian and Hong Kong operations are exposed to exchange rate fluctuations. Assets and liabilities of the Company's foreign operations are translated into U.S. dollars at the year-end exchange rates, and revenue and expenses are translated at the average exchange rate during the period. Realized gains and losses from foreign currency transactions are reflected in the results of operations.

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### **Impaired Asset Policy**

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 121, "Accounting for Impairment of Long-lived Assets." In complying with this standard, the Company reviews its long-lived assets quarterly to determine if any events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by its assets to their respective carrying amounts.

The Company does not believe any adjustments are needed to the carrying value of its assets at December 31, 2006 or December 31, 2005.

### **Income Taxes**

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (hereinafter "SFAS No. 109"). This statement requires the recognition of deferred tax liabilities and assets for the future consequences of events that have been recognized in the Company's consolidated financial statement or tax returns. Measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and tax bases of the Company's assets and liabilities results in a deferred tax asset, SFAS No. 109 requires an evaluation of the probability of being able to realize the future benefits indicated by such an asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized. (See Note 10.)

### **Inventories**

The Company records inventories at the lower of cost or market on a first-in, first-out basis. The Company's product inventory is reviewed each month and also when the re-order of the product is necessary. On a monthly basis, the Company's inventory is reviewed based on the expiration of our existing inventory. Product that has a shelf-life of less than 60 days is written off or discounted. The Company expensed \$81,913 and \$7,881 for the year ended December 31, 2006 and December 31, 2005, respectively, for expired product inventory.

A re-order review consists of an evaluation of the Company's current monthly sales volume of the product, cost of product, shelf-life of the product, and the manufacturers minimum purchase requirement, which all determine the overall potential profitability or loss of re-ordering. If the re-order of the product has an assessed loss, then the recommendation to management is to remove the product from the product line.

### **Long-lived Assets**

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations, and requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. Accordingly, the Company reviews the carrying amount of long-lived assets for impairment where events or changes in circumstances indicate that the carrying amount may not be recoverable. The determination of any impairment would include a comparison of estimated future cash flows anticipated to be generated during the remaining life of the assets to the net carrying value of the assets. For the years ended December 31, 2006 and, December 31, 2005, no impairments have been identified.

### **Property and Equipment**

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. (See Note 6.)

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## **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant transactions and balances among the companies included in the consolidated financial statements have been eliminated.

## **Revenue Recognition**

The Company is in the business of selling nutritional products in three categories: dietary supplements, personal care products, and water filtration systems. Sales of personal care products, water filtration systems, and fuel additives; individually represent less than 5% of the overall revenue and therefore are not classified separately in the financial statements. The Company recognizes revenue from product sales when the products are shipped and title passes to the customer. Administrative fees charged to the Independent Business Associates are included in the gross sales and amounted to \$150,554 and \$128,967 for the years ended December 31, 2006 and December 31, 2005, respectively.

The Company offers a 100% refund policy to any retail customer or IBA who is not satisfied with their product purchase and returns it within 30 days of the purchase date. The Company also has a buy-back program in which any IBA can return resalable product for up to one year from the purchase date for a full refund less a 10% restocking fee. The Company expects that these refunds will represent less than 2% of its gross revenues.

## **Segment Information**

The Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," (hereafter "SFAS No. 131") which supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," replacing the "industry segment" approach with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. SFAS No. 131 also requires disclosures about products and services, geographic areas and major customers. The adoption of SFAS No. 131 did not affect the Company's results of operations or financial position.

## ***Stock Options and Warrants Granted to Employees and Non-Employees***

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") as amended by SFAS No. 123R, defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

## **Going Concern**

As shown in the accompanying financial statements, the Company had negative working capital of approximately \$4,025,000 and an accumulated deficit incurred through December 31, 2006. The Company also has limited cash resources and a history of recurring losses. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Management has established plans designed to increase the sales of the Company's products and decrease debt. The Company plans on continuing to reduce expenses, and with small gains in any combination of network sales, direct sales, and international sales, believe that they will eventually be able to reverse the present deficit.

**NOTE 3 - ACCOUNTS RECEIVABLE AND CREDIT RISK**

Accounts receivable at December 31, 2006 and December 31, 2005 consist primarily of amounts due from direct retail clients of EYI.

**Other Receivables**

The Company also has a balance owed from two IBAs who were advanced funds pursuant to the terms of a letter agreement dated September 19, 2006 and promissory notes. As at December 31, 2006, the balance of these receivables was \$67,582.

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#### **NOTE 4 - CONVERTIBLE DEBT**

On April 24, 2006 the Company entered into a securities purchase agreement with Cornell, TAIB Bank, and Certain Wealth (collectively the “Buyers” and together with the Company, the “Parties”). Pursuant to the securities purchase agreement, the Company shall sell to the Buyers, and the Buyers shall purchase from the Company, convertible debentures in the aggregate principal amount of \$4,500,000, plus accrued interest, which are convertible into shares of the Company’s common stock, at the Buyers discretion. Of this aggregate amount, (a) \$1,500,000 was funded on April 28, 2006, (b) \$1,500,000 was funded on June 7, 2006 and (c) \$1,500,000 was funded on June 20, 2006.

The debentures mature on April 24, 2009, accrue interest at an annual rate of ten percent (10%) and shall be convertible into shares of the Company’s common stock at the option of the holder, in whole or in part at any time and from time to time, at a conversion price equal to (a) \$0.06 or (b) eighty percent (80%) of the lowest volume weighted average price of the Company’s common stock during the five (5) trading days immediately preceding the date of conversion as quoted by Bloomberg, LP. During the quarter ended December 31, 2006, the Company recognized embedded derivatives in the convertible debentures. (See Note 5.)

The Company also executed an Investor Registration Rights Agreement pursuant to which the Company agreed to provide certain registration rights to the Investors. The Parties have also executed a security agreement, pursuant to which the Company has agreed to provide to the Buyers, a security interest in Pledged Collateral to secure the Company’s obligations under the convertible debentures, the securities purchase agreement, the Investor Registration Rights Agreement, the irrevocable transfer agent instructions, the security agreement, or any other obligations of the Company to the Buyer.

On April 24, 2006 the Company issued to Cornell seventeen (17) warrants to purchase up to an aggregate 124,062,678 shares of the Company’s common stock at \$0.02 and \$0.40 per share. Each warrant has “piggy back” registration rights and shall expire five (5) years from the date of issuance, on or about April 24, 2011. Following EITF 00-19, “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settle in, a Company’s Own Stock,” and SFAS No. 133, the Company has recognized an embedded equity derivative in the warrant. For accounting and fair value purposes, the equity derivative will be accounted for as a stock option, following SFAS No. 123(R) for valuation purposes. (See Note 9.)

#### **NOTE 5 - DERIVATIVES**

Derivatives have been accounted for in accordance with SFAS 133, as amended, and EITF No. 00-19, “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock.” The Company has identified that the debentures described in Note 4 have embedded derivatives. These embedded derivatives have been bifurcated from their respective host debt contracts and accounted for as derivative liabilities in accordance with EITF 00-19. When multiple derivatives exist within the loan agreements, they have been bundled together as a single hybrid compound instrument in accordance with SFAS No. 133, Derivatives Implementation Group Implementation Issue No. B-15, “Embedded Derivatives: Separate Accounting for Multiple Derivative Features Embedded in a Single Hybrid Instrument”.

The embedded derivatives within the loan agreements have been recorded at fair value at the date of issuance and are marked-to-market each reporting period with changes in fair value recorded on the Company’s income statement as gain (loss) on derivatives.

The fair value of the derivative liabilities is subject to the changes in the trading value of the Company’s common stock, as well as other factors. As a result, the Company’s financial statements may fluctuate from quarter-to-quarter based on factors such as the price of the Company’s stock at the balance sheet date and the amount of shares converted by note holders. Consequently, the Company’s financial position and results of operations may vary from

quarter-to-quarter based on conditions other than its operating revenues and expenses.

At December 31, 2006, the Company revalued the derivative embedded in each of the three convertible debentures at \$415,758 each or a total of \$1,247,294. For the year ended December 31, 2006, the Company recognized a loss of \$366,107.

At December 31, 2006, the Company also calculated a marked-to-market adjustment for the warrants issued to Cornell Capital in connection with the convertible debenture. For the year ended December 31, 2006, the Company recognized a loss of \$2,562,214 as a result of this valuation.

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**NOTE 6 - PROPERTY AND EQUIPMENT**

Capital assets are recorded at cost. Depreciation is calculated using the straight line method over three to seven years. The following is a summary of property, equipment and accumulated depreciation at December 31, 2006 and December 31, 2005.

|   | 2006      |                             | 2005      |                             |
|---|-----------|-----------------------------|-----------|-----------------------------|
|   | Cost      | Accumulated<br>Depreciation | Cost      | Accumulated<br>Depreciation |
| Warehouse equipment                         | \$ 0      | \$ 0                        | \$ 0      | \$ 0                        |
| Furniture and fixtures                      | 3,279     | 841                         | 1,569     | 371                         |
| Computer Equipment & Software               | 128,178   | 94,074                      | 105,447   | 83,068                      |
| Office equipment                            | 33,909    | 4,458                       | 14,859    | 901                         |
| Leasehold improvements                      | 17,973    | 6,514                       | 13,544    | 13,544                      |
| Total                                       | 183,339   | \$ 105,887                  | 135,420   | \$ 85,749                   |
| Less: accumulated depreciation              | 105,887   |                             | 85,749    |                             |
| Total property, plant and equipment,<br>net | \$ 77,452 |                             | \$ 49,671 |                             |

Depreciation expense for the periods ended December 31, 2006 and December 31, 2005 was \$22,352 and \$52,645, respectively.

**NOTE 7 - INTANGIBLE ASSETS**

Intangible assets consist of rights, title, and interest in and to the contracts with the Company's independent business associates as well as the rights and licenses to trademarks and formula for the Company's primary products. These rights and licenses were obtained from the Company's former parent pursuant to a transfer agreement, as well as from the Company's primary shareholder.

**Trademarks and Formulas**

Costs relating to the purchase of trademarks and formulas were capitalized and amortized using the straight-line method over ten years, representing the estimated life of the assets.

The following is a summary of the intangible assets at December 31, 2006 and December 31, 2005:

|                                | Cost      | Accumulated<br>Amortization | Net       |
|--------------------------------|-----------|-----------------------------|-----------|
| Balance, December 31, 2005     | \$ 22,275 | \$ (7,233)                  | \$ 15,044 |
| Activity in last twelve months | 13        | (2,226)                     | (2,213)   |
| Balance, December 31, 2006     | \$ 22,288 | \$ (9,459)                  | \$ 12,829 |

**NOTE 8 - CAPITAL STOCK****Preferred Stock**

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of \$0.001. As of December 31, 2006, the Company has not issued any preferred stock.



## **Common Stock**

The Company is authorized to issue 3,000,000,000 shares of common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

Between January 1, 2006 and March 31, 2006, the Company issued 42,941,686 shares to Cornell Capital in exchange for \$1,084,565.

On February 6, 2006 the Jay Sargeant Trust was dissolved and the related shares were disbursed to the beneficiaries. In connection with this transaction, 268,639 common shares were returned to treasury at par value.

Between June 27, 2006 and December 31, 2006, the Company issued 34,095,619 shares to Cornell Capital to retire \$216,266 of the convertible debt.

Between June 27, 2006 and December 31, 2006, the Company issued 22,430,351 shares to Certain Wealth to retire \$126,625 of the convertible debt.

Between June 27, 2006 and December 31, 2006, the Company issued 28,058,371 shares to TAIB Bank to retire \$158,461 of the convertible debt.

On October 19, 2006 the Company issued 500,000 restricted common shares to Creative Life pursuant the terms of its agreement with the Company dated October 18, 2006. The Company computed the number of shares issued in this transaction based on the fair value of services received and the market value of the Company's common stock on the dates of issuance and recognized an expense of \$3,000 to consulting fees.

On October 27, 2006 the Company issued 317,254 restricted common shares to Global Trends pursuant the terms of its agreement with the Company dated October 27, 2006. The Company computed the number of shares issued in this transaction based on the fair value of services received and the market value of the Company's common stock on the dates of issuance and recognized an expense of \$2,189 to consulting fees.

## **NOTE 9 - COMMON STOCK OPTIONS AND WARRANTS**

Financial Accounting Standards No. 123R, "Accounting for Stock-Based Compensation" (hereinafter "SFAS No. 123"), defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

In accordance with SFAS No. 123, the fair value of stock options and warrants granted are estimated using the Black-Scholes Option Price Calculation. The following assumptions were made to value the warrants for the period ended December 31, 2006: estimated risk-free interest rate of 5.125%; no dividends to be paid; estimated volatility of 128%, and term of two years.

### **Stock Options**

During the year ending December 31, 2004, the Company's Board of Directors approved the Stock Compensation Program to allow up to 25,000,000 shares of stock to be issued under the program. This plan enables the Company to grant stock options to directors, officers, employees and eligible consultants of the Company. There was no Company stock option plan in effect prior to 2004.

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During the three months ended December 31, 2006, the Company recognized an expense to wages of \$1,415 for all vested options.

Following is a summary of the status of the stock options during the years ended December 31, 2005 and December 31, 2006:

|  | Number of Shares | Weighted<br>Average<br>Exercise<br>Price |
|--|------------------|--|
| Outstanding at December 31, 2004               | 19,747,390       | \$ 0.14                                  |
| Granted  | 7,390,000        | \$ 0.13                                  |
| Exercised                                      | -3,350,000       | \$ 0.12                                  |
| Forfeited or cancelled                         | -7,535,000       | \$ 0.08                                  |
| Outstanding at December 31, 2005               | 16,252,390       | \$ 0.14                                  |
| Granted  | 25,000           | \$ 0.06                                  |
| Exercised                                      | -                | -  |
| Forfeited or cancelled                         | 11,012,390       | \$ 0.17                                  |
| Options outstanding at December 31, 2006       | 5,265,000        | \$ 0.09                                  |
| Weighted average fair value of options granted |                  | \$ 0.06                                  |

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Summarized information about stock options outstanding and exercisable at December 31, 2006 is as follows:

| Exercise Price Range | Number of Shares | Options Outstanding          |                              |
|----------------------|------------------|------------------------------|------------------------------|
|                      |                  | Weighted Ave. Remaining Life | Weighted Ave. Exercise Price |
| \$0.02 - \$0.22      | 5,265,000        | 0.66                         | \$ 0.09                      |

| Exercise Price Range | Number of Shares | Options Exercisable          |                              |
|----------------------|------------------|------------------------------|------------------------------|
|                      |                  | Weighted Ave. Remaining Life | Weighted Ave. Exercise Price |
| \$0.02 - \$0.22      | 5,265,000        | 0.66                         | \$ 0.09                      |

Summarized information about non-vested but granted stock options outstanding at December 31, 2006 is as follows:

| Exercise Price Range | Non-vested Granted Options Outstanding |                              |                              |
|----------------------|--|------------------------------|------------------------------|
|                      | Number of Shares                       | Weighted Ave. Remaining Life | Weighted Ave. Exercise Price |
| \$-                  | -                                      | -                            | \$ -                         |

## Warrants

In consideration of the convertible debenture financing (see Note 4), the Company has also issued an aggregate of 124,062,678 common stock purchase warrants dated April 24, 2006 to Cornell, each exercisable for a period of five years commencing April 24, 2006 for the purchase of one share of common stock. The warrants provide that the holder cannot exercise the warrants to the extent such exercise would cause the holder and its affiliates to own more than 4.99% of our outstanding common shares. The warrants have exercise prices, subject to adjustment, ranging from \$0.02 to \$0.40 per share. Each warrant has “piggy back” registration rights and shall expire five (5) years for the date of issuance, on or about April 24, 2011.

On October 1, 2006, the Company entered into an agreement with Agoracom Investor Relations Corp. (“Agoracom”) to provide investor relations services. Pursuant to the agreement, Agoracom is to receive a warrant for the purchase of up to 500,000 shares of common stock at \$0.06 for a period of two years.

On October 12, 2006, EYI entered into a definitive agreement with Mach 3. Pursuant to the agreement, Mach 3 received 967,680 warrants at \$0.06 per share expiring October 12, 2008.

|                             | Number of<br>Warrants | Weighted<br>Average<br>Remaining Life | Average<br>Exercise Price |
|-----------------------------|-----------------------|---------------------------------------|---------------------------|
| Outstanding and exercisable | 131,006,548           | 4.31                                  | \$ 0.09                   |

**NOTE 10 - INCOME TAXES**

The significant components of the deferred tax assets at December 31, 2006 and December 31, 2005 were as follows:

|  | December 31,<br>2006 | December 31,<br>2005 |
|--|----------------------|----------------------|
| Net operating loss carry forward       | \$ 18,820,000        | \$ 11,628,000        |
| Deferred tax asset:                    | \$ 6,399,000         | \$ 3,954,000         |
| Less valuation allowance for tax asset | -6,399,000           | -3,954,000           |
| Net deferred tax asset                 | \$ -                 | \$ -                 |

At December 31, 2006 and December 31, 2005, the Company has net operating loss carry forwards of approximately \$18,820,000 and \$11,628,000 respectively, which expire in the years 2024 through 2026. The change in the allowance account from December 31, 2005 to December 31, 2006 was \$2,445,000.

The Company's subsidiaries in Canada are required to file income tax returns in British Columbia, Canada. The losses from operations are allocated to both United States and Canadian operations.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES****Joint Venture Agreement**

On August 12, 2006 we entered into a joint venture agreement with Internet Marketing Consortium to provide multi media strategies, promotional, direct and targeted marketing services for an undetermined period of time. In consideration for the services provided by IMC, the Company paid a fee of \$25,000.

**Purchase Agreement**

On June 30, 2002, EYI entered into a distribution and license agreement with a company in which one of EYI's directors has an ownership interest. The agreement gives EYI the exclusive right to market, sell and distribute certain products for a five-year renewable term. Management estimates that 85% of EYI's sales volume results from products supplied under this licensing agreement.

Pursuant to the agreement, EYI is required to purchase a minimum amount of \$6,035,000 of product in each of the remaining years.

In the event that EYI is unable to meet the minimum purchase requirements of the licensing agreement or the terms requiring it to pay 15% of the difference between the minimum purchase amount referred to above and actual purchases for that year in which there is a shortfall, then the licensor has various remedies available to it including renegotiating the agreement, removing exclusivity rights, or terminating the agreement.

As of the date of these financial statements, the purchase requirements have not been made. The period for which the licensor could request payment per the penalty clause has expired for the year and therefore the Company has not made any accrual to the financial statements. EYI continues to purchase Nutri Diem products on a regular basis.

**Lease Payments**

The Company has operating lease commitments for its premises, office equipment and an automobile. The minimum annual lease commitments are as follows:

| Year ended December 31, | Minimum Amount |
|-------------------------|----------------|
| 2007                    | \$ 163,285     |
| 2008                    | 141,841        |
| 2009                    | 147,013        |
| 2010                    | 152,186        |
| 2011                    | 157,358        |

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## **Regulatory Risks and Claims**

The Company's products are subject to regulation by a number of federal and state entities, as well as those of foreign countries in which the Company's products are sold. These regulatory entities may prohibit or restrict the sale, distribution, or advertising of the Company's products for legal, health or safety, related reasons. In addition to the potential risk of adverse regulatory actions, the Company is subject to the risk of potential product liability claims.

## **Standby Equity Distribution Agreement**

On May 13, 2005, the Company entered into a standby equity distribution agreement with Cornell Capital Partners, LP ("Cornell") pursuant to which we entered into the following agreements: a registration rights agreement, an escrow agreement, and a placement agent agreement. Pursuant to the terms of the new standby equity distribution agreement, EYI may, at its discretion, periodically issue and sell shares of our common stock for a total purchase price of \$10 million. If EYI requests advances under the standby equity distribution agreement, Cornell will purchase shares of our common stock for 98% of the lowest volume weighted average price on the Over-the-Counter Bulletin Board or other principal market on which our common stock is traded for the 5 days immediately following the advance notice date. Cornell will retain 5% of each advance under the new standby equity distribution agreement. EYI may not request advances in excess of a total of \$10 million. Pursuant to the terms of our registration rights agreement and the standby equity agreement with Cornell, EYI agreed to register and qualify, among other things, the additional shares due to Cornell under the standby equity agreement under a registration statement filed with the SEC.

On April 3, 2006 EYI signed a termination agreement with Cornell for the purpose of terminating our standby equity distribution agreement, registration rights agreement and escrow agreement all of which are dated as of May 13, 2005.

## **Other Matters**

The Company's predecessor organization, Essentially Yours Industries Corp. ("EYIC"), a Canadian corporation, has outstanding claims from the Internal Revenue Service for penalties and interest of approximately \$2,000,000. Furthermore, one or more states may have claims against EYIC for unpaid state sales taxes. Management believes that these claims are limited solely to EYIC and that any prospective unpaid tax claims against the Company are remote and unable to be estimated.

## **Action By Suhl, Harris and Babich**

In 2003, a consolidated action was brought by the plaintiffs Wolf Suhl, Christine Harris and Edward Babich in the Supreme Court of British Columbia pursuant to an order pronounced in the New Westminster Registry under Action No. S061589 on May 7, 2003, which allowed the plaintiffs to proceed with an action against EYIC. In February 2006, the Supreme Court of British Columbia made an order that the Company and Mr. Jay Sargeant be added to the lawsuit. The plaintiffs' total claim was approximately \$478,000. On April 13, 2006, the plaintiffs amended their pleadings to assert claims against the Company and Jay Sargeant. An order was pronounced on August 15, 2006 for the substitutional service of Mr. Jay Sargeant. On September 5, 2006 the Company paid \$200,000 in full and final settlement of this matter.

## **Distribution Agreement**

On September 20, 2006 Essentially Yours Industries (International) Limited entered into a consignment and distribution licensing agreement with Orientrends, Inc. Orientrends will act as an exclusive agent and qualified distributor to market EYI Products within the Philippines. The agreement is for a period of five years.





### **Action by The State of Texas, et al**

On August 25, 2006 the State of Texas filed a Plaintiffs' First Amended Original Petition in the District Court of Travis County, Texas naming Essentially Yours Industries, Inc. A/K/A Essentially Yours Corp. A/K/A Burrard Capital, Inc. a foreign (NV) Corporation. The action arises from EYI's predecessor organization, Essentially Yours Industries, Corp., a British Columbia Corporation's unpaid sales tax for the State of Texas in the amount of \$179,094.84 plus interest and costs.

### **Investor Relations Agreement**

On October 1, 2006 the Company entered into a two year agreement with Agoracom to provide investor relations services. Agoracom will receive \$2,500 per month plus a warrant to purchase up to 500,000 shares of the Company's common stock at \$0.06 per share.

### **Consulting Agreements**

On October 19, 2006 the Company entered into a consulting agreement with Creative Life Enterprises, Inc. on a month to month basis. Creative Life received 500,000 shares of the Company's restricted common stock as compensation for their services.

### **Manufacturing Agreement**

On October 12, 2006 the Company entered into a definitive agreement with Mach 3 Technologies Group, LLC. ("Mach 3") who will provide EYI with the exclusive rights to the fuel enhancement product ME2 in the US, Canada and Mexico for a period of three years. Pursuant to the agreement, the Company must purchase \$1,000,000, \$6,000,000, and \$12,000,000 respectively in each of the three years. In addition to the unit price of the ME2 product, Mach 3 will also receive warrants to purchase the Company's common stock with each product purchase order. The maximum number of warrants that can be issued to Mach 3 is 15,000,000. In connection with purchase orders issued in October 2006, the Company issued Mach 3 a total of 967,680 warrants with an exercise price of \$0.06.

### **Escrow Fund**

On August 1, 2005, pursuant to the standby equity distribution agreement ("SEDA") dated June 22, 2004, and the promissory note dated August 1, 2005, the Company allocated fifty-one million two hundred thousand (51,200,000) shares of the Company's common stock into escrow. The SEDA was cancelled. The promissory note is not part of the SEDA.

### **NOTE 12 - DISCONTINUED OPERATIONS**

During the year ended December 31, 2005, the Company elected to discontinue the operations of Halo Distribution LLC (hereinafter "Halo"), a subsidiary of the Company. The Company's balance sheet reports net liabilities from discontinued operations of \$375,344 as at December 31, 2006 and December 31, 2005.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards, No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (hereinafter "SFAS No. 146"). SFAS No. 146 addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No. 146 also addresses recognition of certain costs related to terminating a contract that is not a capital lease, costs to consolidate facilities or relocate employees, and termination benefits provided to employees that are involuntarily terminated under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No.

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146 was issued in June 2002, effective December 31, 2002. The Company's financial position and results of operations have not been affected by adopting SFAS No. 146.

The assets and liabilities disposed of from discontinued operations at December 31, 2006 were as follows:

|                                  |    |         |
|----------------------------------|----|---------|
| Total Assets                     | \$ | -       |
| Accounts payable                 | \$ | 79,049  |
| Accrued liabilities              |    | 275,368 |
| Accounts payable - related party |    | 105,000 |
| Liabilities in excess of assets  | \$ | 380,368 |

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### **NOTE 13 – RELATED PARTY NOTE PAYABLE**

The Company issued a promissory note for a total of \$50,000 in December 2003. The note is unsecured, non-interest bearing and payable upon demand. This note has a remaining balance of \$50,000 and \$50,000 at December 31, 2006 and 2005, respectively.

### **NOTE 14 – CONCENTRATIONS**

#### **Bank Accounts**

The Company maintains its cash accounts in two commercial banks. During the year, the Company may maintain balances in excess of the federally insured amounts in the accounts that are maintained in the United States. The Company also maintains funds in commercial banks in Vancouver, British Columbia and in Hong Kong, in which funds in U.S. dollars are not insured. At December 31, 2006 and December 31, 2005, a total of \$42,073 and \$56,088, respectively, was not insured.

#### **Economic Dependence**

During the year, the Company purchased approximately 85% of its products for resale from one company, Nutri-Diem Inc., which is the sole supplier of the Company's flagship product Calorad. Pursuant to a purchase agreement, the Company is subject to minimum purchases per annum. (See Note 11.)

### **NOTE 15 – RELATED PARTY TRANSACTIONS**

On May 27, 2002, Mr. Jay Sargeant, a shareholder of EYI Corp. agreed to acquire all of the shares of EYI, along with the transfer agreement, license agreement, and agency appointment agreement, in settlement of amounts owed to him. As part of this transaction, EYI Corp. agreed to provide to EYI the services outlined in a management agreement.

The Company acquired, through agreements with EYI Corp, the rights, title, and interest in and to the contracts with the Company's Independent Business Associates as well as the rights and licenses to trademarks and formula for the Company's primary products.

Accounts payable to related parties represents amounts due executives for services performed during the last year, as well as to other related parties and the company with which they have a signed management agreement. These payables are non-interest bearing and non-collateralized.

The Company purchases approximately 85% of its products for resale from one company, Nutri-Diem Inc., which is owned in part by a director of the Company.

On September 19, 2006, the Company entered into a letter agreement with two consultants whereby the Company has agreed to compensate their sales efforts during the pre-launch phase of the ME2 product.

#### **Promissory Notes**

At December 31, 2006, the Company is owed \$67,582 from two consultants pursuant to terms of Promissory Notes and advances made pursuant to a letter agreement dated September 19, 2006.

### **NOTE 16 - SUBSEQUENT EVENTS**

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Between January 1, 2007 and March 20, 2007, the Company issued 15,908,008 common shares to Cornell Capital to retire \$70,000 of convertible debt.

Between January 1, 2007 and March 20, 2007, the Company issued 7,063,155 common shares to Certain Wealth to retire \$31,080 of convertible debt.

Between January 1, 2007 and March 20, 2007, the Company issued 26,298,852 common shares to TAIB Bank to retire \$38,920 of convertible debt.

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On February 1, 2007, the Board of Directors of the Company approved a Stock Incentive Plan for its employees, directors and consultants. The plan is for a total of 250,000,000 restricted shares of common stock and expires February 17, 2007. On February 1, 2007 the Board of Directors also approved the issuance of 235,000,000 stock options to officers, employees and consultants.

On January 23, 2007, EYI entered into a web site design and development agreement with Colossal Head Communications (“Colossal”). Compensation for Colossal will be paid after completion of stages in the project which is expected to be completed in sixteen weeks.

On January 5, 2007, the Company completed a share exchange with certain shareholders of EYI. Shareholders received 1,999,323 restricted shares of the Company in exchange for shares held in the private entity EYI.

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**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS**

EYI Industries' bylaws, as amended provide that we have the power to indemnify any officer or director against damages if such person acted in good faith and in a manner the person reasonably believed to be in the best interests of our Company. No indemnification may be made (i) if a person is adjudged liable unless a Court determines that such person is entitled to such indemnification, (ii) with respect to amounts paid in settlement without court approval or (iii) expenses incurred in defending any action without court approval.

**ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION**

The following table sets forth estimated expenses expected to be incurred in connection with the issuance and distribution of the securities being registered. All expenses will be paid by EYI Industries.

|   |    |        |
|---|----|--------|
| Securities and Exchange Commission Registration Fee | \$ | 2,375  |
| Printing and Engraving Expenses                     | \$ | 5,000  |
| Accounting Fees and Expenses                        | \$ | 20,000 |
| Legal Fees and Expenses                             | \$ | 50,000 |
| Miscellaneous                                       | \$ | 7,625  |
| TOTAL   | \$ | 85,000 |

**ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES**

On January 5, 2007 we completed a share exchange with certain of the shareholders of EYI, under a Share Exchange Agreement, dated January 5, 2007, (the "Exchange Agreement").

Under the terms of the Exchange Agreement, we issued 1,999,323 restricted shares of our common stock to the EYI shareholders in exchange for 260,485 shares of common stock held by them in EYI.

On April 24, 2006 we entered a Securities Purchase Agreement with Cornell Capital Partners, Taib Bank, B.S.C. and Certain Wealth, Ltd. pursuant to which we entered into the following agreements: an Investor Registration Rights Agreement, Irrevocable Transfer Agent Instructions and a Security Agreement. Pursuant to the terms of the Securities Purchase Agreement, we may sell convertible debentures to these entities in the principal amount of \$4,500,000 plus accrued interest which are convertible into shares of our common stock. Of this amount \$1,500,000 has been paid, \$1,500,000 must be paid two (2) business days prior to the date a registration statement is filed with the Securities and Exchange Commission and \$1,500,000 shall be paid two (2) business days prior to the date that such registration statement is declared effective by the Securities and Exchange Commission. We received proceeds of \$1,305,000 (net of fees associated with the issuance of the convertible debentures) on April 27, 2006 in connection with the issuance of \$1,500,000 of convertible debentures in the following principal amounts: \$750,000 to Cornell Capital Partners, \$416,667 to Taib Bank, B.S.C., and \$333,333 to Certain Wealth, Ltd. pursuant to the terms of the Securities Purchase Agreement. On June 8, 2006, we received net proceeds of \$1,350,000, associated with the issuance of the second tranche of secured principal amounts: \$750,000 to Cornell Capital, \$416,667 to Taib Bank, B.S.C. and \$333,333 to Certain Wealth, Ltd. On June 20, 2006, we received net proceeds of \$1,350,000, associated with the issuance of the third tranche of secured amounts: \$750,000 to Cornell Capital Partners, \$416,667 to TAIB Bank, B.S.C., and \$333,333 to Certain Wealth, Ltd. Each of the convertible debentures was issued pursuant to section 4(2) and Rule 506 of Regulation D of the Securities Act.

Pursuant to the terms of the Securities Purchase Agreement and the issuance of our convertible debentures, on April 24, 2006 we issued to Cornell Capital Partners seventeen (17) warrants to purchase up to an aggregate 124,062,678 shares of our common stock at the discretion of Cornell Capital Partners each for good and valuable consideration. Pursuant to the terms of the warrants, Cornell Capital Partners is entitled to purchase from us: (1) 10,416,650 shares of our common stock at \$0.02 per share, (2) 13,888,866 shares of our common stock at \$0.03 per share, (3) 10,416,650 shares of our common stock at \$0.04 per share, (4) 8,333,320 shares of our common stock at \$0.05 per share, (5) 6,944,433 shares of our common stock at \$0.06 per share, (6) 5,952,371 shares of our common stock at \$0.07 per share, (7) 11,250,000 shares of our common stock at \$0.08 per share, (8) 10,000,000 shares of our common stock at \$0.09 per share, (9) 19,000,000 shares of our common stock at \$0.10 per share, (10) 8,181,818 shares of our common stock at \$0.11 per share, (11) 7,500,000 shares of our common stock at \$0.12 per share, (12) 3,333,333 shares of our common stock at \$0.15 per share, (13) 2,500,000 shares of our common stock at \$0.20 per share, (14) 2,000,000 shares of our common stock at \$0.25 per share, (15) 1,666,666 shares of our common stock at \$0.30 per share, (16) 1,428,571 shares of our common stock at \$0.35 per share and (17) 1,250,000 shares of our common stock at \$0.40 per share upon surrender of the warrants (or as subsequently adjusted pursuant to the terms of each warrant) . Each warrant has “piggy back” registration rights and shall expire five (5) years from the date of issuance, on or about April 24, 2011.

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On October 10, 2005, we issued 500,000 shares of restricted common stock to our legal consultant pursuant to a contract for legal services. All securities were endorsed with a restrictive legend pursuant to Regulation S of the Securities Act of 1933 confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act.

On October 10, 2005, we also issued 250,000 shares of restricted common stock to Agora pursuant to our investor relations agreement with Agora. All securities were endorsed with a restrictive legend pursuant to Regulation S of the Securities Act of 1933 confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act.

On June 9, 2005, we issued 1,000,000 shares of common stock and 3,000,000 warrants for the purchase of shares of our common stock at an exercise price of \$0.02 per share to one investor. The shares were purchased from us in a private placement transaction pursuant to Rule 506 of Regulation D of the Securities Act. All securities were endorsed with a restrictive legend confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act.

On January 1, 2004 the Company entered into an agreement with a consultant to provide services in exchange for 250,000 common shares at \$0.28. During the quarter ended March 31, 2004 we issued 100,000 shares of our common stock at a price of \$0.26 per share to a consultant in respect of fees owed for certain consulting services provided to us by the consultant. All securities issued were endorsed with a restrictive legend confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act. The issuance was completed pursuant to Section 4(2) of the Securities Act on the basis that the consultant was a sophisticated investor.

During the quarter ended June 30, 2004 we issued 50,000 shares of our common stock at a price of \$0.22 per share to a consultant in respect of fees owed for certain consulting services provided to us by the consultant. All securities issued were endorsed with a restrictive legend confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act. The issuance was completed pursuant to Section 4(2) of the Securities Act on the basis that the consultant was a sophisticated investor.

During the quarter ended June 30, 2004, we issued 5,476,190 units at a price of \$0.21 per unit to Eyewonder in respect of certain amounts owed to Eyewonder under our Letter Agreement with Eyewonder. Each unit was comprised of one share of our common stock and one share purchase warrant entitling Eyewonder to purchase one share of our common stock at an exercise price of \$0.30 per share for a period expiring May 4, 2009. The issuance was completed pursuant to Section 4(2) of the Securities Act on the basis that Eyewonder was a sophisticated investor.

As of June 7, 2004, we completed the sale of 136,548 units at a price of \$0.21 per unit for proceeds of \$28,675 to seven investors. Each unit was comprised of one share of our common stock and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one share of our common stock at a price of \$0.30 per share for the three year period following closing. A total of 136,548 shares and 136,548 share purchase warrants were issued. The purchasers consisted of seven "accredited investors", as defined by Rule 501 of Regulation D of the Securities Act. The sales were completed pursuant to Rule 506 of Regulation D of the Securities Act. All securities issued were endorsed with a restrictive legend confirming that the securities cannot be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act.

On June 22, 2004, we entered into a secured convertible debenture transaction with Cornell Capital Partners in the principal amount of \$500,000. The sale of these Secured Convertible Debentures is complete. EYI Industries received \$250,000 from the issuance of the first Secured Convertible Debenture on June 22, 2004, and we received \$250,000 five business days following the filing of the accompanying registration statement. The Secured Convertible

Debentures are convertible at the holder's option any time up to maturity at a conversion price equal to the lower of (i) 120% of the closing bid price of the common stock as of the date of issuance, or (ii) 80% of the average of the lowest daily volume weighted average price of our common stock for the 5 trading days immediately preceding the conversion date. At maturity, the remaining unpaid principal and accrued interest under the debentures shall be, at our option, either paid or converted into shares of common stock at a conversion price equal to the lower of (i) 120% of the closing bid price of the common stock as of the date of issuance or (ii) 80% of the lowest closing bid price of the common stock for the lowest trading days of the 5 trading days immediately preceding the conversion date. The Secured Convertible Debenture is secured by all of EYI Industries' assets. The Secured Convertible Debentures accrue interest at a rate of 5% per year and have a term of 3 years. In the event the Secured Convertible Debentures are redeemed, then EYI Industries will issue to the holders a warrant to purchase 50,000 shares for every \$100,000 redeemed at an exercise price of 120% of the closing bid price as of June 22, 2004. The holders purchased the Secured Convertible Debentures from EYI Industries in a private placement on June 22, 2004. On September 24, 2004, we issued the second secured convertible debenture in the principal amount of \$250,000 to Cornell Capital Partners on the same terms and conditions as the secured convertible debenture described above. EYI Industries is registering in this offering 8,352,823 shares of common stock underlying the Secured Convertible Debentures. On April 4, 2005, Cornell Capital Partners assigned all of its rights and interests in the secured convertible debentures to Taib Bank E.C. All investment decisions of Taib Bank E.C. are made by Larry Chaleff, its Managing Director. In addition, on April 4, 2005, EYI Industries and Taib Bank E.C. entered into a Redemption Agreement, whereby EYI Industries agreed to first use any proceeds received by EYI Industries under the Equity Distribution Agreement with Cornell Capital Partners to redeem any remaining principal and accrued interest under the assigned Secured Convertible Debentures.

In February 2005, the Company issued 800,000 shares of our common stock at a deemed price of \$0.05 per share to Janet Carpenter. These shares were given to Ms. Carpenter in consideration of her providing the guarantee and pledge required for our loan agreement with Cornell Capital.

| <b>Year</b> | <b>Name of Holder</b>                                    | <b>Date</b>    | <b>Share of<br/>Common Stock<br/>Sold</b> | <b>Reason Shares Issued</b>                                     |
|-------------|--|----------------|---|---|
| <b>2005</b> | Janet Carpenter  | February 2005  | 800,000                                   | Shares in lieu of guarantee and pledge                          |
|             | AGORA Investor Relations Corp.                           | July 2005      | 250,000                                   | Shares issued in connection with investor relations agreement   |
|             | M. Ali Lakhani Personal Law Corporation                  | September 2005 | 500,000                                   | Shares issued as signing bonus for agreement for legal services |
| <b>2004</b> | Private Placement at \$0.14 per unit; warrants at \$0.20 | January 2004   | 857,143                                   | Private Placement raise capital                                 |
|             | Rajesh Raniga Inc.                                       | January 2004   | 250,000                                   | Consulting Fees   |
|             | Private Placement at \$0.21 per unit; warrants at \$0.30 | March 2004     | 609,312                                   | Private Placement raise capital                                 |
|             | Equis Capital Corp.                                      | March 2004     | 100,000                                   | Consulting Fees   |
|             | Eyewonder Inc.   | May 2004       | 5,476,190                                 | Service Fees  |
|             | Michael Hatrak   | May 2004       | 50,000                                    | Consulting Fees   |
|             | Private Placement at \$0.21 per unit; warrants at \$0.30 | June 2004      | 566,833                                   | Private Placement to raise capital                              |

| <b>Year</b>  | <b>Name of Holder</b>  | <b>Date</b>    | <b>Share of<br/>Common Stock<br/>Sold</b> | <b>Reason Shares Issued</b>   |
|--------------|--|----------------|---|---|
|              | Cornell Capital Partners,<br>LP                                | June 2004      | 1,266,589                                 | Commitment fee<br><br>pursuant to Standby<br>Equity Distribution<br>Agreement         |
|              | Newbridge Securities<br>Corporation                            | June 2004      | 33,411                                    | Placement Agent fee<br>in connection with<br>Standby Equity Distribution<br>Agreement |
| <b>2003*</b> | PNG Trading Co. Ltd.   | February 2003  | 250,000                                   | Issued in lieu of funds<br>received   |
|              | Hightech International   | March 2003     | 2,120,000                                 | Settlement of Debt  |
|              | Private Placement at<br>\$0.14 per unit; warrants<br>at \$0.20 | September 2003 | 3,573,924                                 | Private Placement to<br>raise capital   |
|              | Michel Grise   | December 2003  | 357,143                                   | Private Placement to<br>raise capital   |

With respect to the sale of unregistered securities referenced above, all transactions were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 (the “1933 Act”), and Regulation D promulgated under the 1933 Act. In each instance, the purchaser had access to sufficient information regarding EYI so as to make an informed investment decision. More specifically, EYI had a reasonable basis to believe that each purchaser was an “accredited investor” as defined in Regulation D of the 1933 Act and otherwise had the requisite sophistication to make an investment in EYI’s common stock.

\*Current management of EYI Industries has limited information with respect to the issuances of unregistered securities prior to the Share Exchange transaction consummated on December 31, 2003 between our company and certain shareholders of Essentially Yours Industries, Inc.

## **ITEM 27. INDEX TO EXHIBITS**

| <b>Exhibit<br/>Number</b> | <b>Description of Exhibit</b>  |
|---------------------------|--|
| 3.1                       | Articles of Incorporation. <sup>(1)</sup>  |
| 3.2                       | Certificate of Amendment to Articles of Incorporation dated December 29, 2003. <sup>(11)</sup> |
| 3.3                       | Certificate of Amendment to Articles of Incorporation dated December 31, 2003. <sup>(11)</sup> |

- 3.4 Bylaws.<sup>(1)</sup>
- 3.5 Amended Bylaws. <sup>(12)</sup>
- 3.6 Certificate of Amendment to Articles of Incorporation dated March 30, 2006<sup>(23)</sup>
- 5.1 Opinion re: legality <sup>(26)</sup>
- 10.1 Consulting Agreement, dated as of November 5, 2002, between Essentially Yours Industries, Inc., a Nevada corporation, and Flaming Gorge, Inc.<sup>(1)</sup>
- 10.2 Consulting Agreement, dated as of November 5, 2002, between Essentially Yours Industries, Inc., a Nevada corporation, and O'Neill Enterprises, Inc.<sup>(1)</sup>

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| Exhibit<br>Number | Description of Exhibit   |
|-------------------|--|
| 10.3              | Registration Rights Agreement, dated December 31, 2003, by and among Safe ID Corporation, A Nevada corporation, and certain shareholders of EYI Industries, Inc., A Nevada corporation. <sup>(5)</sup> |
| 10.4              | Stock Compensation Program <sup>(4)</sup>  |
| 10.5              | Consulting Agreement dated December 27, 2003 between Rajesh Raniga Inc. and Safe ID Corporation. <sup>(6)</sup>  |
| 10.6              | Consulting Agreement dated January 1, 2004 between EYI Industries, Inc. and O’Neill Enterprises Inc. <sup>(6)</sup>  |
| 10.7              | Consulting Agreement dated January 1, 2004 between EYI Industries, Inc. and Flaming Gorge, Inc. <sup>(6)</sup>   |
| 10.8              | Addendum to the Distribution and License Agreement between Essentially Yours Industries, Inc. and Nutri-Diem Inc. dated April 30, 2004. <sup>(6)</sup>   |
| 10.9              | Letter Agreement dated May 4, 2004 between Eye Wonder, Inc. and EYI Industries, Inc. <sup>(6)</sup>  |
| 10.10             | Standby Equity Distribution Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP <sup>(6)</sup>   |
| 10.11             | Registration Rights Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP <sup>(6)</sup>   |
| 10.12             | Escrow Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP <sup>(6)</sup>  |
| 10.13             | Placement Agent Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP <sup>(6)</sup>   |
| 10.14             | Compensation Debenture, dated June 22, 2004 <sup>(7)</sup>   |
| 10.15             | Securities Purchase Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP <sup>(6)</sup>   |
| 10.16             | Investor Registration Rights Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP <sup>(6)</sup>  |
| 10.17             | Security Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP <sup>(6)</sup>  |
| 10.18             | Irrevocable Transfer Agent Instructions, dated June 22, 2004, by and among EYI Industries, Inc., Cornell Capital Partners, LP and Corporate Stock Transfer <sup>(6)</sup>                              |

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- 10.19 Escrow Agreement, dated June 22, 2004 by and among EYI Industries, Inc., Cornell Capital Partners, L.P. and Butler Gonzalez, LLP<sup>(6)</sup>
- 10.20 Form of Secured Convertible Debenture<sup>(6)</sup>
- 10.21 Form of Warrant<sup>(7)</sup>
- 10.22 Letter Agreement dated May 25, 2004 between EYI Industries, Inc. and Source Capital Group, Inc.<sup>(8)</sup>
- 10.23 Lease Agreement dated May 1, 2003 among 468058 B.C. Ltd., 642706 B.C. Ltd., Essentially Yours Industries Corp., and Essentially Yours Industries, Inc.<sup>(8)</sup>
- 10.24 5% Secured Convertible Debenture dated September 24, 2004 between EYI Industries, Inc. and Cornell Capital Partners, LP<sup>(8)</sup>
- 10.25 5% Secured Convertible Debenture dated September 27, 2004 between EYI Industries, Inc. and Kent Chou<sup>(8)</sup>
- 10.26 5% Secured Convertible Debenture dated September 27, 2004 between EYI Industries, Inc. Taib Bank, E.C.<sup>(8)</sup>
- 10.27 Assignment Agreement dated September 27, 2004 between Cornell Capital Partners, LP and Taib Bank, E.C. <sup>(8)</sup>
- 10.28 Assignment Agreement dated September 27, 2004 between Cornell Capital Partners, LP and Kent Chou<sup>(8)</sup>
- 10.29 Joint Venture Agreement dated May 28, 2004 between EYI Industries, Inc., World Wide Buyer's Club Inc. and Supra Group, Inc<sup>(9)</sup>
- 10.30 Indenture of Lease Agreement dated January 3, 2005 between Golden Plaza Company Ltd., 681563 B.C. Ltd., and 642706 B.C. Ltd.<sup>(10)</sup>
- 10.31 Consulting Services Agreement dated March 5, 2004 between EYI Industries, Inc. and EQUIS Capital Corp.<sup>(13)</sup>

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| Exhibit Number | Description of Exhibit  |
|----------------|---|
| 10.32          | Letter dated May 25, 2004 between Source Capital Group, Inc. and EYI Industries, Inc. <sup>(14)</sup>   |
| 10.33          | Consulting Agreement dated April 1, 2004 between EYI Industries, Inc. and Daniel Matos <sup>(14)</sup>  |
| 10.34          | Loan Agreement between Janet Carpenter and EYI Industries, Inc., dated February 10, 2005 <sup>(15)</sup>                                      |
| 10.35          | Promissory Note dated February 10, 2005 between Janet Carpenter and EYI Industries <sup>(15)</sup>  |
| 10.36          | Bonus Share Agreement between Janet Carpenter and EYI Industries, Inc. dated February 14, 2005 <sup>(15)</sup>                                |
| 10.37          | Pledge and Escrow Agreement dated February 24, 2005 between Janet Carpenter, Cornell Capital Partners, LP and David Gonzalez. <sup>(15)</sup> |
| 10.38          | Guaranty Agreement dated February 24, 2005 between Janet Carpenter, Cornell Capital Partners, LP <sup>(15)</sup>                              |
| 10.39          | Secured Promissory Note dated February 24, 2005 between EYI Industries, Inc. and Cornell Capital Partners, LP <sup>(15)</sup>                 |
| 10.40          | Agreement dated April 22, 2005 between Essentially Yours Industries Inc. and Source 1 Fulfillment <sup>(15)</sup>                             |
| 10.41          | Reseller Agreement dated May 11, 2005 between Essentially Yours Industries Inc. and Metals & Arsenic Removal Technology, Inc. <sup>(16)</sup> |
| 10.42          | Termination Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP <sup>(17)</sup>                         |
| 10.43          | Standby Equity Distribution Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP <sup>(17)</sup>         |
| 10.44          | Registration Rights Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP <sup>(17)</sup>                 |
| 10.45          | Escrow Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP <sup>(17)</sup>                              |
| 10.46          | Placement Agent Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP <sup>(17)</sup>                     |
| 10.47          | Consulting Agreement dated June 1, 2005 between EYI Industries, Inc. and Eliza Fung <sup>(18)</sup>   |



- 10.48 Addendum to the Reseller Agreement dated June 1, 2005 between Essentially Yours Industries Inc. and Metals & Arsenic Removal Technology, Inc. <sup>(18)</sup>
- 10.49 Non-Circumvention and Non-Disclosure Agreement dated July 14, 2005 between Essentially Yours Industries Inc. and Metals & Arsenic Removal Technology, Inc. <sup>(18)</sup>
- 10.50 Promissory Note dated August 1, 2005 between EYI Industries Inc. and Cornell capital Partners, LP<sup>(18)</sup>
- 10.51 Investor Relations Agreement dated July 28, 2005 between EYI Industries, Inc. and Agora Investor Relations Corp. <sup>(18)</sup>
- 10.52 China Agency Agreement entered into with Guangzhzhou Zhongdian Enterprises (Group) Co. Ltd. and China Electronics Import and Export South China Corporation. Dated September 15, 2005<sup>(19)</sup>
- 10.53 Logistics Management Agreement dated September 1, 2005 between Essentially Yours Industries (Hong Kong) Limited and All In One Global Logistics Ltd. <sup>(20)</sup>
- 10.54 Contract for Legal Services dated September 1, 2005 between EYI Industries Inc. and M. Ali Lakhani Law Corporation<sup>(21)</sup>
- 10.55 Amended Investor Relations Agreement dated October 5, 2005 between EYI Industries, Inc. and Agora Investor Relations Corp. <sup>(22)</sup>
- 10.56 Settlement Agreement dated December 21, 2005 between EYI Industries, Inc., Halo Distribution, LLC and Business Centers, LLC
- 10.57 Global Consulting Group Agreement dated January 19, 2006 entered into with Global Consulting Group Inc. and EYI Industries Inc.
- 10.58 Consulting Agreement dated January 27, 2006 entered into with Lou Prescott and Essentially Yours Industries, Inc.
- 10.59 Termination Agreement dated April 3, 2006 between EYI Industries Inc. and Cornell Capital Partners, LP <sup>(25)</sup>

| Exhibit Number | Description of Exhibit   |
|----------------|--|
| 10.60          | Letter of Intent dated April 6, 2006 between Essentially Yours Industries (International) Limited and Rommel Panganiban and Raul Batista <sup>(25)</sup> |
| 10.61          | Securities Purchase Agreement, dated as of April 24, 2006, by and between EYI Industries, Inc. and the Buyers listed therein <sup>(24)</sup>             |
| 10.62          | Registration Rights Agreement, dated as of April 24, 2006, by and between EYI Industries, Inc. and the Buyers listed therein <sup>(24)</sup>             |
| 10.63          | \$750,000 Secured Convertible Debenture No. CCP-1, dated as of April 24, 2006, issued to Cornell Capital Partners, LP <sup>(24)</sup>                    |
| 10.64          | \$333,333 Secured Convertible Debenture CW-1, dated as of April 24, 2006, issued to Cornell Capital Partners, LP <sup>(24)</sup>                         |
| 10.65          | \$416,667 Secured Convertible Debenture TAIB-1, dated as of April 24, 2006, issued to Cornell Capital Partners, LP <sup>(24)</sup>                       |
| 10.66          | Security Agreement, dated as of April 24, 2006, issued to Cornell Capital Partners, LP <sup>(24)</sup>   |
| 10.67          | Warrant No. CCP-001, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP <sup>(24)</sup>   |
| 10.68          | Warrant No. CCP-002, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP <sup>(24)</sup>   |
| 10.69          | Warrant No. CCP-003, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP <sup>(24)</sup>   |
| 10.70          | Warrant No. CCP-004, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP <sup>(24)</sup>   |
| 10.71          | Warrant No. CCP-005, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP <sup>(24)</sup>   |
| 10.72          | Warrant No. CCP-006, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP <sup>(24)</sup>   |
| 10.73          | Warrant No. CCP-007, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP <sup>(24)</sup>   |
| 10.74          | Warrant, No. CCP-008, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP <sup>(24)</sup>  |
| 10.75          | Warrant No. CCP-009, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP <sup>(24)</sup>   |

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- 10.76 Warrant No. CCP-010, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP<sup>(24)</sup>
- 10.77 Warrant No. CCP-011, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP<sup>(24)</sup>
- 10.78 Warrant No. CCP-012, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP<sup>(24)</sup>
- 10.79 Warrant No. CCP-013, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP<sup>(24)</sup>
- 10.80 Warrant No. CCP-014, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP<sup>(24)</sup>
- 10.81 Warrant No. CCP-015, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP<sup>(24)</sup>
- 10.82 Warrant No. CCP-016, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP<sup>(24)</sup>
- 10.83 Warrant No. CCP-017, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP<sup>(24)</sup>
- 10.84 Irrevocable Transfer Agent Instructions, dated April 24, 2006, by and among the Company, the Buyers listed therein and Corporate Stock Transfer, Inc. <sup>(24)</sup>
- 10.85 Consulting Agreement dated May 1, 2006 between Essentially Yours Industries (Hong Kong) Limited and Siu Chung (Freeda) Chan <sup>(25)</sup>
- 10.86 Amended Logistics Management Agreement dated May 1, 2006 between Essentially Yours Industries (Hong Kong) Limited and All In One Global Logistics Ltd. <sup>(29)</sup>
- 10.87 Distribution Agreement dated May 17, 2006 between Essentially Yours Industries (Hong Kong) Limited and Nozin, LLC<sup>(27)</sup>
- 10.88 Consulting Agreement dated July 1, 2006 between Essentially Yours Industries, Inc. and James Toll<sup>(29)</sup>
- 10.89 Letters dated July 12, 2006 and July 14, 2006 from Metals & Arsenic Removal Technology<sup>(29)</sup>
- 10.90 Addendum to the China Agency Agreement dated September 15, 2005 between EYI HK and Guangzhou Zhondian Enterprises (Group) Co. Ltd. and China Electronics Import and Export South China Corporation <sup>(28)</sup>

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>  |
|-----------------------|--|
| 10.91                 | Consignment and Distribution Agreement dated September 20, 2006 between Essentially Yours Industries (International) Limited and Orientrends, Inc. <sup>(30)</sup> |
| 10.92                 | Investor Relations Agreement between EYI Industries, Inc and Agoracom Investor Relations Corp.   |
| 10.93                 | Settlement Agreement dated September 1, 2006 between Barry LaRose, Jay Sargeant and EYI Industries Inc.  |
| 10.94                 | Settlement Agreement and Release dated September 5, 2006   |
| 10.95                 | Letter Agreement dated September 19, 2006 between Essentially Yours Industries, Inc., James Toll and Fred Erickson   |
| 10.96                 | Agreement between Essentially Yours Industries, Inc. and Mach 3 Technologies Group, LLC <sup>(31)</sup>  |
| 10.97                 | Agreement dated October 27, 2006 between Essentially Yours Industries, Inc. and Global Trends, Inc.  |
| 10.98                 | Agreement dated January 23, 2007 between Essentially Yours Industries, Inc. and Colossal Head Communications <sup>(34)</sup>                                       |
| 10.99                 | Agreement dated January 1, 2007 between Essentially Yours Industries, Inc. and New U, Inc.   |
| 10.100                | Share Exchange Agreement dated January 5, 2007 between the Company and EYI Shareholders  |
| 10.101                | Stock Incentive Plan <sup>(35)</sup>   |
| 14.1                  | Code of Ethics <sup>(5)</sup>  |
| 21.1                  | List of Subsidiaries <sup>(23)</sup>   |
| 23.1                  | Consent of Williams & Webster, P.S. <sup>(36)</sup>  |

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(1) Filed as an exhibit to the registration statement on Form 10-SB/A of Safe ID Corporation, filed with the SEC on September 21, 2000.

(2) Filed as an exhibit to the registration statement on Form SB-2 of Essentially Yours Industries, Inc., filed with the SEC on November 12, 2002.

(3) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on January 8, 2004.

- (4) Filed as an exhibit to our Registration Statement on Form S-8, filed with the SEC on March 30, 2004.
- (5) Filed as an exhibit to our annual report on Form 10-KSB for the year ended December 31, 2003, filed with the SEC on April 14, 2004.
- (6) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended March 31, 2004, filed with the SEC on May 24, 2004.
- (7) Filed as an exhibit to our registration statement on Form SB-2, filed with the SEC on September 17, 2004.
- (8) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended September 30, 2004, filed with the SEC on November 22, 2004.
- (9) Filed as an exhibit to our Amendment No. 1 to our registration statement on Form SB-2 on December 23, 2004.
- (10) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on January 12, 2005.
- (11) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended September 30, 2004, filed with the SEC on November 22, 2004.
- (12) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on March 10, 2005.
- (13) Filed as an exhibit to our quarterly report on Form 10-QSB/A for the period ended March 31, 2004, filed with the SEC on December 15, 2004.
- (14) Filed as an exhibit to our quarterly report on Form 10-QSB/A for the period ended June 30, 2004, filed with the SEC on December 15, 2004.
- (15) Filed as an exhibit to our annual report on Form 10-KSB for the period ended December 31, 2004, filed with the SEC on April 18, 2005.
- (16) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on May 17, 2005.
- (17) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended March 31, 2005, filed with the SEC on May 20, 2005.
- (18) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended June 30, 2005, filed with the SEC on August 19, 2005.

- (19) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on September 27, 2005
- (20) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended September 30, 2005, filed with the SEC on November 21, 2005
- (21) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended September 30, 2005, filed with the SEC on November 21, 2005

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- (22) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended September 30, 2005, filed with the SEC on November 21, 2005
- (23) Filed as an exhibit to our annual report on Form 10-KSB for the period ended December 31, 2005, filed with the SEC on March 31, 2006.
- (24) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on April 28, 2006.
- (25) Filed as an exhibit to our Quarterly Report on Form 10-QSB for the period ended March 31, 2006, filed with the SEC on May 16, 2006.
- (26) Filed as an exhibit to our registration statement on Form SB-2/A on June 21, 2006.
- (27) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on April 28, 2006
- (28) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on August 3, 2006
- (29) Filed as an exhibit to our Quarterly Report on Form 10-QSB for the period ended June 30, 2006, filed with the SEC on August 21, 2006
- (30) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on September 25, 2006
- (31) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on October 16, 2006
- (32) Filed as an exhibit to our Quarterly Report on Form 10-QSB for the period ended September 30, 2006, filed with the SEC on November 20, 2006
- (33) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on December 19, 2006
- (34) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on February 2, 2007
- (35) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on February 13, 2007
- (36) Provided herewith

## Item 28. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

(i) Include any prospectus required by Sections 10(a) (3) of the Securities Act of 1933 (the "ACT");

(ii) Reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement;

(iii) Include any additional or changed material information on the plan of distribution;

(2) That, for the purpose of determining any liability under the Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities that remain unsold at the end of the offering. Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the small business issuer of expenses incurred or paid by a director, officer or controlling person of the small business issuer 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, the small business issuer will, unless in the opinion of its 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 Act and will be governed by the final adjudication of such issue.

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