CYCLONE POWER TECHNOLOGIES, INC.

SECTION ONE: ISSUER'S INITIAL DISCLOSURE OBLIGATIONS

Part A **General Company Information**

Item I **The exact name of the issuer and its predecessor (if any)**

Cyclone Power Technologies, Inc.

Formerly: Coastal Technologies, Inc. until 7-07
Formerly: SmartData, Inc. until 11-05
Formerly: Netcoast Communications, Inc. until 10-04

Item II **The address of the issuer's principal executive offices**

601 NE 26th Court
Pompano Beach, FL 33064
Tel: 954-943-8721
Fax: 954-788-6565
www.cyclonepower.com

Investor Relations:
Frankie Fruge
frankie@cyclonepower.com

Item III **The state and date of the issuer's incorporation or organization**

Issuer was re-incorporated in Florida in June 2007
Previously, the Issuer was incorporated in California in 1971

Item IV **The name and address of the transfer agent**

The Issuer's SEC registered transfer agent is:

Transfer Online
317 SW Alder Street
2nd Floor
Portland, OR 97204
Its regulatory authority is the Securities Exchange Commission

Item V The nature of the issuer's business

A. Business Development. For purposes of this Item V A., and unless otherwise specifically stated, disclosure is being made as to Cyclone Power Technologies Inc., and prior to July 2, 2007, Cyclone Technologies LLLP (collectively, "Cyclone" or the "Company"); and the Company's business of engine technology research and development. As used herein, "the Issuer" shall refer to the business entity which existed prior to its acquisition of Cyclone.

1. The form of organization of the issuer: The Company is a Florida corporation. Prior to July 2, 2007, the Company was a Florida limited liability limited partnership.

2. The year that the issuer was organized: The Company was originally organized in 2004.

3. The issuer's fiscal year end date: December 31.

4. **Whether the issuer has been in bankruptcy, receivership or any similar proceeding**: Neither the Company nor the Issuer have ever been in bankruptcy, receivership or any similar proceeding.

5. **Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets:** On July 2, 2007, the Issuer (then called Coastal Technologies, Inc.) completed an acquisition (the "Acquisition") of all of the assets and liabilities of Cyclone Technologies LLLP, a Florida limited liability limited partnership (the "LLLP"). Prior to the Acquisition, the LLLP held the patent, trade secrets and other intellectual property that is now the Company's business to develop, protect and commercialize.

6. **Any default of the terms of any note, loan, lease, or other indebtedness of financing arrangement requiring the issuer to make payments:** The Company has had none and, to the knowledge of management, neither had the Issuer prior to the Acquisition.

7. **Any change of control:** In connection with the Acquisition, the original partners of the LLLP (the "Original Partners") received 33,000,000 shares of restricted Common Stock of the Issuer, equal to approximately 60% of the total issued and outstanding shares of Common Stock of the Issuer on the date of closing. The Original Partners also received 500,000 shares of Series A Convertible Preferred Stock. Additionally, two of the LLLP's founders and executive management received 1,000 shares of Series B Preferred Stock (see description of these securities in PART B, Item IX below).

   Also as part of the Acquisition, the Company's previous management and directors, comprised of James DiPrima and Robin Moody, resigned and placed in control of the Company, Mr. Harry Schoell as sole Director and CEO, and Ms. Frankie Fruge as COO, the previous executive management and founders of the LLLP.

8. **Any increase in 10% or more of the same class of outstanding equity securities:**

   As described in Item V A. 7. above, in connection with the Acquisition, the Issuer issued 33,000,000 restricted shares of its Common Stock, equal to approximately 60% of the total issued and outstanding Common Stock on the date of closing (July 2, 2007).

   On July 1, 2007, the Issuer (then called Coastal Technologies) issued 21,750,000 shares of Common Stock, equal to approximately 39.5% of the total issued and outstanding Common Stock as of July 2, 2007 (the closing date of the Acquisition), to holders of convertible notes in the total principal and interest amount of $34,935.07.

   On May 24, 2007, the Issuer issued to Messrs. DiPrima and Moody, then the sole executive management of the Issuer, a total of 471,303,400 shares of restricted Common Stock in lieu of salaries and other compensation, equal to approximately 23% of the total issued and outstanding Common Stock immediately prior to issuance.

On May 11, 2007, the Issuer issued 216,181,900 shares of Common Stock, equal to approximately 13% of the total issued and outstanding Common Stock immediately prior to the issuance, to holders of convertible notes in the total principal and interest amount of $17,700.

On May 4, 2007, the Issuer issued 197,091,800 shares of Common Stock, equal to approximately 13% of the total issued and outstanding Common Stock immediately prior to the issuance, to holders of convertible notes in the total principal and interest amount of $10,272.23.

On April 30, 2007, the Issuer issued 197,091,800 shares of Common Stock, equal to approximately 16% of the total issued and outstanding Common Stock immediately prior to the issuance, to holders of convertible notes in the total principal and interest amount of $10,272.23.

On February 16, 2007, the Issuer issued to Messrs. DiPrima and Moody, then the sole executive management of the Issuer, a total of 103,000,000 shares of restricted Common Stock in lieu of expenses paid on behalf of the Issuer, equal to approximately 10% of the total issued and outstanding Common Stock immediately prior to issuance.

On January 22, 2007, the Issuer issued 113,636,363 shares of Common Stock, equal to approximately 17% of the total issued and outstanding Common Stock immediately prior to issuance, in connection with a 504 stock offering

On January 5, 2007, the Issuer issued 80,000,000 shares of Common Stock, equal to approximately 14% of the total issued and outstanding Common Stock immediately prior to issuance, in connection with a 504 stock offering

On October 19, 2006, the Issuer issued to Messrs. DiPrima and Moody, then the sole executive management of the Issuer, a total of 12,000,000 shares of restricted Common Stock in lieu of salary and other compensation, equal to approximately 48% of the total issued and outstanding Common Stock immediately prior to issuance.

9. **Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization:** Prior to the Acquisition described above, the Issuer's previous management completed a 10,000:1 reverse split of its Common Stock, effective June 30, 2007.

   Immediately subsequent to the Acquisition, the Company spun-off assets related to its business of billing software and systems used in medical offices. This sale was made to Hamlet Group, Inc., a Florida company established by the former management of the Issuer specifically to acquire and utilize such assets. The purchase price paid for these assets was $100,000.

   On October 24, 2006, the Issuer completed a 19:1 forward stock split.

10. **Any delisting of the issuer's securities by any securities exchange or NASDAQ or deletion from the OTC Bulletin Board:** None

11. **Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material adverse effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator.** The Company is currently negotiating a settlement with Dr. Steven Belovich in connection with a failed merger that took place in October 2004 between the Company (then called Netcoast Communications Inc., and under the previous management of James DiPrima and Robin Moody) and Dr. Belovich's company (Smartdata Inc.). The settlement may involve the delivery of shares of common stock of the Company to Dr. Belovich; however, management does not believe that this will have a material adverse effect on the Company's business, financial condition or operations. Additionally, the Company has the right of indemnification from Messrs. DiPrima and Moody with respect to all costs, expenses and damages sustained from its defense or prosecution of this matter.

B. Business of Issuer For purposes of this Item V B., and unless otherwise specifically stated, disclosure is being made as to Cyclone Power Technologies Inc., and prior to July 2, 2007, Cyclone Technologies LLLP (collectively, "Cyclone" or the "Company"); and the Company's business of engine technology research and development. As used herein, "the

Issuer" shall refer to the business entity which existed prior to its acquisition of Cyclone.

1. **The issuer's primary and secondary SIC Codes:** The Company's primary SIC Code is 8731 - Commercial physical research. The Company does not use a secondary SIC code.

2. **If the issuer has never conducted operations, is in the development stage, or is currently conducting operations:** The Company is a research and development company. Although the Company has generated some revenue in the form of advance royalties and development fees, and is a fully-operating entity, it has not yet achieved consistent or material revenue.

3. **If the issuer is considered a "shell company" pursuant to Securities Act Rule 405:** No.

4. **The names of any parent, subsidiary, or affiliate of the issuer:** The Company has no parents, subsidiaries or affiliates.

5. **The effect of existing or probable governmental regulations on the business.** The Company is not aware of any governmental regulations that adversely affect its business. Certain federal and state environmental regulations, such as those pertaining to the emissions of gas and diesel powered internal combustion engines in the United States, have the effect of creating a greater urgency for the Company's technology, and are thereby beneficial to the Company's future prospects, but do not have a direct effect on the manners and methods its uses in it business operations.

6. **An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities is borne directly by customers:** As a technology research and development company, much of the Company's annual expenses are dedicated towards R&D, including labor costs, material costs, tooling and equipment and other expenses required to run the Company's business. The Company estimates that its R&D expenditures for 2007 were $814,685 and for 2006 were $741,206.

7. **Costs and effects of compliance with environmental laws:** The Company is not aware of any environmental laws that directly adversely affect its business. Certain federal and state environmental regulations, such as those pertaining to the emissions of gas and diesel powered internal combustion engines in the United States, have the effect of creating a greater urgency for the Company's technology, and are thereby beneficial to the Company's future prospects, but do not have a direct effect on the manners and methods its uses in it business operations.

8. **The total number of employees and number of full-time employees:** As of March 31 2008, the Company had nine total employees, of which eight were full-time employees.

Item VI. The nature of products or services offered: For purposes of this Item VI, and unless otherwise specifically stated, disclosure is being made as to Cyclone Power Technologies Inc., and prior to July 2, 2007, Cyclone Technologies LLLP (collectively, "Cyclone" or the "Company"); and the Company's business of engine technology research and development. As used herein, "the Issuer" shall refer to the business entity which existed prior to its acquisition of Cyclone.

A. **Principal products or services, and their markets:** The Company holds U.S. patent #7,080,512, other U.S. and international patent applications, and exclusive commercial rights to the Cyclone Engine, an external combustion, heat-regenerative engine capable of running on virtually any fuel source with fewer emissions, and being placed in virtually any commercial engine application.

The Company's business objective is to market, through sale and/or licensing arrangements, the technology of the Cyclone Engine to large-scale manufacturers. Such transfers are expected to result in lump sum payments and/or royalty payment streams to the Company. The target market for these transfers could be a single manufacturing concern with a multi-tiered worldwide market, a number of manufacturers within geographically specified territories, or manufacturers of engines in a specific field of use, such as large and small scale electrical generator manufacturers, agricultural machinery manufacturers, construction machinery manufacturers, or international automobile and truck manufacturers. The Company does not at this time expect to manufacture its own engines for commercial usage.

The Cyclone Engine has been designed to solve limitations inherent in internal combustion ("I/C") engines. The limitation of meeting environmental emissions regulations is the predominant concern of the manufacturers of diesel and gasoline fueled I/C engines. Fuel efficiency, dependency on oil, power/weight ratio (compactness), complexity, and cost of manufacture are also of concern.

The Company believes that its external combustion, heat regenerative Cyclone Engine, when compared with I/C gasoline or diesel engines, is:

- More environmentally friendly;
- Capable of running on liquid, gaseous or solid fuels;
- More efficient ("well to wheel");
- Highly scalable; and
- Simpler and less expense to manufacture, operate and maintain.

B. Distribution methods of the product or services: Major manufacturers which would serve as potential candidates to employ the Cyclone Engine technology include: Caterpillar, Cummins, Chrysler, General Motors, Toyota, Onan, Kohler, Detroit Diesel, John Deere, International Harvester, Briggs & Stratton, Honda, Volvo and BMW.

Additionally, there are dozens, if not hundreds, of small and mid-sized manufacturers, both in the U.S. and abroad, who could possibly be licensees or purchasers of the Company's technology. Such manufacturers are in the fields of lawn and garden equipment, small home and business generators, personal motorized vehicles, larger industrial power plants, boat and watercraft, busses, industrial earthmoving and lifting machinery, and many others.

The Company has begun marketing its technology to these and other potential manufacturers, licensees and partners. A critical component of its marketing strategy is attending trade shows and conferences of engine, automotive and other technology firms. The Company also markets through trade journals and other publications, both through paid advertisement and editorial copy placement. The Company believes that the active marketing of its technology is critical to securing licensees and other customers that may lead to sales revenue in the future.

C. Status of any publicly announced new product or service. To date, the Company has completed its initial research and design of the Cyclone Engine, and has successfully bench-tested single and twin cylinder engines in the small power range of up to 18 hp. The Company is also

currently assembling four six-cylinder engines that are medium scale engines capable of producing up to 100 hp (which has more torque than a 300 hp internal combustion engine). The Company is well beyond the proof of concept stage on these engine sets.

The Company has also assembled and tested its Waste Heat Engine (WHE), a lower-pressure, lower-temperature off-shoot of the Cyclone Engine that is capable of running on exhaust heat from an external combustion engine or other sources, or solar heat collected from inexpensive pvc water panels attached to a roof.

The Company has a U.S. patent issued on the Cyclone Engine, and U.S. patent applications and international applications filed on each of the eleven major components of the Cyclone Engine and the Waste Heat Engine (See Item VI, G., below)

D. **Competitive business conditions:** The competition to develop an environmentally clean (zero emission) engine is being driven by increasingly stringent regulatory mandates. To date, Honda and Toyota have made the most advances in bringing to market "hybrid" vehicles that will meet current Environmental Protection Agency ("EPA") requirements as well as those coming into force in 2008 and 2010. However, the hybrid-electric and hybrid-fuel cell vehicles that Toyota and Honda have introduced and continue to develop are suitable only for light load carrying small passenger vehicles. The hybrid-electric vehicles are running on I/C engines on the highways, so there is no net gain. The hybrid-fuel cell vehicles, although able to maintain highway speeds for 3-4 hour periods, are still more costly than the premium priced hybrid-electric alternatives. Further, evidence is beginning to show that the fuel cells must be changed out at two-year intervals, costing between $2,000 and $6,000 per exchange. Moreover, these fuel cell vehicles require hydrogen, for which there is little or no distribution infrastructure. The cost to create this infrastructure is estimated to be $5 billion for California alone, and over $125 billion for the United States. Although hydrogen, when either used directly by the vehicles' engines or indirectly in fuel cells, produces minimal emissions, the costs of the energy required to produce and distribute it, referred to by economic analysts as "Well-to-Tank", far outweigh the apparent savings and advantages of the "Tank-to-Wheel" use of hydrogen as a fuel source.

Basically, hybrids are an attempt to stretch the technological life span of the I/C engine that is reaching a point of diminishing returns in terms of

emissions and fuel efficiency improvement. Those hybrid vehicles that operate without the 'auxiliary' I/C engine and run solely on batteries or fuel cells have short operating ranges, making them suitable only for localized, low-speed areas like core metro areas or gated communities.

While many manufacturers, including Chrysler, Ford and GM, are following Toyota and Honda's lead in developing hybrid vehicles, Honda alone has undertaken research in external combustion engines. In essence, these are high technology steam engines. An engineer on this project has conveyed that Honda has not progressed beyond the preliminary design stage of its external combustion engine.

The 2007 and 2010 EPA mandates are forcing diesel engine manufacturers to bring their engines into compliance. In response, diesel engine manufacturers are adding expensive, complex technological devices to their I/C diesel engines. The devices include exhaust gas recirculation ("EGR") systems, selective catalytic reduction ("SCR") devices, and diesel particulate filters ("DPF"). EGR recycles exhaust gases, lowering power output and raising engine and exhaust temperatures to failure inducing levels. SCR operates by spraying a 20% concentration of liquid urea into the combustion chambers to neutralize the acidic emission gases. As with supplying hydrogen, there is yet no infrastructure to distribute urea to truck stops and filling stations. The fitting of these devices adds to the capital expense of the vehicle, while the consumption of the catalyzing urea matches the costs of the diesel fuel that still must be used. This thereby increases the combined "fuel" costs. DPF has a tendency to "choke" the engines, lowering efficiency and raising their temperatures. Diesel manufacturers have not found a way to monitor when to service or change these filters. This is crucial because the fouled filters can combust like a soot-encrusted chimney. Even when these devices are used in combination, compliance remains elusive.

Cyclone's Competitive Advantages.

Preliminary data from bench tests have indicated that the Cyclone Engine operates at a fuel efficiency greater than gasoline fueled I/C engines that operate at about 20%-24% efficiency. Current multi-valve, turbo-diesel engines operate at about 30%-35% efficiency. The Company is confident that independent testing of its medium power range 6-cylinder Cyclone Engine will verify that it will nearly match the thermal efficiency of current state-of-the-art diesels. The Cyclone Engine should surpass the operating efficiency of diesel engines when one takes into account the savings from

running on less costly fuels. Engine to wheel efficiency is also gained because the Cyclone Engine, due to its high torque output, will not need a multi-gear transmission which absorbs 5%-7% of the power in the drivetrain.

The Cyclone Engine has numerous advantages over I/C engines:

1) It can run on any liquid or gaseous fuel, making it relatively independent of shortages or price spikes in particular fuels.
2) It can also be run on bio-fuels which can be 'home-grown' in third world or remote areas.
3) Being an external combustion engine, the combustion occurs at far lower temperatures than conventional I/C engines, avoiding the peak temperatures that create toxic nitrous compounds.
4) The Cyclone Engine recirculates the fuel in its external combustion chamber until carbon particulate matters are fully consumed. In many urban environments, the exhaust from the burner may exit cleaner than when it entered.
5) The Cyclone Engine has fewer moving parts than its I/C counterparts rendering it less costly to manufacture and service.
6) The Cyclone Engine is de-ionized water lubricated. No oil lubricants are used.
7) It is small and compact relative to its power output, giving it a higher power to weight ratio than many of its counterparts.
8) It requires no starter, radiator, or transmission, making it yet lighter and simpler.
9) The heat it generates is 'harvested', conserved, and recycled within the engine, greatly lessening the heat expelled to the ambient environment, thus greatly reducing its contribution to urban 'heat islands' and global warming in general.
10) The Cyclone Engine develops full torque at initial start up (i.e., one rpm), not only obviating the need for a power absorbing transmission (5%-7% power loss), but also eliminating the need to idle, where I/C engines are most inefficient (and polluting).

E. Sources and availability of raw material: The Company purchases raw materials and components from multiple sources, none of which may be considered a principal or material supplier.

F. **Dependence on one or a few major customers:** The Company currently has two licensees of its engine technology: Revgine Inc., based in Rochester, NY ("Revgine") and Advent Power Systems, Inc., based in Pompano Beach, FL ("Advent"). Revgine has the exclusive worldwide rights to produce engines using the Cyclone Technology for small lawn and garden equipment, including weed eaters and lawn mowers. Advent has the exclusive right to develop engines using the Cyclone technology for military and Postal Service uses, as well as an non-exclusive right to build large (over 1 megawatt) syngas-powered generators.

Despite having only two licensees at the current time, the Company does not believe that the loss of either licensee would have a material adverse impact on its current operations. Both licensees are, as is the Company, in the development stage of commercializing the Cyclone technology for their particular uses (as set forth in their license agreements). As a result, the Company does not currently rely on revenue generated from these licensees. Additionally, the Company is actively pursuing other licensees in other product categories (i.e., home generators, industrial machinery and equipment, etc.) and hope to have at least two other licenses in these or other product categories completed by the end of 2008.

G. **Patents, trademarks, licenses, franchises, concessions, royalty agreements, or labor contracts, including their duration:** The Cyclone Engine is currently protected under U.S. Patent # 7,080,512, with patents pending for the engine internationally. The U.S. Patent was issued in July 25, 2006 and has a 20-year duration from its filing date of September 13, 2005. In 2007 the Company also filed U.S. patent applications for the 11 major engine components, and completed the Patent Cooperation Treaty (PCT) filing for worldwide patent protection on those components. This brings a total of 48 patents pending in the US and internationally on the engine and its components.

The Company is currently party to two license agreements with Revgine and Advent, as discussed above. Revgine has the exclusive worldwide rights to produce engines using the Cyclone Technology for small lawn and garden equipment, including weed eaters and lawn mowers. The initial term of that agreement is 2 years with one 8-year renewal and on-going 5-year renewal terms thereafter. Revgine has paid the Company an initial license fee of $200,000 as of the date hereof, and will pay the

Company on-going royalties from the sale of engines produced using the Cyclone Technology.

Under its license agreement, Advent has the exclusive right to develop engines using the Cyclone technology for military and Postal Service uses, as well as an non-exclusive right to build syngas-powered generators. This license has a 25 year term. Advent has accrued $105,000 in license fees and will pay the Company on-going royalties from the sale of engines produced using the Cyclone Technology.

The Company is not party to any organized labor contracts.

H. The need for any governmental approval of principal products or services and the status of any requested governmental approvals: Other than the filing of patent applications with the respective governmental bodies, the Company is not aware of any approval or its products or services that may be required from government authorities. However, once the Company's technology has been placed into commercial applications, such as lawn mowers, automobiles and power generators, the governmental approval and regulatory process will become substantial. Each of such industries has many layers of regulatory requirements to ensure safety, environmental impact, usability and more. The Company believes that applicability of and compliance with such regulations and laws will be the responsibility of its individual licensees, as the manufacturers of the final products for sale. The Company has no present intention of manufacturing any of its own products for sale into the wholesale or retail markets.

Item VII The nature and extent of the issuer's facilities

The Company currently operates in a leased warehouse facility owned by Schoell Marine, Inc., a company wholly-owned by the Company's CEO, Harry Schoell. Schoell Marine leases space to the Company at or below market rates for square footage in the area; and passes-through utilities and phone expenses at cost. The Company currently leases 6,000 square feet of warehouse and office space for $7.27/SF plus sales tax (6%).

The address of the Company's facility is:

601 NE 26th Ct.
Pompano Beach, FL 33064

PART B Share Structure and Issuance History

Item VIII **The exact title and class of securities outstanding:** The Company has the following securities outstanding:

Common Stock
Series A Convertible Preferred Stock
Series B Preferred Stock

Item IX **Description of the security**

A. Par Value or State Value

Common Stock - $.0001 par value
Series A Convertible Preferred Stock - $.0001 par value
Series B Preferred Stock - $.0001 par value

The Company has 1 billion Common shares authorized and 1 million total Preferred shares authorized.

B. Common and Preferred Stock

The Company's Common Stock has no special dividend, voting or preemptive rights. Holders of Common Stock are entitled to one vote per share.

The Company's Preferred Stock is currently designated into two series: Series A Convertible Preferred Stock ("Series A Preferred"), and Series B Preferred Stock ("Series B Preferred").

The Series A Preferred has been issued to management and the original 22 partners of the LLLP in proportion to their LLLP equity holdings as of the date of the Acquisition (see Item V above). The Series A Preferred is designed to be anti-dilutive stock whereby, in the instance the Company raises $5 million in aggregate financing, the holders thereof may as a group convert their holdings of Series A Preferred into the Company's Common Stock in an amount that would return them to their Common Stock holdings as of the date of the Acquisition (60% of the total issued and outstanding). The Series A Preferred may also be converted by the holders at any time after December 2008 at the same conversion rate. Should the Series A be converted, other shareholders will experience dilution

of their share holdings. In the instance of a liquidating event – winding-up, merger or acquisition of the Company, the shares of Series A Preferred will convert to Common Stock on a one-for-one basis.

The Series B Preferred is held by the Company's executive management and founders – Mr. Schoell and Ms. Fruge. The Series B Preferred is a super-majority stock, whereby its holders collectively will be able to cast votes equal to 51% of all shares of Common Stock issued and outstanding and able to vote in matters brought before the shareholders of the Company. The Series B Preferred, in essence, provides the Company's executive management with control over the voting matters brought before the shareholders of the Company, and could serve to delay, defer or prevent a change in control of the Company. In the instance of a liquidating event – winding-up, merger or acquisition of the Company, the shares of Series B Preferred will convert to Common Stock on a one-for-one basis.

Item X The number of shares or total amount of the securities outstanding for each class of securities outstanding:

COMMON STOCK

	Q1 2008	FYE 2007 (1)	FYE 2006 (4)	FYE 2005 (5)
# of Shares Authorized	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
# of Shares Outstanding	62,038,436	61,648,436	837,352,456	21,350,000
Freely Tradable	29,653,471 (2)	27,999,841 (3)	155,460,000	21,350,000
# of Beneficial Shareholders	1,289	1,226	(5)	(5)
Total # of Shareholders of Record	376	366	311	282

(1) Figures for FYE 2007 account for a 10,000:1 reverse stock split effective as of June 30, 2007.

(2) Of the 29,653,471 freely tradable shares as of March 31, 2008, only 11,899,841 were in the "public float" at that time. The remaining 12,250,000 shares were subject to a 36-month Escrow and Leak-Out Agreement with 13 shareholders; 4,250,000 shares were subject to an unwritten leak-out arrangement with three shareholders; and 1,253,630 were subject to an Escrow and Leak-Out Agreement with one shareholder. See Item XVIII – Material Contracts.

(3) Of the 27,999,841 freely tradable shares as of December 31, 2007, only 9,937,341 were in the "public float" at that time. The remaining 13,562,500 shares were subject to the 36-month Escrow and Leak-Out Agreement, and 4,500,000 shares were subject to the leak-out arrangement with three shareholders (see Note 2 above).

(4) Figures for FYE 2006 include a 19:1 forward stock split effective as of October 24, 2006.

(5) The Company did not have a NOBO list as of FYE 2006 and 2005, and as a result, cannot provide the exact number of Beneficial Shareholders as of those time periods.

SERIES A CONVERTIBLE PREFERRED STOCK

	Q1 2008	FYE 2007	FYE 2006	FYE 2005
# of Shares Authorized	1,000,000 (1)	1,000,000(1)	0	0
# of Shares Outstanding	500,000	500,000	0	0
Freely Tradable	0	0	0	0
# of Beneficial Shareholders	22	22	0	0
Total # of Shareholders of Record	22	22	0	0

(1) Includes all preferred stock authorized, regardless of series or class.

SERIES B PREFERRED STOCK

	Q1 2008	FYE 2007	FYE 2006	FYE 2005
# of Shares Authorized	1,000,000 (1)	1,000,000(1)	0	0
# of Shares Outstanding	1,000	1,000	0	0
Freely Tradable	0	0	0	0
# of Beneficial Shareholders	2	2	0	0
Total # of Shareholders of Record	2	2	0	0

(1) Includes all preferred stock authorized, regardless of series or class.

Item XI List of securities offerings and shares issued for services in the past two years: The following table lists all offerings and issuances of shares of the Company's common stock from January 1, 2006 until March 31, 2008. To the extent that the individual/entity to which shares were issued owned at such time 5% or greater of the common stock of the Company, under Pink Sheet Disclosure requirements, the individual or controlling party(ies) of a corporate entity has also been disclosed, to the best of the Company's knowledge.

Date	# of Shares	Amount Paid	Nature of Offering	Trading Status/Restrictions
1/15/08	240,000	$4800	Advisor Services Rendered	Restricted as per Rule 144
1/1/2008	150,000	$3,000	Legal Services Rendered	Restricted as per Rule 144
10/25/2007	150,908	$16,500	Regulation S	Restricted as per Reg S
9/6/2007	46,667	$933.34	Investment Services Rendered	Restricted as per Rule 144
9/2/2007	100,000	$200,000	Private Offering	Restricted as per Rule 144
8/16/2007	51,020	$20,000	Regulation S	Restricted as per Reg S
8/15/2007	500,000	$1,500	Conversion of Convertible Note	Restricted Legend Lifted
8/14/2007	2,500,000	$7,500	Conversion of Convertible Note	Restricted Legend Lifted
8/12/2007	2,500,000	$7,500	Conversion of Convertible Note	Restricted Legend Lifted
7/18/2007	500,000	$1,500	Conversion of Convertible Note	Restricted Legend Lifted
7/15/2007	300,000	$6,000	Legal Services Rendered	Restricted as per Rule 144
7/2/2007	1,000,000	NA	Options to Management per Agreement	Control Shares
7/2/2007	33,000,000	Assets of LLLP	Acquisition of Cyclone LLLP (1)	Restricted as per Rule 144
ACQUISITION OF CYCLONE LLLP, CHANGE IN CONTROL AS OF 7/2/07				
7/1/2007	21,750,000	$34,935.07	Conversion of Convertible Note (2)	Restricted Legend Lifted
10,000:1 REVERSE STOCK SPLIT AS OF 6/30/07				
5/24/2007	471,303,400	$47,130	Issuance to Management (3)	Control Shares
5/17/2007	151,502,281	$12,300	Conversion of Convertible Note (4)	Restricted Legend Lifted
5/11/2007	216,181,900	$17,700	Conversion of Convertible Note (5)	Restricted Legend Lifted
5/4/2007	197,091,800	$10,272.23	Conversion of Convertible Note (6)	Restricted Legend Lifted
4/30/2007	197,091,800	$10,272.23	Conversion of Convertible Note (7)	Restricted Legend Lifted
4/23/2007	74,250,000	$2,500	Conversion of Convertible Note (8)	Restricted Legend Lifted
2/20/2007	90,000,000	$12,000	504 Minnesota	Not Restricted
2/16/2007	103,000,000	$13,700	Issuance to Management (3)	Control Shares
1/22/2007	113,636,363	$25,000	504 Texas	Not Restricted
1/5/2007	80,000,000	$20,000	504 Minnesota	Not Restricted
11/30/2006	40,000,000	$25,000	504 Minnesota	Not Restricted
11/2/2006	30,000,000	$15,000	504 Minnesota	Not Restricted
19:1 FORWARD STOCK SPLIT AS OF 10/24/06				
10/19/2006	12,000,000	$120,000	Issuance to Management (3)	Restricted
10/13/2006	561,000	$5,610	504 Minnesota	Not Restricted
10/9/2006	800,000	$8,000	504 Minnesota	Not Restricted
9/14/2006	750,000	$30,000	504 Minnesota	Not Restricted

9/1/2006	208,000	$22,000	Loan Consideration	Restricted
7/13/2006	500,000	$50,000	Loan Consideration	Restricted
6/15/2006	100,000	$25,000	Loan Consideration	Restricted
6/13/2006	1,917,400	$95,870	Issuance to Management (3)	Control Shares
4/18/2006	296,666	(9)	Loan Consideration	Restricted
1/5/2006	775,000	$ 50,000	Loan Consideration	Restricted

(1) A total of 33,000,000 shares of restricted stock issued to 22 individuals and entities who were the former equity partners of Cyclone Technologies LLLP, of which the following controlled greater than 5% of the Company's common stock as of the date of issuance: 15,594,150 issued to Harry Schoell individually; and 3,968,690 issued to Tanya Robertson individually, who is the daughter of Frankie Fruge.

(2) A total of 21,750,000 shares issued to 14 entities, of which the following entities controlled greater than 5% of the Company's common stock as of the date of authorization: 4,333,464 shares issued to Star Consulting Inc., a company controlled by Dan Starczewski, to the best of the Company's knowledge; 3,066,536 shares issued to Power Network, Inc., a company controlled by Joe V. Overcash, to the best of the Company's knowledge; 3,000,000 shares issued to Active Stealth LLC, a company controlled by Richard Muller, to the best of the Company's knowledge; 1,963,226 shares issued to Y2TK LLC, a company controlled by Richard Muller, to the best of the Company's knowledge; and 2,136,774 shares issued to MBA Investors LTD, a Florida limited partnership controlled by Thomas Pierson, to the best of the Company's knowledge. None of the Company's current officers or directors is part of this shareholder group.

(3) Shares issued to James DiPrima and Robin Moody, as represented to the Company by such individuals in lieu of salary, expenses and loan proceeds to the Company in the amounts set forth in the table.

(4) Shares issued to Bluewater Executive Capital LLC, a Florida limited liability company controlled by Braxton P. Jones, to the best of the Company's knowledge based on public filings.

(5) 108,090,950 shares issued to Active Stealth LLC, a company controlled by Richard Muller, to the best of the Company's knowledge; and 108,080,950 shares issued to Star Consulting Inc., a company controlled by Dan Starczewski, to the best of the Company's knowledge.

(6) 98,545,900 shares issued to Y2TK LLC, a company controlled by Richard Muller, to the best of the Company's knowledge; and 98,545,900 shares issued to Power Network, Inc., a company controlled by Joe V. Overcash, to the best of the Company's knowledge.

(7) 60,000,000 shares issued to Emerging Markets Consulting LLC, a Florida limited liability company controlled by James S. Painter III, to the best of the Company's knowledge; 68,545,900 shares issued to Project Development, Inc., a North Carolina company controlled by Daniel Starczewski, to the best of the Company's knowledge based on public filings; and 68,545,900 shares issued to MBA Investors LTD, a Florida limited partnership controlled by Thomas Pierson, to the best of the Company's knowledge.

(8) 37,125,000 shares issued to Starr Consulting, Inc; 37,125,000 shares issued to Active Stealth, LLC.

(9) Previous management could not provide supporting data for this stock issuance.

PART C Management and Control Structure

Item XII The name of the chief executive officer, members of the board of directors, as well as control persons.

A. Officers and Directors

Unless otherwise stated herein, the business address for each person names below is: 601 NE 26th Ct., Pompano Beach, FL, 33064.

Harry Schoell, Chairman and Chief Executive Officer, is a 65-year-old entrepreneur and technology visionary. Harry is a native Floridian, born in Miami, and a third generation inventor and engineer. Even as early as high school, Harry distinguished himself as an inventor, winning a Ford Foundation Award for an original handcrafted sailboat hull design.

Harry has worked for years to realize his dream to create an environmentally-friendly engine, and has a patent issued and 14 patents pending on the Schoell Cycle Heat Regenerative External Combustion Engine, as well as 48 other patents pending on the engine's components.

Harry is well versed in all facets of manufacturing procedure including: appropriate foundry protocol, castings, machining, production design & manufacturing, plastic and fiberglass laminates. In the 1960's participated in thermal dynamic testing on Rankine Cycle Engines which ultimately led to the creation of the Cyclone Engine. Harry also has extensive experience in designing, inventing and building unique boat hull designs and patented marine propulsion systems, through Schoell Marine, a company he founded in 1966 which provides design innovation to the marine and other industries.

Since founding Schoell Marine more than 40 years ago, Harry successfully built that company and its reputation based on his original ideas, highly trained engineers, skilled drafts people, and prototype and production specialists. Schoell Marine covers all facets of contemporary boat design and manufacturing. His inventiveness has resulted in over 40 specialized patents and patent applications, and Harry is known throughout the marine industry for his genius and is highly sought after for his knowledge and expertise. He is always thinking ahead and "outside the box".

Harry also patented a Jet Drive System and a trimmable surface drive, as well as a “Ground Effect Craft” that would gently glide above the water using surface effect as the medium. Harry also holds patents on a lightweight yet powerful, compact internal engine that he designed and built in 1990.

Harry has won the Engineer of the Year Award and Designer of the Year Award from Vapor Trails Magazine. He has also been presented with four different Innovation of the Year Awards from the NMMA (National Marine Manufacturers Association): one for a multi-hull boat design, one for a surface drive propulsion system, one for marine engine conversion, and a final one for a stepped hull design. All designs were patented in recent years. Harry belongs to SAE (Society of Automotive Engineers), the ASME (American Society of Marine Engineers), and The Society of Naval Architects and Marine Engineers.

Mr. Schoell is currently the sole member of the Company’s Board of Directors. Mr. Schoell has no other Board of Directors affiliations.

Compensation and Stock Holdings

Mr. Schoell has an Employment Agreement with the Company providing for a base salary of $150,000 per year plus standard benefits. This compensation is currently being deferred until the Company has sufficient revenue to support its payment. The term of Mr. Schoell’s agreement is three years with automatic one-year renewals.

Mr. Schoell currently beneficially owns 15,921,444 shares of the Company’s common stock, 241285 shares of Series A Preferred Stock, and 797 shares of Series B Preferred Stock. Additionally, he has the following stock options:

Number of Options	Term	Vesting Exercise	Price
250,000	10 yrs	Immediately	$0.25
125,000	10 yrs	6/30/08	$0.35
125,000	10 yrs	6/30/09	$0.45

Frankie Fruge serves as Chief Operating Officer of Cyclone. She has been with the company since its inception in 2004 in the role of General Partner and Director of Administration. Frankie is in charge of the daily operations and financial concerns of the Company.

Frankie has been working with Harry Schoell since 1995, serving in multiple administrative, operational and financial positions with Schoell Marine. Between 1999 and 2003, Frankie was President of Propulsion Systems, Inc., a company that developed and sold marine surface drives; and then CFO of Pulse Drive Inc., between 2003 and 2005, a company also in the marine propulsion field.

Prior to her career in marine-based engine technology, Frankie spent over 10 years as an operating engineer for several oil refinery companies in Louisiana, including Conoco, and eight years as an auditor for Ernst & Ernst (the predecessor company to Ernst & Young). Ms. Fruge is also a certified industrial firefighter, and is on the Board of the Steam Automobile Club of America. Ms. Fruge has no other Board of Directors affiliations.

Compensation and Stock Holdings

Ms. Fruge has an Employment Agreement with the Company providing for a base salary of $120,000 per year plus standard benefits. This compensation is currently being deferred until November 2009. The term of Ms. Fruge's agreement is three years with automatic one-year renewals.

Ms. Fruge currently beneficially owns 3,972,050 shares of the Company's common stock, 60,131.67 shares of Series A Preferred Stock, and 203 shares of Series B Preferred Stock. Additionally, she has the following stock options:

Number of Options	Term	Vesting Exercise	Price
250,000	10 yrs	Immediately	$0.25
125,000	10 yrs	6/30/08	$0.35
125,000	10 yrs	6/30/09	$0.45

Wilson McQueen serves as VP Sales & Marketing of the company, and has been with Cyclone in a consulting role since 2005. His responsibilities as VP Sales & Marketing include: developing and implementing marketing strategies; licensee presentations and evaluations; coordinating Cyclone's presence at conventions and trade shows; and communications with potential investors, manufacturers and partners.

Mr. McQueen began his career back in 1972 by founding the first dive shop on the tiny island of Saba in the Netherland Antilles. This business continues to produce income for the Island and has become a top diving destination for sophisticated worldwide travelers.

During his 25-year stay in the Caribbean, Wilson went on to create the first successful high-speed inter island ferry service between the islands of French St. Maarten and the British island of Anguilla. Through creative marketing strategies and a high demand for this service, this inter-island ferry business spawned several other services that run between the two islands. This idea has grown to a multi-million dollar tourism service and has helped put the island of Anguilla on the map.

As the owner/operator of the first high speed ferry services between St. Maarten and Saba, Netherland Antilles, Wilson's responsibilities included implementing a complete marketing plan throughout the Caribbean to bring tourism to the tiny island nation. Wilson's vision of the future continues to grow, linking more and more of the island territories together with high speed ferry services, and bringing approximately millions of dollars annually to the island territory.

Mr. McQueen has no other Board of Directors affiliations.

<u>Compensation and Stock Holdings</u>

Mr. McQueen has no formal employment agreement with the Company. He earns $62,500 per year in salary, which is currently being deferred until the Company has sufficient revenue to support its payment.

Mr. McQueen currently holds 1,201,200 shares of the Company's common stock, and 18,200 shares of Series A Preferred Stock

Michael Hodgson serves as Cyclone's Chief Engineer. He has been working with Harry Schoell since 1980 as Chief Engineer and Designer of Schoell Marine, designing and constructing ships from drawing board to finished product. Mr. Hodgson's expertise includes all aspects of engine design and mechanics.

Mr. Hodgson has no other Board of Directors affiliations.

Compensation and Stock Holdings

Mr. Hodgson has no formal employment agreement with the Company. He earns $78,000 per year in salary.

Mr. Hodgson currently beneficially owns 2,005,740 shares of the Company's common stock, and 30,390 shares of Series A Preferred Stock.

Rick Simmons serves as Vice President - Corporate Development for the company, in charge of generating and overseeing new business and financing opportunities. Mr. Simmons brings to the company over 30 years of experience in managing business growth, including a marine services company that he founded in 2000 and has grown to a multi-million dollar business today. He also co-developed and patented a structural acoustic material that was eventually licensed to 3M. Prior to working in the marine industry, he founded and built two successful mortgage companies. Mr. Simmons is a 41-year resident of Boca Raton, Florida. Mr. Simmons has no other Board of Directors affiliations.

Compensation and Stock Holdings

Mr. Simmons works part-time with the Company, has no formal employment agreement, and does not earn a salary.

Mr. Simmons, together with his wife Holly Simmons, currently beneficially own 880,745 shares of the Company's common stock, and 13,286.66 shares of Series A Preferred Stock.

Board of Directors

The Company's sole director at this time is Harry Schoell, its CEO. The Company expects to add at least two additional directors over the following months, possibly in connection with its current financing activities.

Board of Director members may be compensated for their time in cash or restricted shares of common stock, as may be provided under the independence requirements of current securities laws.

The Company has no Audit Committee, Compensation Committee or other committees at this time. The Company expects to create such committees in the future.

Board of Advisors

The Company, from time to time, adds members to its Board of Advisors. These individuals are comprised of distinguished scientists, engineers and businessmen whose experience, knowledge and counsel help in the development of the Company and its technology. These Board of Advisor members may be compensated for their time in restricted shares of common stock. Currently, the Board of Advisors is comprised of:

Robert F. Bourque, Ph.D., P.E., a senior engineering safety officer from Los Alamos National Laboratory. Dr. Bourque has served at Los Alamos National Laboratory since 1998 in the critical positions of Pressure Safety Officer, Explosives Safety Officer and Aviation Safety Officer, responsible for overseeing pressure safety for the entire Laboratory. Prior to this, Dr. Bourque worked for 25 years at General Atomics, one of the world's foremost nuclear research and development companies and government contractors. At General Atomics, Dr. Bourque served as Lead Engineer for Superconducting Accelerator Engineering, and the ITER Cryostat and Cryogenic Thermal Shield Design, and as a Principal Engineer for the Fusion Group.

Dr. Bourque's expertise ranges over many aspects of mechanical engineering, thermodynamics and heat transfer, pressurized systems, external combustion engines, cryogenic and vacuum systems, integrated engineering analysis, nuclear fusion and fission reactors, alternate energy systems, superconducting linear accelerators, and nuclear weapon effects. He holds a Ph.D. in mechanical and aerospace engineering, an M.S. in mechanical engineering, and has over 40 technical publications

and four U.S. patents to his name, including one for an external combustion engine with combustion air preheating.

James D. Crank, a retired engineer with Lockheed and one of the foremost experts on automotive steam engine systems. During his long year career with Lockheed, Mr. Crank worked in senior research positions on many important projects, including: engine development for the Ground Vehicles Department, primary battery systems for the Triton II missile, battery systems for the Hubbell Space Telescope, heat shields for the Mercury and Apollo space systems, and dynamic solar and nuclear space power systems for SDI. Mr. Crank was also a Research Engineer for the Stanford Research Institute where he worked on explosive cladding of materials for cylinder construction in Porsche and Mercedes-Benz, among other projects.

Mr. Crank also has over 50 years experience in restoration, repair and driving of various steam cars, including the total redesign of the complete Doble crankcase assembly and cylinders for the Series E Doble steam cars (with 10 sets constructed), and the design and construction of the current speed world record holding steam car. He served as a consultant on steam car restoration to Harrah Automobile Collection, Nethercutt Collection, Jay Leno Collection, Stephen Finn Collection, and the Besler General Motors Chevelle steam car, among others; and a consultant to the State of California on the steam bus development program. He is the owner and president of Doble Steam Motors Corporation, and is currently working on a book about the history of the Doble steam car and its founding family.

Jerry A. Peoples, a retired NASA engineer with over 30 years service in the government's most elite scientific divisions. Mr. Peoples' work with NASA spans over 30 years. Most recently, after the 1986 Space Shuttle Challenger disaster, Mr. Peoples was assigned to the Solid Motor Redesign Team, where he made major contributions to the design, fabrication and testing of the Double O-ring Interference Joint, which solved the O-ring burn problem.

Mr. Peoples' work at NASA also included participation on a governmental energy task force studying solar heating and cooling, ocean thermal electric energy conversion, and the Rankine Cycle as an alternative to the internal combustion engine. On this last subject, he published over 12 research papers on the design and operation of the modern steam powered automobile.

Early in his career, Mr. Peoples served at the Marshall Space Flight Center as project engineer responsible for thermal control systems for orbiting spacecraft such as the Hubble Telescope, HEAO-1, and Gravity Probe B. Prior to that, he worked at the Wright Patterson Air Development Center on the F-105 aircraft.

Robert Edwards is a retired senior engineer from Lockheed Martin. Mr. Edwards served at Lockheed Martin for over 30 years, working on different projects including the Apollo Moon Project and other space programs. His area of expertise is in energy conversion systems, including thermoelectric, steam, internal combustion and external combustion engines. Mr. Edwards has also spent over 20 years working with experimental steam cars and other steam systems, and is an officer of the Mobile Steam Society in Tennessee. He has published over 40 scientific papers and now gives talks on the subjects of alternative fuels and heat transfer systems. He holds a B.S. from the University of Tennessee.

George Nutz is technology consultant with almost 50 years experience working with external combustion and steam engines. He is the founder of Millennium Engineering Systems and Millennium Energy Systems, through which he has provided engineering guidance and expertise to multiple external combustion engine projects over the last twenty years.

Prior to consulting, Mr. Nutz was a staff research engineer at MIT Instrumentation Laboratory, part of the Department of Aeronautics and Astronautics. While in residence, he designed hardware and control systems, as well as steam cycles and applications. He represented MIT-IL at the Department of Transportation Clean Air / External Combustion hearings, and wrote several proposal papers outlining a working steam system. During this time he also became involved with steam automobile and steamboat groups and worked on boiler and engine designs/modifications, including being part of the MIT team designing and building a steam powered automobile for Saab for the MIT-Caltech "Clean Air Car Race".

Prior to his time at MIT, Mr. Nutz spent nine years at Bendix Aerospace designing gyro and guidance equipment and test platforms, and working with optics and sensors. He served in the U.S. Air Force and received his mechanical engineering degree from the New Jersey Institute of Technology in 1959.

Compensation to Advisors

The Company has compensated its Board of Advisors members with 30,000 shares of the Company's restricted common stock each for their past services rendered on behalf of Cyclone, and reserves the right o issue additional shares, stock options or cash in the future.

B. Legal/Disciplinary History

None of the Company's Officer or Directors, as listed above, has in the last five years been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations or other minor offenses);

2. The entry of an order, judgment or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities or banking activities;

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended or vacated; or

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

C. Disclosure of Certain Relationships

Mr. Harry Schoell, CEO, and Ms. Frankie Fruge, COO, cohabitate.

D. Disclosure of Conflict of Interest

The Company has an informal management agreement with Schoell Marine, a company owed by Harry Schoell, to provide some turnkey operations, including office and R&D facility rental, along with some personnel and engineering services on an “as needed” basis at a monthly amount based upon cost and going market rates. This arrangement started being phased-out at the beginning of 2008.

As of December 31, 2007, the Company owed to Schoell Marine $35,735 in current liabilities and an additional $501,397, which is booked as long term debt. The debt is callable at the discretion of Mr. Schoell and is secured by a perfected security interest on the Company’s patent and patent applications.

Item XII Beneficial Owners

Common Shares

The following table sets forth information regarding the beneficial ownership of the Company's Common Stock by each member of the Company's management, and each Shareholder who is known by the Company to own beneficially five percent (5%) or more of the outstanding Common Shares as of March 31, 2008. On this date, 62,038,436 shares of common stock were issued and outstanding.

Name and Address	**Number of Common Shares Beneficially Owned**	**Percentage of Common Shares Beneficially Owned**
Harry Schoell, Chairman & CEO 281 SE 3rd Court Pompano Beach, FL 33060	15,921,444 (1)	25.86%
Frankie Fruge, COO 281 SE 3rd Court Pompano Beach, FL 33060	3,972,050 (2)	6.45%
Wilson McQueen, VP Marketing & Sales 109 Riverview Dr. Jensen Beach, FL 34957	1,201,200	1.96%
Michael Hodgson, Chief Engineer 325 SE 11 Street Deerfield Beach, FL 33441	2,005,740	3.26%
Richard Simmons, VP- Business Dev. 43 SW 12th Terrace Boca Raton, FL 33486	880,745 (3)	1.42%
TOTALS:	23,981,185	38.95%

(1) Includes 327,294 shares beneficially owned through Schoell Consulting, Inc.
(2) Includes 3,366 shares beneficially owned through Schoell Consulting, Inc., and 3,968,690 shares that were transferred from Ms. Tanya Robertson, Ms. Fruge's daughter, on April 2, 2008.
(3) Includes 438,460 shares beneficially owned by Mr. Simmons' wife, Holly Simmons.

Series A Convertible Preferred Shares

The following table sets forth information regarding the beneficial ownership of the Company's Series A Convertible Preferred Stock by each Shareholder who is known by the Company to own beneficially five percent (5%) or more of the outstanding Series A Preferred Shares as of March 31, 2008. As of that date, 500,000 shares of Series A Preferred Stock were issued and outstanding.

Name and Address	**Number of Series A Pref. Shares Beneficially Owned**	**Percentage of Series A Pref. Shares Beneficially Owned**
Harry Schoell, Chairman & CEO 281 SE 3rd Court Pompano Beach, FL 33060	241,285 (1)	48.26%
Frankie Fruge, COO 281 SE 3rd Court Pompano Beach, FL 33060	60,131.67 (2)	12.03%
Michael Hodgson, Chief Engineer 325 SE 11 Street Deerfield Beach, FL 33441	30,390	6.01%
John J. Hurley 503 Conestoga Rd. Wayne, PA 19087	25,055	5.01%
Shelby Wilson 461 Smulton Rd. Rebersburg, PA 16872	37,581.67	7.52%
TOTALS:	397,809.34	79.56%

(1) Includes 327,294 shares beneficially owned through Schoell Consulting, Inc.
(2) These shares were transferred from Ms. Tanya Robertson, Ms. Fruge's daughter, on April 2, 2008.

Series B Preferred Shares

The following table sets forth information regarding the beneficial ownership of the Company's Series B Preferred Stock by each Shareholder who is known by the Company to own beneficially five percent (5%) or more of the outstanding Series B Preferred Shares as of March 31, 2008.

Name and Address	**Number of Series B Pref. Shares Beneficially Owned**	**Percentage of Series B Pref. Shares Beneficially Owned**
Harry Schoell, Chairman & CEO 281 SE 3rd Court Pompano Beach, FL 33060	797	79.7%
Frankie Fruge, COO 281 SE 3rd Court Pompano Beach, FL 33060	203	20.3%

Investment Position of Officers and Directors

None of the current officers or director of the Company, nor their affiliates, has sold, transferred or conveyed (except among family members for tax and estate planning purposes) any shares of the Company's common stock, or prior to the Acquisition, any LLLP equity interests. No sales of common stock on the Pink Sheets have been made by these individuals or their affiliates.

Item XIV The names, address, telephone number and email address of each of the following outside providers and advise the issuer or matters relating to the operations, business development and disclosure:

1. **Investment Banker:** None.

2. **Promoters:** None.

3. **Counsel:**
   Law Office of Christopher Nelson
   Christopher Nelson, Esq.

2520 Coral Way, #2200
Coral Gables, FL 33145
(305) 439-5559
chris@cnelsonlegal.com

4. Accountant

Baum & Company, P.A.
Joel Baum
605 Lincoln Rd., Suite 210
Miami Beach, FL 33139
1-888-CPA 3770
joel@jbaumcpa.com

Baum & Co. provides accounting and review services for the Company. The firm does not audit the Company's financials. It is the Company's responsibility to perform daily accounting functions which are then reviewed by the accounting firm for accuracy and compliance with GAAP.

Joel Baum, is a CPA with a BS in accounting and MS degree in taxation. He serves on the FICPA state committee for auditing and accounting standards. Baum & Co is a registered PCAOB accounting firm.

5. Public Relations Consultant

None

6. Investor Relations Consultant

CLX & Associates, Inc.
1300 Coral Way, Suite 308
Miami, FL 33145
800-860-8241
info@clxonline.com

7. **Other Advisors**

None

PART D Financial Information

Item XV **Financial information for the issuer's most recent fiscal period:** Financial information for the period ended December 31, 2007 was filed with the Pink Sheets on April 1, 2008, and is incorporated herein by reference. The Issuer is filing financial information for the period ended March 31, 2008 separately from this filing.

Item XVI **Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence**: Financial information for the periods ended December 31, 2006 and 2007 was filed with the Pink Sheets on April 1, 2008, and is incorporated herein by reference.

Item XVII **Management's Discussion and Analysis or Plan or Operation**

The Company has not had material or consistent revenue from operations in each of the last two fiscal years. In order for the Company to maintain and expand its operations through the next 12 months, it must:

1. Raise through capital infusions, either by means of equity or debt offerings, a minimum of $1 million and up to $ 5 million; or

2. Secure license agreements that provide up-front license fees, development/design fees or guaranteed royalties, in a minimum amount of $1 million and up to $5 million.

While the Company is actively engaged in both capital raising and licensing activities, management can make no assurances that such efforts will result in the needed funding for the Company. If such funds cannot be raised or otherwise generated, the Company will be forced to reduce staff, minimize its research and development activities, or shut-down operations. Currently the Company has cash reserves and cash commitments to sustain operations through Q2 2008 and possibly into Q3 2008, however, such cash on hand is not currently sufficient for the Company to expand operations at the pace that management believes to be optimal for its business prospects.

As a research and development company, a material portion of all funds raised or generated through operations are placed back into the R&D activities of the Company. The Company's R&D expenditures for 2007

were $814,685 and for 2006 were $741,206, and management expects such expenditures to exceed these figures for 2008, especially if proper funding can be achieved.

The Company does not immediately anticipate a purchase or sale of plant facilities or significant equipment; however, should funding be secured, some proceeds will be used to purchase capital equipment used for development and testing of its technology. Additionally, should adequate funding be secured, the Company expects to increase the number of skilled and unskilled employees on payroll, including the recruitment of high level executive management and additional engineers and mechanical staff. Such new hires will considerably increase the Company's monthly operational expenses.

Part E Exhibits

Item XVIII Material Contracts

Exhibit List

E.1: Asset Purchase Agreement, dated June 2, 2007, by and between Coastal Technologies, Inc., and Cyclone Technologies, LLLP.

E.2: Asset Purchase Agreement, dated July 2, 2007, by and between Cyclone Power Technologies, Inc., and The Hamlet Group, Inc.

E.3: Employment Agreement for Harry Schoell, CEO.

E.4: Employment Agreement for Frankie Fruge, COO

Other Material Contracts

Technology License Agreement, November 15, 2007, by and between Cyclone Power Technologies, Inc., and Revgine Inc. – Not attached, summary incorporated by reference from Item VI G.

Technology License Agreement, dated March 24, 2006, by and between Cyclone Technologies, LLLP, and Advent Power Systems, Inc. – Not attached, summary incorporated by reference from Item VI G.

Investors Relation Agreement, dated December 5, 2007, by and between Cyclone Power Technologies, Inc. and CLX & Associates, Inc. – CLX to receive 250,000 shares of Company's common stock on monthly basis to perform standard IR functions. Agreement is cancellable on 10 days notice by either party. CLX is responsible for NASD and SEC compliance and maintaining confidentiality of information received.

Escrow and Leak-Out Agreement, dated July 17, 2007, by and between the Company, Melissa K. Rice, Esq., as Escrow Agent, and the following 13 shareholders who agreed to place a total of 15,750,000 shares of freely-trading common stock of the Company into escrow, to be delivered to them in 36 equal monthly installments: Power Networks, Inc., Starr Consulting, Inc., Dan Starczewski, MBA Investors, Ltd., RR Investment Holdings, LLC, Institutional Funds, Inc., H.H. Investments LLC, Orlando Hernandez, Diakonos Group, Inc., Bluewater Executive Capital, LLC, Smart Recovery, LLC, Corporate Awareness Professionals, Inc., and YT2K, Inc. The Company does not control the delivery or hold-back of these shares, nor are any officers or directors of the Company part of the shareholder group listed above. As of March 31, 2008, 28 months remained on this Agreement and 12,250,000 shares were held in escrow.

Escrow and Leak-Out Agreement, dated January 2, 2008, by and between the Company, Christopher M. Nelson, Esq., as Escrow Agent, and John J. Hurley as shareholder who agreed to place a total of 1,653,630 shares of freely-trading common stock of the Company into escrow, to be delivered to him in six bi-monthly installments, and to limit the number of shares he is able to sell on a daily basis. As of March 31, 2008, four of such installments remained and 1,253,630 shares were held in escrow.

Item XIX Articles of Incorporation and Bylaws

The Company has previously filed its Articles of Incorporation and Bylaws with the Pink Sheets, as of August 27, 2007, and incorporates those filings by reference herein.

Item XX Issuer's Certifications

I, Harry Schoell, CEO of Cyclone Power Technologies, Inc., certify that:

1. I have reviewed the Disclosure Statement of Cyclone Power Technologies, Inc.
2. Based upon my knowledge, this Disclosure Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Disclosure Statement; and
3. Based upon my knowledge, the financial statements and other financial information included or incorporated by reference in this Disclosure Statement fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Disclosure Statement.

May 9, 2008

Harry Schoell
CEO & Chairman

Part F Miscellaneous

Item XXI Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

The Company does not purchase its own securities at this time. As of the date of filing of this Disclosure Statement, Richard Simmons, the Issuer's VP, has purchased in the open market 3,825 shares of common stock at a an average purchase price of $1.4379. These purchases occurred between August and October 2007.

Exhibit List

E.1: Asset Purchase Agreement, dated June 2, 2007, by and between Coastal Technologies, Inc., and Cyclone Technologies, LLLP.

E.2: Asset Purchase Agreement, dated July 2, 2007, by and between Cyclone Power Technologies, Inc., and The Hamlet Group, Inc.

E.3: Employment Agreement for Harry Schoell, CEO.

E.4: Employment Agreement for Frankie Fruge, COO

Exhibit E-1

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is made and entered into as of June 2, 2007 by and between Coastal Technologies Inc., a California corporation (the "Buyer") and Cyclone Technologies, LLLP, a Florida limited liability limited partnership (referred to herein as the "Seller").

W I T N E S S E T H:

WHEREAS, the Seller owns certain assets and proprietary intellectual property relating to an external combustion engine and related technologies; and

WHEREAS, the Buyer wishes to purchase or acquire from the Seller and the Seller wishes to sell, assign and transfer to the Buyer, the assets and related intellectual property itemized on Exhibit A upon the terms and subject to the conditions hereinafter set forth; and

WHEREAS, subsequent to the signing of this Agreement but prior to closing, the Buyer will redomicile in the state of Florida and change its name to Cyclone Power Technologies, Inc., a Florida corporation..

NOW, THEREFORE, in consideration of the mutual covenants, representations and warranties made herein, and of the mutual benefits to be derived hereby, the parties hereto agree as follows:

DEFINITIONS

The terms defined below, whenever used in this Agreement (including the Exhibits and Schedules attached hereto), shall have the respective meanings indicated below for all purposes of this Agreement. All references herein to a Section, Article, Exhibit or Schedule are to a Section, Article, Exhibit or Schedule of or to this Agreement, unless otherwise indicated.

Affiliate: of a Person shall mean a Person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the first Person. "Control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of voting securities, by contract or credit arrangement, or otherwise.

Agreement: shall have the meaning provided in the first paragraph, above.

Applicable Law: shall mean all applicable provisions of all (i) constitutions, treaties, statutes, laws (including the common law), rules, regulations, ordinances, codes or orders of any Governmental Authority, (ii) Governmental Approvals and (iii) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Governmental Authority.

Assets: shall have the meaning provided in Section 1.1.

Bill of Sale; Assignment and Assumption: shall have the meaning provided in Section 4.3.

Buyer: shall mean Coastal Technologies, Inc., a California corporation, and any of its successors and permitted assigns, which shall re-domicile to the state of Florida prior to Closing, and change its name to Cyclone Power Technologies, Inc., a Florida corporation.

Buyer Indemnitees: shall have the meaning provided in Section 7.1(a).

Closing: shall have the meaning provided in Section 2.1.

Closing Date: shall have the meaning provided in Section 2.1.

Code: shall mean the Internal Revenue Code of 1986, as amended.

Collateral Documents: shall mean the Bill of Sale and the Intellectual Property Assignments.

Confidential Information: shall mean any information (in any form whatsoever) concerning the Assets and the Seller's business and affairs that is not already generally available to the public.

Consent: shall mean any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, exemption or order of registration, certificate, declaration or filing with, or report or notice to, any Person, including but not limited to any Governmental Authority.

Contract: shall mean all agreements and contracts related to the Seller's Assets, whether oral or written.

Governmental Approval: shall mean any Consent of, with or to any Governmental Authority.

Governmental Authority: shall mean any nation or government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any government authority, agency, department, board, commission or instrumentality of the United States, any State of the United States or any political subdivision, thereof, and any tribunal or arbitrator(s) of competent jurisdiction, and any self-regulatory organization.

Indemnified Party: shall have the meaning provided in Section 7.1(c).

Indemnifying Party: shall have the meaning provided in Section 7.1(c).

Intellectual Property: shall mean any and all United States and foreign: (a) patents (including design patents, industrial designs and utility models) and patent applications (including docketed patent disclosures awaiting filing, reissues, continuations, continuations-in-part and extensions), patent disclosures awaiting filing determination, inventions and improvements thereto; (b) trademarks, service marks, trade names, trade dress, logos, business and product names, slogans, all of the goodwill in all of the foregoing, and registrations and applications for registration thereof; (c) all rights of copyright, copyrightable subject matter (including software copyrights) and registrations thereof throughout the world for the full term thereof including all renewals; (d) inventions, processes, designs, formulae, trade secrets, know-how, industrial models, confidential and technical information, manufacturing, engineering

and technical drawings, product specifications and confidential business information; (e) mask work and other rights and registrations thereof; (f) software; (g) intellectual property rights derived from or based upon any of the foregoing items in (a)-(g) above; and (h) copies and tangible embodiments thereof (in whatever form or medium, including electronic media) relating to the Intellectual Property Assets itemized on Exhibit A contemplated for Buyer's business.

Intellectual Property Assets: shall have the meaning provided in Section 3.1.10(a).

Intellectual Property Assignments: shall have the meaning provided in Section 4.3.

IRS: shall mean the Internal Revenue Service.

Knowledge: shall mean the actual knowledge of the relevant Person after due inquiry.

Lien: shall mean any mortgage, pledge, hypothecation, right of others, claim, security interest, encumbrance, lease, sublease, license, occupancy agreement, adverse claim or interest, easement, covenant, encroachment, burden, title defect, title retention agreement, voting, trust agreement, interest, equity, option, lien, right of first refusal, charge or other restrictions or limitations of any nature whatsoever, including but not limited to such as may arise under any Contracts.

Material Adverse Effect: shall mean a materially adverse effect on the business, results of operations, assets, liabilities or condition (financial or otherwise) of Seller or Buyer, as the case may be.

Person: shall mean any natural person, firm, partnership, association, corporation, company, limited liability company, trust, business trust, Governmental Authority or other entity.

Seller: shall mean Cyclone Technologies LLLP, a Florida LLLP ("Cyclone").

Seller Indemnitees: shall have the meaning provided in Section 7.1(b).

Tax: shall mean any federal, state, provincial, local, foreign or other income, alternative, minimum, accumulated earnings, personal holding company, franchise, capital stock, net worth, capital, profits, windfall profits, gross receipts, value added, sales, use, goods and services, excise, customs duties, transfer, conveyance, mortgage registration, stamp, documentary, recording, premium, severance, environmental (including taxes under Section 59A of the Code), real property, personal property, ad valorem, intangibles, rent, occupancy, license, occupational, employment, unemployment insurance, social security, disability, workers' compensation, payroll, health care, withholding, estimated or other similar tax, duty or other governmental charge or assessment or deficiencies thereof, whether computed on a separate or consolidated, unitary or combined basis or in any other manner, including any and all interest and penalties thereon and additions thereto, whether disputed or not and including any obligation to assume or succeed to the Tax liability of any other Person.

Treasury Regulations: shall mean the United States income tax regulations (including temporary regulations) promulgated by the IRS.

ARTICLE I

SALE AND PURCHASE OF THE ASSETS AND ASSUMPTION OF LIABILITIES

1.1 Assets. Subject to the terms, conditions and qualifications set forth herein and for the consideration set forth in Article II hereof, Seller agrees to convey, transfer, assign and deliver to the Buyer at the Closing all of Seller's right, title and interest in and to the Seller's Intellectual Property described on Exhibit A herein (including, without limitation, all goodwill associated with Seller's permits, claims, work in process) (the "Intellectual Property Assets"), the Confidential Information, and any and all rights and obligations of the Seller under contracts relating to the Assets (the foregoing items are collectively referred to herein as the "Assets"). The Assets transferred pursuant to this Agreement shall be sold and conveyed to the Buyer free and clear of all Liens or Encumbrances of any nature or description except as specifically assumed by the Buyer.

1.2 Liabilities. Subject to the terms, conditions and qualifications set forth herein and for the consideration set forth in Article II hereof, Buyer agrees to assume all of the liabilities of Seller, provided, however, that the amount of Seller's liability for tax distributions required as a result of this transaction which is to be assumed by Buyer shall be no more than $100,000 total.

1.3 Tax-Free Exchange. This Agreement contemplates a tax-free sale of the Seller's assets under Section 368(a)(1)(C) the Code, and a liquidation of the Seller immediately following the tax-free exchange of its assets. The Parties will take all such action prior and subsequent to Closing to assure the tax-free status of this transaction.

ARTICLE II

THE CLOSING

2.1 Date. The closing of the sale and purchase of the Assets (the "Closing") shall take place on June 19, 2007 or on such date as all the Parties hereto may agree in writing (the "Closing Date"), but in no event later than fifteen (15) business days from the date of this Agreement.

2.2 Consideration. In consideration of the sale, assignment, conveyance and delivery by the Seller of the Assets to Buyer pursuant to the terms and conditions of this Agreement on the Closing Date, the Buyer shall issue an aggregate of Thirty Three Million (33,000,000) shares of its common stock on a restricted basis to the Seller or its designees (the "Common Stock"). In addition Buyer shall issue 500,000 shares of Series A Convertible Preferred Stock to the Seller, with those preferences and rights substantially described in Exhibit B to this Agreement (the "Series A Preferred Stock"). Finally, Buyer shall issue 1,000 shares of Series B Convertible Preferred Stock to the Management of Cyclone with those preferences and rights substantially described in Exhibit C to this Agreement (the "Series B Preferred Stock", and together with the Common Stock and Series A Preferred Stock, the "Shares").

2.3 Allocation of Purchase Price. The consideration referenced in Section 2.2 above (and any and all other capitalized costs), shall be allocated among the Assets in accordance with an allocation schedule to be prepared by the Buyer in accordance with Section 1060 of the Code, which allocation shall be binding upon the Buyer and the Seller. The Buyer shall deliver

such allocation to the Seller within sixty (60) days after the Closing Date. The Parties hereto and their Affiliates will each report the federal, state and local and other Tax consequences of the purchase and sale contemplated hereby (including the filing of IRS Form 8594) in a manner consistent with such allocation prepared by the Buyer. The Seller shall timely and properly prepare, execute, file and deliver all such documents, forms and other information as the Buyer may reasonably request to prepare such allocation. None of the Parties hereto shall take any position (whether in audits, tax returns or otherwise) that is inconsistent with such allocation unless required to do so by Applicable Law.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Seller. Seller represents, warrants and covenants to the Buyer as follows:

3.1.1 Authorization, etc. The Seller has the power and authority to execute and deliver this Agreement and each of the Collateral Documents to which it is a party, to perform fully its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by the Seller of this Agreement and the Collateral Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by all requisite actions of the Seller. The Seller has duly executed and delivered this Agreement and each of the Collateral Documents to which it is a party. This Agreement is a legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with its terms, except that (a) such enforcement may be subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the exercise of judicial discretion by the court before which any proceeding therefore may be brought.

3.1.2 Organization. Seller is a Florida LLLP duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation with full power and authority to carry on its business and to own or lease and to operate its properties as and in the places where such business is conducted and such properties are owned, leased or operated, except where a failure to so qualify would not be material to Seller.

3.1.3 No Conflicts, etc. The execution, delivery and performance by the Seller of this Agreement and each of the Collateral Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not conflict with or result in a violation of or a default under (with or without the giving of notice or the lapse of time or both) (i) any Applicable Law applicable to the Seller or the Assets, (ii) the governing documents of the Seller, or (iii) any Contract or other contract, agreement or other instrument to which the Seller or any Affiliate thereof is a party or by which the Seller may be bound or affected. No Governmental Approval or other Consent is required to be obtained or made by the Seller in connection with the execution and delivery of this Agreement and the Collateral Documents or the consummation of the transactions contemplated hereby and thereby.

3.1.4 Compliance with Laws; Governmental Approvals and Consents.

(a) The Seller has complied in all material respects with all Applicable Laws applicable to the Assets and/or the operation thereof; and the Seller has not received any written notice alleging any conflict, violation, breach or default of or with respect to any such laws.

(b) All Governmental Approvals and Consents necessary for, or otherwise material to the Assets have been duly obtained and are in full force and the Seller is in compliance with each of such Governmental Approvals and Consents held by it with respect to the Assets.

3.1.5 Assets. The Seller has good title to all the Assets free and clear of any and all Liens and Encumbrances.

3.1.6 Contracts. The Seller has delivered to the Buyer complete and correct copies of any and all contracts, documents and related materials, together with all amendments thereto pertaining to the Assets.

3.1.7 Litigation. There is no action, claim, suit, or proceeding pending or threatened against or relating to the Assets. There is no action, claim, suit, or proceeding pending or, to the Knowledge of the Seller, threatened, against or relating to the transactions contemplated by this Agreement or any of the Collateral Documents or the Assets.

3.1.8 Brokers, Finders, etc. All negotiations relating to this Agreement, the Collateral Documents, and the transactions contemplated hereby and thereby, have been carried on without the participation of any Person acting on behalf of the Seller or any of its Affiliates in such manner as to give rise to any valid claim against the Buyer for any brokerage or finders' commission, fee or similar compensation, or for any bonus payable to any officer, director, employee, agent or sales representative of or consultant to the Seller or any of its Affiliates upon consummation of the transactions contemplated by this Agreement or the Collateral Documents.

3.1.9 Disclosure. No representation or warranty by the Seller contained in this Agreement or in any Collateral Document, and no certificate, schedule, list, report, instrument, or other document furnished by the Seller to the Buyer pursuant hereto or thereto or in connection with the transactions contemplated hereby, contains any untrue statement of material fact, or omits to state a material fact necessary in order to make the statements and information contained herein or therein not misleading.

3.1.10 Intellectual Property.

(a) Title. Exhibit A contains a correct list of the Intellectual Property Assets, which includes all Intellectual Property owned by the Seller and used in, held for use in connection with, or necessary for the conduct of, or otherwise material to the Seller's conveyance of the Intellectual Property contemplated by this Agreement. The Seller is the sole owner of the Intellectual Property Assets, free from any Liens and free from any obligation of any past, present or future royalty payments, license fees, charges or other payments, or conditions or restrictions whatsoever. The Intellectual Property Assets comprise all of the Intellectual Property necessary to conduct and operate the business as conducted by the Seller in accordance with past practices.

(b) Transfer. Immediately after the Closing, the Buyer will own or otherwise have the right to use all the Intellectual Property Assets, free from any Liens except as assumed by Buyer.

(c) No Infringement. The Intellectual Property Assets of the Seller do not infringe or otherwise conflict with any rights of any Person in respect of any Intellectual Property. None of the Intellectual Property Assets is being infringed or otherwise used or available for use, by any other Person.

(d) No Intellectual Property Litigation. No claim or demand of any Person has been made nor is there, to the knowledge of Seller, any proceeding that is pending or threatened, nor is there a reasonable basis therefor, that (i) challenges the rights of the Seller and/or the Seller in respect of any Intellectual Property Assets, (ii) asserts that the Seller is infringing or otherwise in conflict with, or is, required to pay any royalty, license fee, charge or other amount, with regard to, any Intellectual Property, or (iii) claims that any default exists under any agreement or arrangement concerning any Intellectual Property Assets. None of the Intellectual Property Assets is subject to any outstanding order, ruling, decree, judgment or stipulation by or with any court, arbitrator, or administrative agency, or has been the subject of any litigation, whether or not resolved in favor of the Seller.

(e) Use. There are, and immediately after the Closing will be, no contractual restriction or limitations pursuant to any orders, decisions, injunctions, judgments, awards or decrees of any Governmental Authority on the Buyer's right to use the Intellectual Property Assets being conveyed by the Seller under this Agreement.

3.1.11 Tax Returns and Payments. The Buyer shall not become liable for any Tax liability of the Seller or the Seller or any of its Affiliates as a result of the consummation of the transactions contemplated by this Agreement and/or the Collateral Documents except as assumed by Buyer.

3.1.12 Investment.

(a) Seller is a sophisticated investor as that term is defined under the Securities Act of 1933, as amended (the "Act").

(b) Seller acknowledges that the Shares are being acquired solely for the account of Seller and its equity holders and not with a view to, or for resale in connection with, any distribution in any jurisdiction where such sale or distribution would be precluded. The Seller does not intend to dispose of all or any part of the Shares except in compliance with the provisions of the Act and applicable state securities laws, and except as to comply with Section 386 of the Code pertaining to the tax-free exchange of this transaction, and understands that the Shares are being offered pursuant to a specific exemption under the provisions of the Act, which exemption(s) depends, among other things, upon the compliance with the provisions of the Act.

(c) Seller hereby agrees that the Buyer may insert the following or similar legend on the face of any certificates evidencing the Shares if required in compliance with the Securities Act or state securities laws:

> "These securities have not been registered under the Securities Act of 1933, as amended ("Act"), or any state securities laws and

may not be sold or otherwise transferred or disposed of except pursuant to an effective registration statement under the Act and any applicable state securities laws, or an opinion of counsel satisfactory to the issuer that an exemption from registration under the Act and any applicable state securities laws is available."

3.2 Representations and Warranties of the Buyer. The Buyer represents and warrants to the Seller as follows:

3.2.1 Authorization, etc. The Buyer has the power and authority to execute and deliver this Agreement and each of the Collateral Documents to which it is a party, to perform fully its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by the Buyer of this Agreement and the Collateral Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by all requisite action of the Buyer. The Buyer has duly executed and delivered this Agreement and each of the Collateral Documents to which it is a party. This Agreement is a legal, valid and binding obligation of the Buyer, enforceable against it in accordance with its terms, except that (a) such enforcement may be subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the exercise of judicial discretion by the court before which any proceeding therefore may be brought.

3.2.2 Organization. At the time of signing of this Agreement, the Buyer is a California corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation with full power and authority to carry on its business and to own or lease and to operate its properties as and in the places where such business is conducted and such properties are owned, leased or operated, except where a failure to so qualify would not be material to Buyer. At the time of Closing, the Buyer will be a Florida corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation with full power and authority to carry on its business and to own or lease and to operate its properties as and in the places where such business is conducted and such properties are owned, leased or operated, except where a failure to so qualify would not be material to Buyer.

3.2.3 No Conflicts, etc. The execution, delivery and performance by the Buyer of this Agreement and each of the Collateral Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not conflict with or result in a violation of or a default under (with or without the giving of notice or the lapse of time or both) (i) any Applicable Law applicable to the Buyer, (ii) the certificate of incorporation or by-laws of the Buyer in effect at the time of signing and of Closing of this Agreement, or (iii) any Contract or other contract, agreement or other instrument to which the Buyer or any Affiliate thereof is a party or by which the Buyer may be bound or effected. No Governmental Approval or other Consent is required to be obtained or made by the Buyer in connection with the execution and delivery of this Agreement and the Collateral Documents or the consummation of the transactions contemplated hereby and thereby.

3.2.4 Disclosure. No representation or warranty by the Buyer contained in this Agreement or in any Collateral Document to which it is a party, and no certificate, schedule, list, report, instrument, or other document furnished by the Buyer to the Seller pursuant hereto or thereto or in connection with the transactions contemplated hereby or thereby, contains any

untrue statement of material fact, or omits to state a material fact necessary in order to make the statements and information contained herein or therein not misleading.

3.2.5 Issuance of the Shares. The Shares are duly authorized and, when issued and paid for in accordance with this Agreement, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens and shall not be subject to preemptive rights or similar rights of shareholders.

3.2.6 Capitalization. The number of shares and type of all authorized, issued and outstanding capital stock of the Buyer (whether or not presently convertible into or exercisable or exchangeable for shares of capital stock of the Buyer) is set forth in Schedule 3.2.6. All outstanding shares of capital stock are duly authorized, validly issued, fully paid and non-accessible. Except as disclosed in Schedule 3.2.6, there are no outstanding options, warrants, script rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, any shares of Common Stock, or contracts, commitments, understandings or arrangements by which the Buyer is or may become bound to issue additional shares of Common Stock, or securities or rights convertible or exchangeable into shares of Common Stock except for those convertible notes on Schedule 3.2.6 which will be converted to Common Stock in connection with the Closing. There are no anti-dilution or price adjustment provisions contained in any security issued by the Buyer (or in any agreement providing rights to security holders). The issue and sale of the Shares will not obligate the Buyer to issue shares of Common Stock or other securities to any Person (other than the Seller) and will not result in a right of any holder of Buyer securities to adjust the exercise, conversion, exchange or reset price under such securities except as may be provided on Schedule 3.2.6.

3.2.7 Absence of Material Adverse Developments. At Closing, the Buyer shall have no liabilities, except the convertible notes being converted to Buyer’s common stock upon the Closing. Since December 31, 2007, except as set forth on Schedule 3.2.7, (i) there has been no event, occurrence or development that, to the Buyer's knowledge, individually or in the aggregate, has had or that would result in a Material Adverse Effect to the Buyer, (ii) the Buyer has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Buyer's financial statements pursuant to GAAP or required to be disclosed in filings made with the Commission, (iii) the Buyer has not altered its method of accounting or the identity of its auditors, (iv) the Buyer has not declared or made any dividend or distribution of cash or other property to its shareholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock, and (v) the Buyer has not issued any equity securities or incurred any liability or obligation direct or contingent, for borrowed money, or entered into any transaction other than in the ordinary course of business.

3.2.8 Absence of Litigation. There is no action, suit, claim, proceeding, inquiry or, to the Buyer's knowledge, investigation before or by any court, public board, Government Authority, self-regulatory organization or body pending or, to the Knowledge of the Buyer, threatened against or affecting the Buyer that could, individually or in the aggregate, have a Material Adverse Effect on the Buyer, or against or relating to the transactions contemplated by this Agreement.

3.2.9 Compliance. The Buyer is not (i) in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Buyer), nor has the Buyer received written notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) in violation of any order of any court, arbitrator or Governmental Authority, or (iii) in violation of Applicable Law, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not, individually or in the aggregate, have or result in a Material Adverse Effect.

3.2.10 Tax Matters.

(a) Except as set forth on Schedule 3.2.10:

(i) Buyer has (x) timely filed (or there has been filed on its behalf) all tax returns required to be filed by it (taking into account valid extensions) and all tax returns are true and correct, and (y) paid (or there has been paid on its behalf) in full all taxes required to be paid by it;

(ii) No deficiency for any taxes has been proposed, asserted or assessed against Buyer that has not been reserved for or paid in full. No waiver, extension or comparable consent given by Buyer regarding the application of the statute of limitations with respect to any taxes or tax return is outstanding, nor is any request for any such waiver or consent pending; and

(iii) There are no federal, state, local or foreign audits, actions, suits, proceedings, investigations, claims or administrative proceedings relating to taxes or any tax returns of Buyer now pending, and Buyer has not received any notice of any proposed audits, investigations, claims or administrative proceedings relating to taxes or any tax returns.

3.2.11 Employee Benefit Plans. The Buyer does not have any employee benefit plans (including, but without limitation, profit sharing and wealth or benefit plans), or deferred compensation arrangements that are subject to the provisions of the Employee Retirement Income Security Act of 1974.

3.2.12 Trademarks. Buyer possesses no trademarks, service marks, copyrights, patient rights, trade secrets or other confidential information material to the conduct of its business that are subject to any outstanding order, ruling, decree, judgment or stipulation by or with any court, arbitrator, or administrative agency, or has been the subject of any litigation, whether or not resolved in favor of the Buyer.

3.2.13 No Violation. Buyer is not subject to any UCC liens in any jurisdiction which the Buyer has materials assets.

3.2.14 Market Makers. Schedule 3.2.14 provides appropriate contact information regarding any market maker in the Buyer's capital securities.

ARTICLE IV

OBLIGATIONS OF SELLER AT CLOSING

At the Closing, subject to Article IV hereof, the Seller will deliver to the Buyer the following:

4.1 Resolutions. Copies of the corporate resolutions and shareholder resolutions necessary to authorize the execution, delivery and performance of this Agreement and the applicable Collateral Documents by the Seller.

4.2 Consents. Copies of (i) all Governmental Approvals required to be obtained by the Seller and/or the Seller's agents in connection with the execution and delivery of this Agreement and the Collateral Documents and the consummation of the transactions contemplated hereby and thereby and (ii) all Consents (including, without limitation, all Consents required under any Contract) necessary to be obtained in order to consummate the sale and transfer of the Assets pursuant to this Agreement and the Collateral Documents and the consummation of the transactions contemplated hereby and thereby.

4.3 Transfer Documents. All documents, certificates and agreements necessary to transfer to the Buyer good and marketable title to the Assets, free and clear of any and all Liens or Encumbrances thereon, including without limitation, a bill of sale, assignment and general conveyance, in form and substance reasonably satisfactory to the Buyer, dated the Closing Date (the "Bill of Sale"), and assignments with respect to the Intellectual Property Assets (including an assignment of Intellectual Property as generally identified under the categories in subsections (c) - (h) in the definition of Intellectual Property Assets, a trademark assignment and an assignment of patent and patent applications; collectively, the "Intellectual Property Assignments").

ARTICLE V

OBLIGATIONS OF BUYER AT CLOSING

At the Closing, the Buyer will deliver to the Seller the following:

5.1 Shares and Preferred Shares. A certificate or certificates as directed by Seller for a total of (a) 33,000,000 shares of Buyer's Common Stock, (b) 500,000 shares of Series A Convertible Preferred Stock and (c) 1,000 shares of Series B Preferred Stock.

5.2 Investment and Commitments. The purchase price of One Hundred Thousand Dollars ($100,000), payable in connection with the Asset Purchase Agreement by and between the Buyer and The Hamlet Group, Inc. ("Hamlet"), pertaining to the sale of certain assets of the Buyer to close concurrently with the Closing hereof. Additionally, Buyer shall have received binding commitments for the investment in Buyer of an additional Two Hundred Thousand Dollars ($200,000), at least half to be invested within thirty (30) days of Closing and the balance to be invested within sixty (60) days of Closing, subject to an Escrow Agreement and 24-month Lock-Up and Leak-Out Agreement, both of which shall be delivered to the Seller at Closing.

5.3 Resolutions. Copies of the corporate resolutions necessary to authorize the execution, delivery and performance of this Agreement and the applicable Collateral Documents by the Buyer.

5.4 Florida Filings and Recapitalization. Certified Articles of Incorporation and a Certificate of Good Standing with respect to the Buyer from the State of Florida, and well as evidence of a completed 1:10,000 reverse stock split.

5.5 Opinion of Counsel. Opinions of counsel in form reasonably satisfactory to the Seller with respect to (a) the conversion of debt of the Buyer to common stock of the Buyer, and (b) the capitalization and authorized issuance of shares of the Buyer.

5.6 Officers Certificate. Buyer shall provide an officers' certificate dated as of the Closing Date setting forth the fulfillment of certain conditions and provisions under this Agreement reasonably acceptable to Seller.

5.7 Balance Sheet; Evidence of Restructuring. Financial statements current to the date of Closing, and a balance sheet dated as of the Closing Date reflecting no Company liabilities, and evidence satisfactory to Seller that Buyer has recapitalized as contemplated by the Term Sheet.

5.8 Resignation. The written resignation of all current officers and directors of Buyer and the appointment of certain representatives of the Seller to the Buyer's Board of Directors, as instructed by the Seller.

ARTICLE VI

CONDITIONS PRECEDENT AND SUBSEQUENT

6.1 Conditions Precedent to Parties' Obligations. Each and every obligation of the Parties under this Agreement shall be subject to the satisfaction on or prior to the Closing Date of the following conditions precedent:

(a) Approvals, Consents and Filing. Any filing, approval or consent with or from any Governmental Authority, which is required in respect of the transactions provided for in this Agreement, shall have been made and obtained.

(b) Action Against Consummation of Transaction. No preliminary or permanent injunction, restraining order, or other order of any court, regulatory body or agency in any applicable jurisdiction which prevents the consummation of the transactions contemplated by this Agreement shall have been issued and remain in effect, and no action or proceeding to obtain such an order shall be pending or threatened.

(c) Performance of Conditions, etc. If any condition, obligation or covenant of the Seller and/or the Buyer to be performed by them at or prior to the Closing set forth in this Article VI shall not have been fulfilled or performed by such time, each Party hereto shall be released from all obligations under this Agreement. Notwithstanding the foregoing, the Parties hereto shall be entitled to mutually waive compliance with any of such conditions, obligations or covenants in whole or in part if they see fit to do so without prejudice to any of their rights of termination in the event of non-performance in whole or in part of any other condition, obligation, or covenant.

(d) Employment Agreements. Harry Schoell and Frankie Fruge shall have agreed to the employment agreements with the Buyer, the terms of such employment

agreements substantially in the forms attached hereto and the agreements shall be executed at Closing.

(e) Resignations of Officers and Directors and Appointment of New Directors. The officers and directors of the Buyer shall provide resignations and appoint the designees of the Seller to serve as directors of the Buyer effective upon Closing.

6.2 Conditions for Benefit of the Buyer. The purchase and sale of the Assets by the Buyer is subject to the following conditions to be fulfilled or performed at or prior to the Closing, which conditions are for the exclusive benefit of the Buyer and may be waived in whole or in part by the Buyer in its sole discretion:

(a) Truth of Representations and Warranties of the Seller. The representations and warranties of the Seller contained in Section 3.1 shall be true and complete as of the Closing Date.

(b) Performance of Agreements. The Seller shall have duly performed any and all obligations and covenants set forth hereunder to be performed by it at or prior to the Closing.

(c) Deliveries to the Buyer. The Buyer shall have received all of the items set forth in Article IV.

6.3 Conditions for the Benefit of the Seller. The purchase and sale of the Assets is subject to the following conditions to be fulfilled or performed at or prior to the Closing, which conditions are for the exclusive benefit of the Seller and may be waived in whole or in part by the Seller in their sole discretion:

(a) Truth of Representations and Warranties of the Buyer. The representations and warranties of the Buyer contained in Section 3.2 shall be true and complete as of the Closing Date.

(b) Performance of Agreements. The Buyer shall have duly performed any and all obligations and covenants set forth hereunder to be performed by it at or prior to the Closing.

(c) Deliveries to the Seller. The Buyer shall have delivered or caused to be delivered to the Seller and/or the Seller's agents the items set forth in Article V.

(d) Due Diligence. Seller shall have completed its due diligence to its satisfaction.

ARTICLE VII

INDEMNIFICATION

7.1 Indemnification.

(a) By the Seller. The Seller covenants and agrees to defend, indemnify and hold harmless the Buyer and its Affiliates, as well as their respective shareholders, officers, directors, employees, agents, advisers and representatives (collectively, the "Buyer Indemnitees") from and against, and pay or reimburse the Buyer Indemnitees for, any and all claims, liabilities, obligations, losses, fines, costs, royalties, proceedings, deficiencies or damages (whether absolute, accrued, conditional or otherwise and whether or not resulting from third party claims), including out-of-pocket expenses and reasonable attorneys' and accountants' fees incurred in the investigation or defense of any of the same or in asserting any of their respective rights hereunder (collectively, "Losses"), resulting from, arising out of or in connection with:

(i) any inaccuracy of any representation or warranty made by the Seller and/or the Seller herein or under any Collateral Document or in connection herewith or therewith;

(ii) any failure of the Seller and/or the Seller to perform any covenant or agreement hereunder or under any Collateral Document or fulfill any other obligation in respect hereof or thereof.

(b) By the Buyer. The Buyer covenants and agrees to defend, indemnify and hold harmless the Seller and their respective officers, directors, employees, agents, advisers and representatives (collectively, the "Seller Indemnitees") from and against, and pay or reimburse the Seller Indemnitees for, any and all claims, liabilities, obligations, losses, fines, costs, royalties, proceedings, deficiencies or damages (whether absolute, accrued, conditional or otherwise and whether or not resulting from third party claims), including out-of-pocket expenses and reasonable attorneys' and accountants' fees incurred in the investigation or defense of any of the same or in asserting any of their respective rights hereunder (collectively, "Losses") resulting from or arising out of:

(i) any inaccuracy of any representation or warranty made by the Buyer herein or under any Collateral Document or in connection herewith or therewith; or

(ii) any failure of the Buyer to perform any covenant or agreement made hereunder or under any Collateral Document or fulfill any other obligation in respect hereof or thereof;

(c) Indemnification Procedures. In the case of any claim asserted by a third party against a party entitled to indemnification under the Agreement (the "Indemnified Party"), notice shall be given by the Indemnified Party to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and the Indemnified Party shall permit the Indemnifying Party (at the expense of such Indemnifying Party) to assume the defense of any claim or any litigation resulting therefrom, provided that (i) the counsel for the Indemnifying Party who shall conduct the defense of such claim or litigation shall be reasonably satisfactory to the Indemnified Party, (ii) the Indemnified Party may participate in such defense

at such Indemnified Party's expenses, and (iii) the omission by any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its indemnification obligation under this Agreement. Except with the prior written consent of the Indemnified Party, no Indemnifying Party, in the defense of any such claim or litigation, shall consent to entry of any judgment or enter into any settlement that provides for injunctive or other nonmonetary relief affecting the Indemnified Party or that does not include as an unconditional term thereof the giving by each claimant or plaintiff to such Indemnified Party of a release from all liability with respect to such claim or litigation. In the event that the Indemnified Party shall in good faith determine that the conduct of the defense of any claim subject to indemnification hereunder or any proposed settlement of any such claim by the Indemnifying Party might be expected to affect adversely the Indemnified Party, the Indemnified Party shall have the right at all times to take over and assume control over the defense, settlement, negotiations or litigation relating to any such claim at the sole cost of the Indemnifying Party, provided that if the Indemnified Party does so take over and assume control, the Indemnified Party shall not settle such claim or litigation without the written consent of the Indemnifying Party, such consent not to be unreasonably withheld. In the event that the Indemnifying Party does not accept the defense of any matter as above provided, the Indemnified Party shall have the full right to defend against any such claim or demand and shall be entitled to settle or agree to pay in full such claim or demand and the Indemnifying Parties shall remain responsible for any Losses the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of or caused by any such claim or demand to the fullest extent provided in this Section 7.1. In any event, the Indemnifying Party and the Indemnified Party shall cooperate in the defense of any claim or litigation subject to this Section 7.1 and the records of each shall be available to the other with respect to such defense.

7.2 Survival of Representations and Warranties, etc. All of the representations and warranties contained in this Agreement shall survive the Closing and continue in full force and effect for a period of 12 months from Closing (subject to any applicable statute of limitations).

ARTICLE VIII

POST-CLOSING COVENANTS

8.1 Confidentiality. The Seller agrees that at all times after the Closing Date, except as relating to the operations of the Buyer, it shall not, directly or indirectly in any way utilize, disclose, copy, reproduce or retain in its possession any of the business records, Intellectual Property Assets or other Assets acquired by the Buyer hereunder. Seller agrees and acknowledges that the restrictions contained in this Section 8.1 are reasonable in scope and duration, and are necessary to protect the Buyer.

8.2 Remedies. If the Seller directly or indirectly breaches the covenants set forth in Section 8.1, the Buyer will be entitled to the following remedies: (a) damages from the Seller, jointly and severally; and (b) in addition to its right to damages and any other rights it may have, to obtain injunctive or other equitable relief to restrain any breach or threatened breach or otherwise to specifically enforce the provisions of Section 8.1, it being agreed that money damages alone would be inadequate to compensate the Buyer and would be an inadequate remedy for such breach. The rights and remedies provided herein are cumulative and not alternative.

8.3 Reverse Stock Split. For a period of 24 months from the Closing Date, Buyer shall not authorize any stock split or recapitalizations.

8.4 Issuance of Securities. Except as otherwise contemplated under this Agreement and the agreements referenced under Section 6.1(d), the Buyer shall not authorize the issuance of any additional securities of the Buyer for a consideration less than .25 cents per share for a period of 12 months from the date of Closing except for an employee stock incentive plan which may provide for issuances of up to 10% of the total outstanding shares based upon a reasonable incentive and success plan.

8.5 Further Assurances. Following the Closing Date, the Seller shall, and shall cause each of its Affiliates to, from time to time, execute and deliver such additional instruments, documents, conveyances or assurances and take such other actions as shall be necessary, or otherwise reasonably requested by the Buyer, to confirm and assure the rights and obligations provided for in this Agreement and in the Collateral Documents and render effective the consummation of the transactions contemplated hereby and thereby.

ARTICLE IX

MISCELLANEOUS

9.1 Expenses. Subject to the terms and provisions of this Agreement, the Seller, on the one hand, and the Buyer, on the other hand, shall bear their respective expenses, costs and fees (including attorneys', auditors' and financing commitment fees) in connection with the preparation, execution and delivery of this Agreement and compliance herewith.

9.2 Severability. If any provision of this Agreement, including any phrase, sentence, clause, Section or subsection is inoperative or unenforceable for any reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

9.3 Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered personally, (b) mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, (c) sent by reputable, nationally recognized next-day or overnight mail or delivery, (d) sent by telecopy or telegram, or (e) sent by email.

if to the Buyer to:

James DiPrima, President
Coastal Technologies, Inc.
1018 So. 90th St.
Omaha, Nebraska 68114
Email: jdiprima001@msn.com

with a copy to:

Thomas F. Pierson, P.C.
1140 Highway 287 Suite 400
Broomfield, Co. 80020
Fax: 240-266-5659
Email: Thomaspiersonpc@yahoo.com

if to the Seller to:

Harry Schoell
601 NE 26th Court
Pompano Beach, Fl. 33064

frankie@cyclonepower.com

with a copy to: Mr. Christopher M. Nelson , Esq.
2705 SW 22 Avenue
Miami, Florida 33133
Email: chris@cnelsonlegal.com

or, in each case, at such other address as may be specified in writing to the other Parties hereto.

All such notices, requests, demands, waivers and other communications shall be deemed to have been received (w) if by personal delivery on the date of such delivery, (x) if by certified or registered mail, on the fifth (5^{th}) day after the mailing thereof, (y) if by next-day or overnight mail or delivery, on the day delivered, (z) if by telecopy or telegram, on the next day following the day on which such telecopy or telegram was sent, provided that a copy is also sent by certified or registered mail.

9.4 Headings. The headings contained in this Agreement are for purposes of convenience only and shall not affect the meaning or interpretation of this Agreement.

9.5 Entire Agreement. This Agreement (including the Exhibits and Schedules hereto) and the Collateral Documents, will (when executed and delivered) constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the Parties with respect to the subject matter hereof and thereof.

9.6 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall together constitute one and the same instrument.

9.7 Governing Law, etc. This Agreement shall be governed in all respects, including as to validity, under the laws of the State of Florida without giving effect to the conflict of laws rules thereof. The Buyer and the Seller hereby irrevocably submit to the jurisdiction of the courts of the State of Florida and the Federal courts of the United States of America located in the State of Florida, solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by said courts, and the Parties hereto irrevocably agree that all claims with respect to such action, suit or proceeding shall be heard and determined in such court in Broward County or Palm Beach County, Florida. The Buyer and the Seller hereby consent to and grant any such court jurisdiction over the person of such Parties and over the subject matter of any such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 9.3, or in such other manner as may be permitted by law, shall be valid and sufficient service thereof. Should it become necessary for any party to institute legal action or enforce the terms and conditions of this Agreement, the successful Party will be entitled to reasonable attorneys' fees and costs.

9.8 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

9.9 Assignment. This Agreement shall not be assignable by either Party without the prior written consent of the other Party, which consent may be withheld in such Party's sole discretion.

9.10 No Third Party Beneficiaries. Except as provided in Article VII with respect to indemnification of Indemnified Parties hereunder, nothing in this Agreement shall confer any rights upon any person or entity other than the Parties hereto and their respective successors and permitted assigns.

9.11 Amendment; Waivers, etc. No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by the Party against whom enforcement of the amendment, modification, discharge or waiver is sought. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the Party granting such waiver in any other respect or at any other time. Neither the waiver by any of the Parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure by any of the Parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any of such provisions, rights or privileges hereunder. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any Party may otherwise have at law or in equity. The representations and warranties of the Buyer and the Seller shall not be affected or deemed waived by reason of any investigation made by or on behalf of such Party (including but not limited to by any of its advisors, consultants or representatives) or by reason of the fact that such Party or any of such advisors, consultants or representatives knew or should have known that any such representation or warranty is or might be inaccurate.

9.12 Termination. Either Party may terminate this Agreement without penalty in the event that the Closing does not occur within fifteen (15) business days of the date of this Agreement.

(Signatures on following page)

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the date first above written.

BUYER:

Coastal Technologies, Inc.,
a California corporation

By: /s/ James DiPrima
Name: James DiPrima
Title: President

SELLER:

Cyclone Technologies, LLLP,
a Florida limited liability limited partnership

By: Schoell Consulting, Inc.,
its General Partner

By: /s/ Harry Schoell
Name: Harry Schoell
Title: President

EXHIBIT A
SCHEDULE 3.1.10
INTELLECTUAL PROPERTY ASSETS

PATENT PROPERTIES

United States Patent/Patent Applications:

APPLiICATION SERIAL OR PATENT NUMBER	TITLE
Patent 7,080,512	HEAT REGENERATIVE ENGINE
Ser.No. 60/840,786	MINI TURBINE GENERATOR
Ser.No. 11/410,224	CENTRIFUGAL CONDENSER
Ser.No. 11/416,039	STEAM GENERATOR MULTI-TURBINE FIREBOX
Ser.No. 11/509,202	SPLITTER VALVES
Ser.No. 11/509,207	EXHAUST AND PRE-HEATER COIL
	ENGINE SHROUD WITH AIR/HEAT EXCHANGER
	VALVE CONTROL THROTTLE
	ENGINE REVERSE AND TIMING
	CLEARANCE VOLUME VALVES
	ROD JOURNAL AND SPIDER BEARING
	CRANKSHAFT JOURNAL 2 CYLINDER
Ser.No. 11/489,335	Heat Regenerative Engine (Continuation Pat. Appl. Based on Pat. No. 7,080,512)

*** Denotes claim to Domestic Priority Based on Filing Date of Pat. No. 7,080,512**

TRADEMARKS

TRADEMARK	APPLICATION/REGISTER NO.	FILING/REGISTER DATE	CLASS/GOODS	STATUS
LOGO	Serial No. 76/672,589	Filed 02/12/2007	Int'l Class 007	Pending
CYCLONE TECHNOLOGIES	Serial No. 76/672,592	Filed 02/12/2007	Int'l Class 007	Pending

All trademarks, service marks, trade dress, product packaging, motifs, designs, logos, product designation and names, slogans, trade and business names, including all good will associated therewith, and all similar intangible assets including, but not limited to the following common law marks and all good will therein.

EXHIBIT A
SCHEDULE 3.1.10
INTELLECTUAL PROPERTY ASSETS

PATENT PROPERTIES

International And Other Foreign Patent Application

COUNTRY	APPLICATION/SERIAL NO.	TITLE	FILING DATE (BASED ON U.S. PRIORITY)
PCT TREATY		**CENTRIFUGAL CONDENSER**	
PCT TREATY		**STEAM GENERATOR MULTI-TURBINE FIREBOX**	
CANADA	Not available	**HEAT REGENERATIVE ENGINE**	February 16, 2007
CHINA	Not available	**HEAT REGENERATIVE ENGINE**	March 12, 2007
INDONESIA	W-00200700847	**HEAT REGENERATIVE ENGINE**	March 14, 2007
JAPAN	Not available	**HEAT REGENERATIVE ENGINE**	March 13, 2007
BRAZIL	P10515305-0	**HEAT REGENERATIVE ENGINE**	March 14, 2007
INDIA	1949/DELNP/2007	**HEAT REGENERATIVE ENGINE**	March 14, 2007
AUSTRALIA	Not available	**HEAT REGENERATIVE ENGINE**	Not available
MEXICO	MX/a/2007/002914	**HEAT REGENERATIVE ENGINE**	March 12, 2007
REPUBLIC OF KOREA	Not available	**HEAT REGENERATIVE ENGINE**	Not available
RUSSIAN FEDERATION	2007113654	**HEAT REGENERATIVE ENGINE**	April 12, 2007
SOUTH AFRICA	Not available	**HEAT REGENERATIVE ENGINE**	Not available
EU-15 AUSTRIA GERMANY NETHERLANDS BELGIUM GREECE PORTUGAL DENMARK IRELAND SPAIN FINLAND ITALY	05 798 796.8	**HEAT REGENERATIVE ENGINE**	March 14, 2007

SWEDEN FRANCE LUXEMBOURG UNITED KINGDOM			

***International Filing Date of September 14, 2005 is the considered the filing date in this country based on right of priority**

Copyrights

All rights of copyright, copyrightable subject matter (including software) and registrations thereof throughout the world for the full term thereof including all renewals, for all tangible things used in, held for use in connection with, or necessary for the conduct of, or otherwise material to the Buyer's proposed business.

General

All other Intellectual Property of Seller as defined in categories (c) through (h) of the definition of Intellectual Property Assets.

EXHIBIT B

CERTIFICATE OF DESIGNATION FOR SERIES A PREFERRED STOCK

[Filed with Pink Sheets on August 27, 2007]

EXHIBIT C

CERTIFICATE OF DESIGNATION FOR SERIES B PREFERRED STOCK

[Filed with Pink Sheets on August 27, 2007]

Schedule 3.2.6

Equity Capitalization of Buyer, Including Outstanding Options, Etc.

Schedule 3.2.7

Exceptions to the Absence of Material Adverse Developments for Buyer

None

Schedule 3.2.11

Buyer's Tax Matters Exceptions

None

Schedule 3.2.14

Buyer's Market Makers

YES
SBSH, ETRD,UBSS,AUTO DOMS,NITE,RBCM,FEFF,MAXM,
VFIN,FRAN,HDSN,GNLN,HILL
BMAS,ABLE

As of June 4, 2007

Exhibit E-2

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is made and entered into as of July 2, 2007 by and among, Cyclone Power Technologies Inc., a Florida corporation (the "Seller") and The Hamlet Group, Inc. a Florida corporation, referred to herein as the ("Buyer").

W I T N E S S E T H:

WHEREAS, the Seller owns certain assets and intellectual property; and

WHEREAS, the Buyer wishes to purchase or acquire from the Seller and the Seller wish to sell, assign and transfer to the Buyer, the assets and related intellectual properties itemized on Exhibit A upon the terms and subject to the conditions hereinafter set forth pertaining to software originally developed for Coastal Technologies, Inc. pertaining to the handling and management of Medicare and Medicaid billing for, among others, chiropractors.

NOW, THEREFORE, in consideration of the mutual covenants, representations and warranties made herein, and of the mutual benefits to be derived hereby, the parties hereto agree as follows:

DEFINITIONS

The terms defined below, whenever used in this Agreement (including the Exhibits and Schedules attached hereto), shall have the respective meanings indicated below for all purposes of this Agreement. All references herein to a Section, Article, Exhibit or Schedule are to a Section, Article, Exhibit or Schedule of or to this Agreement, unless otherwise indicated.

Affiliate: of a Person shall mean a Person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the first Person. "Control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of voting securities, by contract or credit arrangement, or otherwise.

Agreement: shall have the meaning provided in the first paragraph, above.

Applicable Law: shall mean all applicable provisions of all (i) constitutions, treaties, statutes, laws (including the common law), rules, regulations, ordinances, codes or orders of any Governmental Authority, (ii) Governmental Approvals and (iii) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Governmental Authority.

Assets: shall have the meaning provided in Section 1.1.

Bill of Sale; Assignment and Assumption: shall have the meaning provided in Section 4.3.

Buyer: shall mean The Hamlet Group, Inc., a Florida corporation, and any of its successors and assigns.

Buyer Indemnitees: shall have the meaning provided in Section 7.1(a).

Closing: shall have the meaning provided in Section 2.1.

Closing Date: shall have the meaning provided in Section 2.1.

Code: shall mean the Internal Revenue Code of 1986, as amended.

Collateral Documents: shall mean the Bill of Sale and the Intellectual Property Assignments.

Confidential Information: shall mean any information (in any form whatsoever) concerning the Assets and each Seller's business and affairs that is not already generally available to the public.

Consent: shall mean any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, exemption or order of registration, certificate, declaration or filing with, or report or notice to, any Person, including but not limited to any Governmental Authority.

Contract: shall mean all agreements and contracts related to each Seller's Assets, whether oral or written.

Governmental Approval: shall mean any Consent of, with or to any Governmental Authority.

Governmental Authority: shall mean any nation or government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any government authority, agency, department, board, commission or instrumentality of the United States, any State of the United States or any political subdivision, thereof, and any tribunal or arbitrator(s) of competent jurisdiction, and any self-regulatory organization.

Indemnified Party: shall have the meaning provided in Section 7.1(c).

Indemnifying Party: shall have the meaning provided in Section 7.1(c).

IRS: shall mean the Internal Revenue Service.

Knowledge: shall mean the actual knowledge of the relevant Person after due inquiry.

Lien: shall mean any mortgage, pledge, hypothecation, right of others, claim, security interest, encumbrance, lease, sublease, license, occupancy agreement, adverse claim or interest, easement, covenant, encroachment, burden, title defect, title retention agreement, voting, trust agreement, interest, equity, option, lien, right of first refusal, charge or other restrictions or limitations of any nature whatsoever, including but not limited to such as may arise under any Contracts.

Person: shall mean any natural person, firm, partnership, association, corporation, company, limited liability company, trust, business trust, Governmental Authority or other entity.

Seller: shall mean Cyclone Power Technologies, Inc. a Florida corporation.

Seller Indemnitees: shall have the meaning provided in Section 7.1(b).

Tax: shall mean any federal, state, provincial, local, foreign or other income, alternative, minimum, accumulated earnings, personal holding company, franchise, capital stock, net worth, capital, profits, windfall profits, gross receipts, value added, sales, use, goods and services, excise, customs duties, transfer, conveyance, mortgage registration, stamp, documentary, recording, premium, severance, environmental (including taxes under Section 59A of the Code), real property, personal property, ad valorem, intangibles, rent, occupancy, license, occupational, employment, unemployment insurance, social security, disability, workers' compensation, payroll, health care, withholding, estimated or other similar tax, duty or other governmental charge or assessment or deficiencies thereof, whether computed on a separate or consolidated, unitary or combined basis or in any other manner, including any and all interest and penalties thereon and additions thereto, whether disputed or not and including any obligation to assume or succeed to the Tax liability of any other Person.

Treasury Regulations: shall mean the United States income Tax regulations (including temporary regulations) promulgated by the IRS.

ARTICLE I

SALE AND PURCHASE OF THE ASSETS

9.13 Assets. Subject to the terms, conditions and qualifications set forth herein and for the consideration set forth in Article II hereof, Seller agrees to convey, transfer, assign and deliver to the Buyer at the Closing all of each Seller's right, title and interest in and to the assets specifically described on Exhibit A herein (the foregoing items are collectively referred to herein as the "Assets"). The Assets transferred pursuant to this Agreement shall be sold and conveyed to the Buyer free and clear of all Liens or Encumbrances of any nature or description. The Assets shall specifically exclude any and all assets, intellectual property and the like transferred from Cyclone Technologies LLLP pursuant to that certain Asset Purchase Agreement between the Setter and Cyclone dated June 7, 2007 (the "Cyclone Agreement").

9.14 Liabilities. Along with the Assets being transferred hereby, the Buyer shall assume any liabilities, including legal fees and costs, associated with that certain litigation by and between the Seller and Smartdata, Inc., and Dr. Steve Belovich. Seller and Buyer shall cooperate to resolve such litigation as expeditiously as possible.

ARTICLE X

THE CLOSING & CONSIDERATION

10.1 Date. The closing of the sale and purchase of the Assets (the "Closing") shall take place as of the date of this Agreement.

10.2 Consideration. In consideration of the sale, assignment, conveyance and delivery by the Seller of the Assets to Buyer pursuant to the terms and conditions of this Agreement on the Closing Date, the Buyer shall pay a total consideration of One Hundred Thousand ($100,000.00) dollars.

ARTICLE XI

REPRESENTATIONS AND WARRANTIES

11.1 Representations and Warranties of the Seller. Seller represents, warrants and covenants to the Buyer as follows:

11.1.1 Authorization, etc. The Seller has the power and authority to execute and deliver this Agreement and each of the Collateral Documents to which it is a party, to perform fully its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by the Seller of this Agreement and the Collateral Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by all requisite legal actions. The Seller has duly executed and delivered this Agreement and each of the Collateral Documents to which it is a party. This Agreement is a legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with its terms, except that (a) such enforcement may be subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the exercise of judicial discretion by the court before which any proceeding therefore may be brought.

11.1.2 Organization. The Seller is a Florida corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation with full power and authority to carry on its business and to own or lease and to operate its properties as and in the places where such business is conducted and such properties are owned, leased or operated.

11.2 Representations and Warranties of the Buyer. The Buyer represents and warrants to the Seller as follows:

11.2.1 Authorization, etc. The Buyer has the power and authority to execute and deliver this Agreement and each of the Collateral Documents to which it is a party, to perform fully its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by the Buyer of this Agreement and the Collateral Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by all requisite action of the Buyer. The Buyer has duly executed and delivered this Agreement and each of the Collateral Documents to which it is a party. This Agreement is a legal, valid and binding obligation of the Buyer, enforceable against it in accordance with its terms, except that (a) such enforcement may be subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the exercise of judicial discretion by the court before which any proceeding therefore may be brought.

11.2.2 Organization. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation with full power and authority to carry on its business and to own or lease and to operate its properties as and in the places where such business is conducted and such properties are owned, leased or operated.

ARTICLE XII

OBLIGATIONS AT CLOSING

At the Closing, each of the Seller and Buyer will deliver to the other the following:

12.1 Resolutions. Copies of the corporate resolutions and shareholder resolutions necessary to authorize the execution, delivery and performance of this Agreement and the applicable Collateral Documents by the Seller and the Buyer.

12.2 Transfer Documents. All documents, certificates and agreements necessary to transfer to the Buyer good and marketable title to the Assets, including without limitation, a bill of sale, assignment and general conveyance

12.3 Purchase Price. The Buyer shall deliver to the Seller the purchase price.

ARTICLE XIII

INDEMNIFICATION

13.1 Indemnification.

(a) By the Seller. The covenants and agrees to defend, indemnify and hold harmless the Buyer and its Affiliates, as well as their respective shareholders, officers, directors, employees, agents, advisers and representatives (collectively, the "Buyer Indemnitees") from and against, and pay or reimburse the Buyer Indemnitees for, any and all claims, liabilities, obligations, losses, fines, costs, royalties, proceedings, deficiencies or damages (whether absolute, accrued, conditional or otherwise and whether or not resulting from third party claims), including out-of-pocket expenses and reasonable attorneys' and accountants' fees incurred in the investigation or defense of any of the same or in asserting any of their respective rights hereunder (collectively, "Losses"), resulting from, arising out of or in connection with:

(i) any inaccuracy of any representation or warranty made by the Seller and/or the Seller herein or under any Collateral Document or in connection herewith or therewith;

(ii) any failure of the Seller and/or the Seller to perform any covenant or agreement hereunder or under any Collateral Document or fulfill any other obligation in respect hereof or thereof; or

(b) By the Buyer. The Buyer covenants and agrees to defend, indemnify and hold harmless the Seller and their respective officers, directors, employees, agents, advisers and representatives (collectively, the "Seller Indemnitees") from and against, and pay or reimburse the Seller Indemnitees for, any and all claims, liabilities, obligations, losses, fines, costs, royalties, proceedings, deficiencies or damages (whether absolute, accrued, conditional or otherwise and whether or not resulting from third party claims), including out-of-pocket expenses and reasonable attorneys' and accountants' fees incurred in the investigation or defense of any of the same or in asserting any of their respective rights hereunder (collectively, "Losses") resulting from or arising out of:

(i) any inaccuracy of any representation or warranty made by the Buyer herein or under any Collateral Document or in connection herewith or therewith; or

(ii) any failure of the Buyer to perform any covenant or agreement made hereunder or under any Collateral Document or fulfill any other obligation in respect hereof or thereof;

(c) Indemnification Procedures. In the case of any claim asserted by a third party against a party entitled to indemnification under the Agreement (the "Indemnified Party"), notice shall be given by the Indemnified Party to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and the Indemnified Party shall permit the Indemnifying Party (at the expense of such Indemnifying Party) to assume the defense of any claim or any litigation resulting therefrom, provided that (i) the counsel for the Indemnifying Party who shall conduct the defense of such claim or litigation shall be reasonably satisfactory to the Indemnified Party, (ii) the Indemnified Party may participate in such defense at such Indemnified Party's expenses, and (iii) the omission by any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its indemnification obligation under this Agreement. Except with the prior written consent of the Indemnified Party, no Indemnifying Party, in the defense of any such claim or litigation, shall consent to entry of any judgment or enter into any settlement that provides for injunctive or other nonmonetary relief affecting the Indemnified Party or that does not include as an unconditional term thereof the giving by each claimant or plaintiff to such Indemnified Party of a release from all liability with respect to such claim or litigation. In the event that the Indemnified Party shall in good faith determine that the conduct of the defense of any claim subject to indemnification hereunder or any proposed settlement of any such claim by the Indemnifying Party might be expected to affect adversely the Indemnified Party, the Indemnified Party shall have the right at all times to take over and assume control over the defense, settlement, negotiations or litigation relating to any such claim at the sole cost of the Indemnifying Party, provided that if the Indemnified Party does so take over and assume control, the Indemnified Party shall not settle such claim or litigation without the written consent of the Indemnifying Party, such consent not to be unreasonably withheld. In the event that the Indemnifying Party does not accept the defense of any matter as above provided, the Indemnified Party shall have the full right to defend against any such claim or demand and shall be entitled to settle or agree to pay in full such claim or demand and the Indemnifying Parties shall remain responsible for any Losses the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of or caused by any such claim or demand to the fullest extent provided in this Section 7.1. In any event, the Indemnifying Party and the Indemnified Party shall cooperate in the defense of any claim or litigation subject to this Section 7.1 and the records of each shall be available to the other with respect to such defense.

13.2 Survival of Representations and Warranties, etc. All of the representations and warranties contained in this Agreement shall survive the Closing and continue in full force and effect forever thereafter (subject to any applicable statute of limitations).

ARTICLE XIV

POST-CLOSING COVENANTS

14.1 Confidentiality. Each Seller agrees that at all times after the Closing Date, except as relating to the operations of the Buyer, it shall not, directly or indirectly in any way

utilize, disclose, copy, reproduce or retain in its possession any of the business records, Intellectual Property Assets or other Assets acquired by the Buyer hereunder. Each Seller agrees and acknowledges that the restrictions contained in this Section 7.1 are reasonable in scope and duration, and are necessary to protect the Buyer.

14.2 Remedies. If the Seller directly or indirectly breach the covenants set forth in Section 7.1, the Buyer will be entitled to the following remedies: (a) damages from the Seller, jointly and severally; and (b) in addition to its right to damages and any other rights it may have, to obtain injunctive or other equitable relief to restrain any breach or threatened breach or otherwise to specifically enforce the provisions of Sections 7.1, it being agreed that money damages alone would be inadequate to compensate the Buyer and would be an inadequate remedy for such breach. The rights and remedies provided herein are cumulative and not alternative.

14.3 Further Assurances. Following the Closing Date, each Seller shall, and shall cause each of its Affiliates to, from time to time, execute and deliver such additional instruments, documents, conveyances or assurances and take such other actions as shall be necessary, or otherwise reasonably requested by the Buyer, to confirm and assure the rights and obligations provided for in this Agreement and in the Collateral Documents and render effective the consummation of the transactions contemplated hereby and thereby.

ARTICLE XV

MISCELLANEOUS

15.1 Expenses. Subject to the terms and provisions of this Agreement, the Seller, on the one hand, and the Buyer, on the other hand, shall bear their respective expenses, costs and fees (including attorneys', auditors' and financing commitment fees) in connection with the preparation, execution and delivery of this Agreement and compliance herewith.

15.2 Severability. If any provision of this Agreement, including any phrase, sentence, clause, Section or subsection is inoperative or unenforceable for any reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

15.3 Notices. All notices, requests, demands, waivers and other communication required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered personally, (b) mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or (c) sent by reputable, nationally recognized next-day or overnight mail or delivery or (d) sent by telecopy or telegram.

if to the Seller to: Cyclone Power Technolgies, Inc.
601 NE 26th Ct. 33064
Pompano Beach, Fl.

with a copy to: Christopher Nelson, Esq.
Law Firm of Christopher M. Nelson
2520 Coral Way, #2200
Coral Gables, Florida 33145
T: 305-439-5559

F: 954-252-2266

if to the Buyer:

Robin Moody, President
The Hamlet Group, Inc.
1018 So. 90th St.
Omaha, Nebraska 68114
rmoody@rtechno.com

with a copy to:

Melissa K. Rice, Esq.
4770 Biscayne Blvd. Suite 1400
Miami, Florida
Ph. 305-576-6889
Mellisa K. Rice mkrice@mkrpa.com

or, in each case, at such other address as may be specified in writing to the other parties hereto.

All such notices, requests, demands, waivers and other communications shall be deemed to have been received (w) if by personal delivery on the date of such delivery, (x) if by certified or registered mail, on the fifth (5th) day after the mailing thereof, (y) if by next-day or overnight mail or delivery, on the day delivered, (z) if by telecopy or telegram, on the next day following the day on which such telecopy or telegram was sent, provided that a copy is also sent by certified or registered mail.

15.4 Headings. The headings contained in this Agreement are for purposes of convenience only and shall not affect the meaning or interpretation of this Agreement.

15.5 Entire Agreement. This Agreement (including the Exhibits and Schedules hereto) the Collateral Documents (when executed and delivered) constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

15.6 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall together constitute one and the same instrument.

15.7 Governing Law, etc. This Agreement shall be governed in all respects, including as to validity, under the laws of the State of Florida without giving effect to the conflict of laws rules thereof. The Buyer and the Seller hereby irrevocably submit to the jurisdiction of the courts of the State of Florida and the Federal courts of the United States of America located in the State of Florida, solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any of such document may not be enforced in or by said courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such court in Broward County or Palm Beach County, Florida. The Buyer and the Seller hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of any such dispute and

agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 7.3, or in such other manner as may be permitted by law, shall be valid and sufficient service thereof. Should it become necessary for any party to institute legal action or enforce the terms and conditions of this Agreement, the successful party will be entitled to reasonable attorneys' fees and costs.

15.8 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and there respective successors and permitted assigns.

15.9 Assignment. This Agreement shall be freely assignable or transferable by the Buyer to, and shall inure to the benefit of, and be binding upon any other corporate entity that shall succeed to the business presently being operated by the Buyer. This Agreement shall not be assignable by the Seller without the prior written consent of the Buyer.

15.10 No Third Party Beneficiaries. Except as provided in Article VI with respect to indemnification of Indemnified Parties hereunder, nothing in this Agreement shall confer any rights upon any person or entity other than the parties hereto and their respective successors and permitted assigns.

15.11 Amendment; Waivers, etc. No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by the party against whom enforcement of the amendment, modification, discharge or waiver is sought. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the party granting such waiver in any other respect or at any other time. Neither the waiver by any of the parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure by any of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any of such provisions, rights or privileges hereunder. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any party may otherwise have at law or in equity. The representations and warranties of the Seller and the Seller shall not be affected or deemed waived by reason of any investigation made by or on behalf of the Buyer (including but not limited to by any of its advisors, consultants or representatives) or by reason of the fact that the Buyer or any of such advisors, consultants or representatives knew or should have known that any such representation or warranty is or might be inaccurate.

15.12 Compliance with Securities Laws. The Buyer and Seller shall use their best efforts to satisfy any and all obligations, and comply with any and all requirements, arising under applicable federal and state securities laws, as a result of the execution of this Agreement and the consummation of the transactions contemplated in this Agreement and/or the Collateral Documents.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

BUYER:

The Hamlet Group, Inc.
A Florida corporation

By: /s/ Robin Moody
Name: Robin Moody
Title: President

SELLER:

Cyclone Power Technologies, Inc. a Florida corporation

By:/s/ Harry Schoell
Name: Harry Schoell
Title: President

EXHIBIT A
ASSETS

All intellectual properties relating solely to the management of chiropractic and medical management business in Medicare and Medicaid reimbursement, including trademarks, service marks, trade dress, product packaging, motifs, designs, logos, product designations and names, slogans, trade and business names, goodwill, and all similar intangible assets specifically related to these assets.

ASSETS SHALL SPECIFICALLY EXCLUDE ANY AND ALL ASSETS TRANSFERRED FROM CYCLONE TECHNOLOGIES LLLP, RELATING TO THE SCHOELL ENGINE PATENT, AS PER THE CYCLONE AGREEMENT

Exhibit E-3

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 2nd day of July, 2007 by and between Cyclone Power Technologies, Inc., a Florida corporation (hereinafter called the "Company"), and Harry Schoell (hereinafter called the "Executive").

1. Employment.

1.1 Employment and Term. The Company shall employ the Executive and the Executive shall serve the Company, on the terms and conditions set forth herein, for the period commencing on the date hereof (the "Effective Date") and expiring three (3) years from the Effective Date (the "Term") unless sooner terminated as hereinafter set forth. The Term of this Agreement shall automatically be extended for successive one (1) year periods, starting on the end of the second anniversary of the Effective Date, unless at least 90 days prior to such anniversary date, either the Board or the Executive gives written notice of his/its desire not to extend the Term hereof for the additional year.

1.2 Duties of Executive. The Executive shall serve as CEO and President of the Company and shall have powers and authority commensurate with such position, shall diligently perform all services as may be reasonably assigned to him by the Board and shall exercise such power and authority as may from time to time be delegated to him by the Board.

1.3 Founder's Status. Regardless of the termination of this Agreement, the Executive shall at all times be referred to as a "Founder" of the Company in any documents listing his bio, or otherwise warranting such mention.

2. Compensation.

2.1 Base Salary. The Executive shall receive a base salary of $150,000 per annum (the "Base Salary") during the Term, such Base Salary to be payable in substantially equal installments consistent with the Company's normal payroll schedule, subject to applicable withholding and other taxes. The Base Salary shall be subject to annual increases at the discretion of the Board.

2.2 Deferred Salary. Until such time that the Company has consistent revenues or has sufficient funding to carry on it operations, the Executive's Base Salary, or that portion of it that the Executive and the Board reasonably determine, shall be deferred, but shall continue to accrue on the books of the Company. Terms for repayment of the Executive's deferred salary shall be reasonably agreed to by the Board and the Executive when the Company has available funds.

2.3 Benefits. During the Term of this Agreement, the Executive shall be entitled to insurance programs, sick leave, stock option plans, bonus plans, pension plans and other fringe benefit plans and programs as are from time-to-time established and maintained for the benefit of the Company's executive officers subject to the provisions of such plans and programs in accordance with the Company's policies and plans from time to time in effect for executive officers of the Company.

2.4 Stock Options. The Executive shall receive options to acquire 500,000 shares of the Company's common stock, which options shall vest on the following terms and at the following exercise prices:

Number of Options	Term	Vesting	Exercise Price
250,000	10 yrs	Immediately	$0.25
125,000	10 yrs	6/30/08	$0.35
125,000	10 yrs	6/30/09	$0.45

2.5 Management Incentives. The Executive shall be eligible to participate in the Company's Stock Incentive Plan, which shall provide that the management of the Company as a group shall have the right to earn shares of the Company's common stock equal to an additional 7.5% ownership of the Company, based upon performance and incentive accomplishments set forth therein.

3. Expense Reimbursement and Office.

3.1 Expense Reimbursement. During the Term, the Company shall reimburse the Executive for all reasonable expenses actually paid or incurred by the Executive in the course of and pursuant to the business of the Company, including expenses for travel and entertainment.

3.2 Working Facilities. The Company shall furnish the Executive with an office and such other facilities and services suitable to his position and adequate for the performance of his duties hereunder.

4. Termination.

4.1 Termination for Cause. Notwithstanding anything contained to the contrary in this Agreement, this Agreement may be terminated by the Company for Cause. As used in this Agreement, "Cause" shall only mean (i) subject to the following sentences, any action or omission of the Executive which constitutes a willful and material breach of this Agreement which is not cured or as to which diligent attempts to cure have not commenced within thirty (30) business days after receipt by the Executive of notice of same, which notice specifies the conduct necessary to cure such breach, (ii) fraud, embezzlement or misappropriation as against the Company or (iii) the conviction of the Executive for any criminal act which reasonably injures the Company. Upon any determination by the Board that Cause exists under clause (i) of the preceding sentence, the Company shall cause a special meeting of the Board to be called and held at a time mutually convenient to the Board and the Executive, but in no event later than ten (10) business days after the Executive's receipt of the notice contemplated by clause (i). The Executive shall have the right to appear before such special meeting of the Board with legal counsel of his choosing to refute any determination of Cause specified in such notice, and any termination of the Executive's employment by reason of such Cause determination shall not be effective until the Executive is afforded such opportunity to appear. Any termination for Cause pursuant to clause (ii) or (iii) of the first sentence of this Section 4.1 shall be made in writing to the Executive, which notice shall set forth in detail all acts or omissions upon which the Company is relying for such termination.

Upon any termination pursuant to this Section 4.1, the Company shall pay to the Executive any unpaid Base Salary accrued through the effective date of termination specified in such notice. Except as provided above, the Company shall have no further liability hereunder (other than for reimbursement for reasonable business expenses incurred prior to the date of termination, subject, however, to the provisions of Section 3.1).

4.2 Termination Without Cause. The Company shall have the right to terminate the Executive's employment hereunder for any reason other than as set forth in Section 4.1 upon thirty (30)

days written notice to the Executive; provided, however, that the Company shall pay to the Executive (i) any unpaid Base Salary accrued through the effective date of termination specified in such notice, (ii) the Executive's Base Salary at the rate prevailing at such termination through 12 months from the date of termination or the end of his Term then in effect, whichever is longer, and (iii) any Performance Bonus that would otherwise be payable to the Executive were he not terminated, during the 12 months following his termination. Upon termination with cause, all of the Executive's stock options shall vest immediately.

4.3 Termination Upon Change in Control.

(a) Upon the termination of the Executive's employment hereunder (i) by the Company other than for "Cause", as specified in Section 4.1 hereof, or (ii) by the Executive for "Good Reason", as specified in Section 4.3(c) hereof, within 180 days after the occurrence of a "Change in Control" as specified in Section 4.3(b) hereof, the Company shall pay to the Executive (i) any unpaid Base Salary accrued through the effective date of termination specified in such notice, (ii) the Executive's Base Salary at the rate prevailing at such termination through 12 months from the date of termination or the end of his Term then in effect, whichever is longer, and (iii) any Performance Bonus that would otherwise be payable to the Executive were he not terminated, during the 12 months following his termination. Upon termination upon a change in control, all of the Executive's stock options shall vest immediately.

(b) For purposes of this Agreement, a "Change in Control" shall mean:

(i) The acquisition (other than by the Company), at any time after the date hereof, by any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act"), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then outstanding shares of common stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors (together with such common stock, "Voting Securities"); or

(ii) The individual(s) who, as of the date hereof, constitute the Board (as of the date hereof the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(iii) Approval by the shareholders of the Company of (A) a reorganization, merger or consolidation with respect to which persons who were the shareholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, (B) a liquidation or dissolution of the Company or (C) the sale of all or substantially all of the assets of the Company, unless the approved reorganization, merger, consolidation, liquidation, dissolution or sale is subsequently abandoned.

(c) For purposes of this Agreement, "Good Reason" shall mean:

(i) The occurrence of any of the following events which is not consented to in writing by the Executive prior to its occurrence or which is not cured by the Company within thirty (30) days after its receipt of written notice of the Executive's objection to such occurrence: (a) the Executive is assigned to any position, duties or responsibilities that are significantly diminished when compared with the position, duties or responsibilities of the Executive on the date of this Agreement, (b) the Executive's Base Salary or other compensation is reduced or (c) the Executive is requested to engage in conduct that is reasonably likely to result in a violation of law; but excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Executive;

(ii) Any failure by the Company to comply with any of the provisions of Sections 1.3, 2 or 3 of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Executive;

(iii) The Company's requiring the Executive to be based at any office or location other than the Company's offices in South Florida, except for travel reasonably required in connection with the performance of the Executive's responsibilities hereunder; or

(iv) Any purported termination by the Company of the Executive's employment other than as expressly permitted by this Agreement.

4.4 Voluntary Resignation. In the event the Executive resigns as an employee of the Company, he shall be entitled to receive the same payment as if he had been terminated pursuant to Section 4.2 of this Agreement.

4.5 Full Settlement. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement. The Company agrees to pay, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to Section 6 of this Agreement), plus in each case interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Internal Revenue Code of 1986, as amended (the "Code").

5. Indemnification. The Company shall indemnify and hold harmless the Executive from and against any and all claims, damages, expenses (including attorneys' fees) and amounts paid in settlement, litigation, arbitration or otherwise (a "Claim") actually and reasonably incurred by him in connection with the investigation, defense, settlement or appeal of any threatened, pending or completed Claim to which the Executive was or is a party or is threatened to be made a party by reason of the fact that the Executive is or was an officer, director, employee or agent of the Company or its predecessor company, or is or was serving at the request of the Company, or its predecessor company, as an officer, director, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, or by reason of anything done or not done by the Executive in such capacity or capacities, provided that the Executive acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company or its predecessor company. Such indemnification shall

include, but not be limited to, any Claim made by shareholders of the Company's predecessor company for demand of the Executive equity holdings in the Company or its predecessor company.

6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida without regard to any conflict of law rule or principle that would give effect to the laws of another jurisdiction. In the event that any dispute shall arise with respect to this Agreement, then such dispute shall be submitted for resolution to arbitration in Broward County, Florida in accordance with the rules of the American Arbitration Association then in effect. The non-prevailing party in such arbitration shall pay all reasonable fees and expenses of the prevailing party, including fees and expenses of counsel for the prevailing party.

7. Notices. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered by hand or when deposited in the United States mail, by registered or certified mail, return receipt requested, postage prepaid, addressed to the Company's executive office, or to the last address known for the Executive.

8. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and, upon its effectiveness, shall supersede all prior agreements, understandings and arrangements, both oral and written, between the Executive and the Company with respect to such subject matter.

9. Benefits; Binding Effect. This Agreement shall be for the benefit of and binding upon the parties hereto and their respective heirs, personal representatives, legal representatives, successors and, where applicable, assigns. Notwithstanding the foregoing, neither party may assign its rights or benefits hereunder without the prior written consent of the other party hereto.

10. Severability. The invalidity of any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall not affect the enforceability of the remaining portions of this Agreement or any part thereof, all of which are inserted conditionally on their being valid in law, and, in the event that any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall be declared invalid, this Agreement shall be construed as if such invalid word or words, phrase or phrases, sentence or sentences, clause or clauses, or section or sections had not been inserted. If such invalidity is caused by duration, geographic scope or both, the otherwise invalid provision will be considered to be reduced to a period or area which would cure such invalidity.

11. Waivers. The waiver by either party hereto of a breach or violation of any term or provision of this Agreement shall not operate nor be construed as a waiver of any subsequent breach or violation.

12. Damages. Nothing contained herein shall be construed to prevent the Company or the Executive from seeking and recovering from the other damages sustained by either or both of them as a result of its or his breach of any term or provision of this Agreement.

13. No Third Party Beneficiary. Nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any person (other than the parties hereto and, in the case of the Executive, his heirs, personal representative(s) and/or legal representative) any rights or remedies under or by reason of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CYCLONE POWER TECHNOLOGIES, INC.

By: /s/ Frankie Fruge
Name: Frankie Fruge
Title: COO

EXECUTIVE

/s/ Harry Schoell
Harry Schoell

Further Terms and Conditions of Employment

The following terms and conditions are applicable to all of the Company's employees, and by accepting employment, you (referred to herein as "Employee") agree to be bound by these terms and conditions, as well as the terms and conditions separately agreed between you and the Company regarding duties, compensation, benefits, etc. These terms are not intended to limit the Company's rights under general principles of law regarding the matters described below. Employee and the Company agree that if the terms contained herein conflict with the terms of the employment agreement to which this is annexed, the employment agreement shall govern.

1. Disclosure of Information.

1.1 In the course of Employee's employment hereunder, Employee will receive, contribute to the production of, or become privy to the Company's Confidential Information (as hereinafter defined).

1.2 Employee agrees that during Employee's employment by Company and for a period of three (3) years thereafter, Employee shall hold in confidence and shall not directly or indirectly reveal, report, publish, copy, duplicate, disclose or transfer any of the Confidential Information to any person or entity, or utilize any of the Confidential Information for any purpose, except in the course of Employee's work for Company. Employee agrees that during Employee's employment by Company and in perpetuity thereafter, Employee shall hold in confidence and shall not directly or indirectly reveal report, publish, copy, duplicate, disclose, transfer or otherwise misappropriate any Confidential Information to any person or entity, or utilize such Confidential Information for any purpose, except within the course of Employee's employment with Company.

1.3 All notes, data, reference materials, sketches, drawings, memoranda, documentation and records in any form or media in any way incorporating or reflecting any Confidential Information of Company shall belong exclusively to Company. Upon termination of his employment for any reason, or at any time Company may request prior thereto, Employee shall immediately surrender and turn over to Company any of Company's property whatsoever and all Confidential Information of Company, whether the same be in writing, print, copy, audio or video tape, computer program or disc, picture, or any other medium whatsoever, and whether appearing in original documents, summaries, excerpts, abstracts or other formats, and shall provide Company with all information necessary to access and use said Confidential Information. Employee shall have no right to retain any originals or copies of the foregoing for any reason whatsoever after termination of his employment hereunder without the express prior written consent of Company and, upon termination, Employee shall certify in writing that he no longer possesses and has not distributed or retained any Confidential Information of Company or any of Company's property whatsoever.

1.4 Notwithstanding the terms of this Agreement, the obligation of Employee to protect the confidentiality of any Confidential Information shall terminate as to any information or materials which: (i) are, or become, public knowledge through no act or failure to act of Employee; (ii) are publicly disclosed by the proprietor thereof; (iii) are lawfully obtained without obligations of confidentiality by Employee from a third party after reasonable inquiry regarding the authority of such third party to possess and divulge the same; (iv) are independently developed by Employee from sources or through persons that Employee can demonstrate had no access to Confidential Information; or (v) are lawfully known by Employee at the time of disclosure other than by reason of discussions with or disclosures by Company.

1.5 As used in this Agreement, "Confidential Information" means information or material, whether oral or written, that is proprietary to Company or designated (either expressly or by virtue of the manner in which such information or material is traditionally treated in business settings) as Confidential Information by Company and not generally known by non-Company personnel, which Employee may develop or which Employee may receive, obtain knowledge of or become privy to through or as a result of Employee's relationship with Company (including information conceived, originated, discovered or developed in whole or in part by Employee). "Confidential Information" includes, but is not limited to, the following types of information and other information of a similar nature (whether or not reduced to writing): trade secrets, discoveries, ideas, concepts, software in various stages of development, designs, drawings, specifications, techniques, models, data, source code, object code, documentation, diagrams, flow charts, research, development, processes, procedures, "know-how", marketing techniques and materials, marketing and development plans, names of employees and information related to them, customer names, contacts, and other information related to customers, price lists, pricing policies, and financial data, information and projections. "Confidential Information" also includes any information described above which Company obtains from another party and which Company treats as proprietary or designates as "Confidential Information", whether or not owned or developed by Company. Information that is publicly known and that is generally employed by the trade or generic information or knowledge which Employee would have learned in the course of similar work elsewhere in the trade is not intended to and shall be deemed not to be a part of the "Confidential Information".

2. Agreement Not to Solicit Customers. Employee agrees that during his employment by Company and for a period of one (1) year following termination of such employment for any reason whatsoever, Employee shall not, either directly or indirectly, on his own behalf or in the service of or on behalf of others actively solicit, or attempt to solicit, initiate contact with, or call upon any clients or actively sought prospective clients of Company with whom Employee had material contact during his employment with Company, for the purpose of soliciting, selling, diverting to or otherwise providing services on behalf of any business entity which engages in the business of oil and gas exploration, unless agreed to in writing by both parties.

2.1 Material Contact. For purposes of this Agreement, "material contact" exists between Employee and each client or actively sought prospective client of Company with whom Employee personally interacts on behalf of Company, whether such interaction is conducted in person, in writing, by telephone or by other form of communication.

3. Agreement Not to Solicit Employees. Employee agrees that during his employment by Company and for a period of two (2) years following termination of such employment for any reason, he will not, either directly or indirectly, on his own behalf or in the service of, or on behalf of others, actively encourage or induce the voluntary termination of, or recruit or hire, or attempt to recruit or hire, any person(s) then employed by or associated with Company as an employee, independent contractor or consultant, whether or not such recruit or hiree is a full-time, part-time or temporary employee, independent contractor or consultant of said entities, and whether or not such employment is for a determined period or is at-will, for the purpose of employment, consultancy, or serving as an independent contractor for, directly or indirectly, any business entity which engages in the business of design, manufacture and sale of information security technology.

4. Work Product.

4.1 Employee agrees that any inventions, ideas, Confidential Information, or copyrightable or patentable subject matter in whole or in part conceived or made by employee during or after the term of his employment with Company which are made through the use of any of Company's Confidential Information or any of Company's equipment, facilities or time, or which result from any work performed by Employee for Company (collectively, "Work Product"), shall belong exclusively to Company and shall be considered part of the Confidential Information (as the case may be) for purposes of this Agreement.

4.2 Company, its designees, and its assigns shall have the right to use and/or to apply for patents, copyrights or other statutory or common law protections for such Work Product in any and all countries. Employee shall provide reasonable assistance to Company (at Company's expense) to obtain and from time to time enforce patents, copyrights, and other statutory or common law protections for such Work Product in any and all countries. To that end, Employee shall execute, during and after his engagement with Company, all documents reasonably related to the application, procurement, and enforcement of patents, copyrights, and other statutory or common law protections, as Company or its counsel may request, together with any assignments thereof to Company or its designee.

4.3 All copyrightable subject matter generated or developed by Employee under this Agreement shall be deemed to be work made for hire, and exclusively the Company shall upon creation, own all such copyrightable subject matter. In the event that any such copyrightable subject matter may not be considered work made for hire, then to the fullest extent permitted by law, Employee hereby assigns to Company or its designee all ownership of all copyrights in all such copyrightable subject matter, and Company or its designee shall have the right to obtain and hold in its own name copyrights, registrations and similar protections related thereto to the extent available.

5. Conflicts of Interest. During the term of his employment Employee shall not engage in activities or practices involving any possible conflict of interest. These activities or practices may subject Employee to disciplinary action, up to and including termination of employment. Employee should avoid at all times the appearance of, as well as an actual, conflict of interest.

5.1 Conflicts of interest activities or practices include, but are not limited to: engaging in business conduct that is damaging to the reputation of the Company, accepting outside employment in any organization that does business with the Company or is a competitor of the Company, investing or having a financial interest in a private company which does business with the Company or having stock ownership in a publicly traded company which does business with the Company if the relationship(s) may influence Employee's business decisions (this applies to Employee and to close relatives and is applicable at the time of hire and at any time during the course of employment). If an individual does own stock in a company that does business with the Company, the relationship should be disclosed upon employment and all significant business dealings with that company will be reviewed.

5.2 Employee may not accept gifts from any person or company doing or seeking to do business with the Company. Employees are allowed to accept advertising novelties and other gifts of nominal value.

5.3 Employee may not give, offer, or promise, directly or indirectly, anything of value to any representative of any company doing business with the Company.

5.4 Employee may not select vendors on the basis of anything other than the merit of their products or services or prices for such products or services.

5.5 Discussing company information with the press without prior authorization from management is also a conflict of interest.

5.6 This entire Section 5 shall specifically exclude any and all dealings, employment, ownership or other activity performed for or on behalf of Schoell Marine.

EMPLOYEE ACKNOWLEDGES THAT HE HAS READ AND UNDERSTANDS THESE TERMS AND CONDITIONS OF EMPLOYMENT AND AGREES THAT THESE TERMS AND CONDITIONS ARE NECESSARY FOR THE REASONABLE AND PROPER PROTECTION OF THE COMPANY'S BUSINESS. EMPLOYEE FURTHER ACKNOWLEDGES THAT THE COMPANY HAS ADVISED HIM THAT HE IS ENTITLED TO HAVE THIS AGREEMENT REVIEWED BY AN ATTORNEY OF HIS SELECTION PRIOR TO SIGNING, AND HE HAS EITHER DONE SO OR ELECTED TO FOREGO THAT RIGHT.

/s/ Harry Schoell
Harry Schoell

Exhibit E-4

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 2nd day of July, 2007 by and between Cyclone Power Technologies, Inc., a Florida corporation (hereinafter called the "Company"), and Frankie Fruge (hereinafter called the "Executive").

1. Employment.

1.1 Employment and Term. The Company shall employ the Executive and the Executive shall serve the Company, on the terms and conditions set forth herein, for the period commencing on the date hereof (the "Effective Date") and expiring three (3) years from the Effective Date (the "Term") unless sooner terminated as hereinafter set forth. The Term of this Agreement shall automatically be extended for successive one (1) year periods, starting on the end of the second anniversary of the Effective Date, unless at least 90 days prior to such anniversary date, either the Board or the Executive gives written notice of her/its desire not to extend the Term hereof for the additional year.

1.2 Duties of Executive. The Executive shall serve as COO, Secretary and Treasurer of the Company and shall have powers and authority commensurate with such position, shall diligently perform all services as may be reasonably assigned to her by the Board and shall exercise such power and authority as may from time to time be delegated to her by the Board.

1.3 Founder's Status. Regardless of the termination of this Agreement, the Executive shall at all times be referred to as a "Founder" of the Company in any documents listing her bio, or otherwise warranting such mention.

2. Compensation.

2.1 Base Salary. The Executive shall receive a base salary of $120,000 per annum (the "Base Salary") during the Term, such Base Salary to be payable in substantially equal installments consistent with the Company's normal payroll schedule, subject to applicable withholding and other taxes. The Base Salary shall be subject to annual increases at the discretion of the Board.

2.2 Deferred Salary. Until the later to occur of November 11, 2009 or such time that the Company has consistent revenues or has sufficient funding to carry on it operations, the Executive's Base Salary shall be deferred, but shall continue to accrue on the books of the Company. Terms for repayment of the Executive's deferred salary shall be reasonably agreed to by the Board and the Executive when the Company has available funds.

2.3 Benefits. During the Term of this Agreement, the Executive shall be entitled to insurance programs, sick leave, stock option plans, bonus plans, pension plans and other fringe benefit plans and programs as are from time-to-time established and maintained for the benefit of the Company's executive officers subject to the provisions of such plans and programs in accordance with the Company's policies and plans from time to time in effect for executive officers of the Company.

2.4 Stock Options. The Executive shall receive options to acquire 500,000 shares of the Company's common stock, which options shall vest on the following terms and at the following exercise prices:

Number of Options	Term	Vesting	Exercise Price
250,000	10 yrs	Immediately	$0.25
125,000	10 yrs	6/30/08	$0.35
125,000	10 yrs	6/30/09	$0.45

2.5 Management Incentives. The Executive shall be eligible to participate in the Company's Stock Incentive Plan, which shall provide that the management of the Company as a group shall have the right to earn shares of the Company's common stock equal to an additional 7.5% ownership of the Company, based upon performance and incentive accomplishments set forth therein.

3. Expense Reimbursement and Office.

3.1 Expense Reimbursement. During the Term, the Company shall reimburse the Executive for all reasonable expenses actually paid or incurred by the Executive in the course of and pursuant to the business of the Company, including expenses for travel and entertainment.

3.2 Working Facilities. The Company shall furnish the Executive with an office and such other facilities and services suitable to her position and adequate for the performance of her duties hereunder.

4. Termination.

4.1 Termination for Cause. Notwithstanding anything contained to the contrary in this Agreement, this Agreement may be terminated by the Company for Cause. As used in this Agreement, "Cause" shall only mean (i) subject to the following sentences, any action or omission of the Executive which constitutes a willful and material breach of this Agreement which is not cured or as to which diligent attempts to cure have not commenced within thirty (30) business days after receipt by the Executive of notice of same, which notice specifies the conduct necessary to cure such breach, (ii) fraud, embezzlement or misappropriation as against the Company or (iii) the conviction of the Executive for any criminal act which reasonably injures the Company. Upon any determination by the Board that Cause exists under clause (i) of the preceding sentence, the Company shall cause a special meeting of the Board to be called and held at a time mutually convenient to the Board and the Executive, but in no event later than ten (10) business days after the Executive's receipt of the notice contemplated by clause (i). The Executive shall have the right to appear before such special meeting of the Board with legal counsel of her choosing to refute any determination of Cause specified in such notice, and any termination of the Executive's employment by reason of such Cause determination shall not be effective until the Executive is afforded such opportunity to appear. Any termination for Cause pursuant to clause (ii) or (iii) of the first sentence of this Section 4.1 shall be made in writing to the Executive, which notice shall set forth in detail all acts or omissions upon which the Company is relying for such termination.

Upon any termination pursuant to this Section 4.1, the Company shall pay to the Executive any unpaid Base Salary accrued through the effective date of termination specified in such notice. Except as provided above, the Company shall have no further liability hereunder (other than for reimbursement for reasonable business expenses incurred prior to the date of termination, subject, however, to the provisions of Section 3.1).

4.2 Termination Without Cause. The Company shall have the right to terminate the Executive's employment hereunder for any reason other than as set forth in Section 4.1 upon thirty (30) days written notice to the Executive; provided, however, that the Company shall pay to the Executive (i) any unpaid Base Salary accrued through the effective date of termination specified in such notice, (ii) the Executive's Base Salary at the rate prevailing at such termination through 12 months from the date of termination or the end of her Term then in effect, whichever is longer, and (iii) any Performance Bonus that would otherwise be payable to the Executive were he not terminated, during the 12 months following her termination. Upon termination with cause, all of the Executive's stock options shall vest immediately.

4.3 Termination Upon Change in Control.

(a) Upon the termination of the Executive's employment hereunder (i) by the Company other than for "Cause", as specified in Section 4.1 hereof, or (ii) by the Executive for "Good Reason", as specified in Section 4.3(c) hereof, within 180 days after the occurrence of a "Change in Control" as specified in Section 4.3(b) hereof, the Company shall pay to the Executive (i) any unpaid Base Salary accrued through the effective date of termination specified in such notice, (ii) the Executive's Base Salary at the rate prevailing at such termination through 12 months from the date of termination or the end of her Term then in effect, whichever is longer, and (iii) any Performance Bonus that would otherwise be payable to the Executive were he not terminated, during the 12 months following her termination. Upon termination upon a change in control, all of the Executive's stock options shall vest immediately.

(b) For purposes of this Agreement, a "Change in Control" shall mean:

(i) The acquisition (other than by the Company), at any time after the date hereof, by any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act"), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then outstanding shares of common stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors (together with such common stock, "Voting Securities"); or

(ii) The individual(s) who, as of the date hereof, constitute the Board (as of the date hereof the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(iii) Approval by the shareholders of the Company of (A) a reorganization, merger or consolidation with respect to which persons who were the shareholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, (B) a liquidation or dissolution of the Company or (C) the sale of all or substantially all of the assets of the Company, unless the approved reorganization, merger, consolidation, liquidation, dissolution or sale is subsequently abandoned.

(c) For purposes of this Agreement, "Good Reason" shall mean:

(i) The occurrence of any of the following events which is not consented to in writing by the Executive prior to its occurrence or which is not cured by the Company within thirty (30) days after its receipt of written notice of the Executive's objection to such occurrence: (a) the Executive is assigned to any position, duties or responsibilities that are significantly diminished when compared with the position, duties or responsibilities of the Executive on the date of this Agreement, (b) the Executive's Base Salary or other compensation is reduced or (c) the Executive is requested to engage in conduct that is reasonably likely to result in a violation of law; but excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Executive;

(ii) Any failure by the Company to comply with any of the provisions of Sections 1.3, 2 or 3 of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Executive;

(iii) The Company's requiring the Executive to be based at any office or location other than the Company's offices in South Florida, except for travel reasonably required in connection with the performance of the Executive's responsibilities hereunder; or

(iv) Any purported termination by the Company of the Executive's employment other than as expressly permitted by this Agreement.

4.4 Voluntary Resignation. In the event the Executive resigns as an employee of the Company, he shall be entitled to receive the same payment as if he had been terminated pursuant to Section 4.2 of this Agreement.

4.5 Full Settlement. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement. The Company agrees to pay, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to Section 6 of this Agreement), plus in each case interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Internal Revenue Code of 1986, as amended (the "Code").

5. Indemnification. The Company shall indemnify and hold harmless the Executive from and against any and all claims, damages, expenses (including attorneys' fees) and amounts paid in settlement, litigation, arbitration or otherwise (a "Claim") actually and reasonably incurred by her in connection with the investigation, defense, settlement or appeal of any threatened, pending or completed Claim to which the Executive was or is a party or is threatened to be made a party by reason of the fact that the Executive is or was an officer, director, employee or agent of the Company or its predecessor company, or is or was serving at the request of the Company, or its predecessor company, as an officer, director, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, or by reason of anything done or not done by the Executive in such capacity or capacities, provided that the Executive acted in good faith and in a manner he reasonably believed to be in, or not

opposed to, the best interests of the Company or its predecessor company. Such indemnification shall include, but not be limited to, any Claim made by shareholders of the Company's predecessor company for demand of the Executive equity holdings in the Company or its predecessor company.

6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida without regard to any conflict of law rule or principle that would give effect to the laws of another jurisdiction. In the event that any dispute shall arise with respect to this Agreement, then such dispute shall be submitted for resolution to arbitration in Broward County, Florida in accordance with the rules of the American Arbitration Association then in effect. The non-prevailing party in such arbitration shall pay all reasonable fees and expenses of the prevailing party, including fees and expenses of counsel for the prevailing party.

7. Notices. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered by hand or when deposited in the United States mail, by registered or certified mail, return receipt requested, postage prepaid, addressed to the Company's executive office, or to the last address known for the Executive.

8. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and, upon its effectiveness, shall supersede all prior agreements, understandings and arrangements, both oral and written, between the Executive and the Company with respect to such subject matter.

9. Benefits; Binding Effect. This Agreement shall be for the benefit of and binding upon the parties hereto and their respective heirs, personal representatives, legal representatives, successors and, where applicable, assigns. Notwithstanding the foregoing, neither party may assign its rights or benefits hereunder without the prior written consent of the other party hereto.

10. Severability. The invalidity of any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall not affect the enforceability of the remaining portions of this Agreement or any part thereof, all of which are inserted conditionally on their being valid in law, and, in the event that any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall be declared invalid, this Agreement shall be construed as if such invalid word or words, phrase or phrases, sentence or sentences, clause or clauses, or section or sections had not been inserted. If such invalidity is caused by duration, geographic scope or both, the otherwise invalid provision will be considered to be reduced to a period or area which would cure such invalidity.

11. Waivers. The waiver by either party hereto of a breach or violation of any term or provision of this Agreement shall not operate nor be construed as a waiver of any subsequent breach or violation.

12. Damages. Nothing contained herein shall be construed to prevent the Company or the Executive from seeking and recovering from the other damages sustained by either or both of them as a result of its or her breach of any term or provision of this Agreement.

13. No Third Party Beneficiary. Nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any person (other than the parties hereto and, in the case of the Executive, her heirs, personal representative(s) and/or legal representative) any rights or remedies under or by reason of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CYCLONE POWER TECHNOLOGIES, INC.

By:/s/ Harry Schoell
Name: Harry Schoell
Title: CEO

EXECUTIVE

/s/ Frankie Fruge
Frankie Fruge

Further Terms and Conditions of Employment

The following terms and conditions are applicable to all of the Company's employees, and by accepting employment, you (referred to herein as "Employee") agree to be bound by these terms and conditions, as well as the terms and conditions separately agreed between you and the Company regarding duties, compensation, benefits, etc. These terms are not intended to limit the Company's rights under general principles of law regarding the matters described below. Employee and the Company agree that if the terms contained herein conflict with the terms of the employment agreement to which this is annexed, the employment agreement shall govern.

1. Disclosure of Information.

1.1 In the course of Employee's employment hereunder, Employee will receive, contribute to the production of, or become privy to the Company's Confidential Information (as hereinafter defined).

1.2 Employee agrees that during Employee's employment by Company and for a period of three (3) years thereafter, Employee shall hold in confidence and shall not directly or indirectly reveal, report, publish, copy, duplicate, disclose or transfer any of the Confidential Information to any person or entity, or utilize any of the Confidential Information for any purpose, except in the course of Employee's work for Company. Employee agrees that during Employee's employment by Company and in perpetuity thereafter, Employee shall hold in confidence and shall not directly or indirectly reveal report, publish, copy, duplicate, disclose, transfer or otherwise misappropriate any Confidential Information to any person or entity, or utilize such Confidential Information for any purpose, except within the course of Employee's employment with Company.

1.3 All notes, data, reference materials, sketches, drawings, memoranda, documentation and records in any form or media in any way incorporating or reflecting any Confidential Information of Company shall belong exclusively to Company. Upon termination of her employment for any reason, or at any time Company may request prior thereto, Employee shall immediately surrender and turn over to Company any of Company's property whatsoever and all Confidential Information of Company, whether the same be in writing, print, copy, audio or video tape, computer program or disc, picture, or any other medium whatsoever, and whether appearing in original documents, summaries, excerpts, abstracts or other formats, and shall provide Company with all information necessary to access and use said Confidential Information. Employee shall have no right to retain any originals or copies of the foregoing for any reason whatsoever after termination of her employment hereunder without the express prior written consent of Company and, upon termination, Employee shall certify in writing that he no longer possesses and has not distributed or retained any Confidential Information of Company or any of Company's property whatsoever.

1.4 Notwithstanding the terms of this Agreement, the obligation of Employee to protect the confidentiality of any Confidential Information shall terminate as to any information or materials which: (i) are, or become, public knowledge through no act or failure to act of Employee; (ii) are publicly disclosed by the proprietor thereof; (iii) are lawfully obtained without obligations of confidentiality by Employee from a third party after reasonable inquiry regarding the authority of such third party to possess and divulge the same; (iv) are independently developed by Employee from sources or through persons that Employee can demonstrate had no access to Confidential Information; or (v) are lawfully known by Employee at the time of disclosure other than by reason of discussions with or disclosures by Company.

1.5 As used in this Agreement, "Confidential Information" means information or material, whether oral or written, that is proprietary to Company or designated (either expressly or by virtue of the manner in which such information or material is traditionally treated in business settings) as Confidential Information by Company and not generally known by non-Company personnel, which Employee may develop or which Employee may receive, obtain knowledge of or become privy to through or as a result of Employee's relationship with Company (including information conceived, originated, discovered or developed in whole or in part by Employee). "Confidential Information" includes, but is not limited to, the following types of information and other information of a similar nature (whether or not reduced to writing): trade secrets, discoveries, ideas, concepts, software in various stages of development, designs, drawings, specifications, techniques, models, data, source code, object code, documentation, diagrams, flow charts, research, development, processes, procedures, "know-how", marketing techniques and materials, marketing and development plans, names of employees and information related to them, customer names, contacts, and other information related to customers, price lists, pricing policies, and financial data, information and projections. "Confidential Information" also includes any information described above which Company obtains from another party and which Company treats as proprietary or designates as "Confidential Information", whether or not owned or developed by Company. Information that is publicly known and that is generally employed by the trade or generic information or knowledge which Employee would have learned in the course of similar work elsewhere in the trade is not intended to and shall be deemed not to be a part of the "Confidential Information".

2. **Agreement Not to Solicit Customers.** Employee agrees that during her employment by Company and for a period of one (1) year following termination of such employment for any reason whatsoever, Employee shall not, either directly or indirectly, on her own behalf or in the service of or on behalf of others actively solicit, or attempt to solicit, initiate contact with, or call upon any clients or actively sought prospective clients of Company with whom Employee had material contact during her employment with Company, for the purpose of soliciting, selling, diverting to or otherwise providing services on behalf of any business entity which engages in the business of oil and gas exploration, unless agreed to in writing by both parties.

2.1 **Material Contact.** For purposes of this Agreement, "material contact" exists between Employee and each client or actively sought prospective client of Company with whom Employee personally interacts on behalf of Company, whether such interaction is conducted in person, in writing, by telephone or by other form of communication.

3. **Agreement Not to Solicit Employees.** Employee agrees that during her employment by Company and for a period of two (2) years following termination of such employment for any reason, he will not, either directly or indirectly, on her own behalf or in the service of, or on behalf of others, actively encourage or induce the voluntary termination of, or recruit or hire, or attempt to recruit or hire, any person(s) then employed by or associated with Company as an employee, independent contractor or consultant, whether or not such recruit or hiree is a full-time, part-time or temporary employee, independent contractor or consultant of said entities, and whether or not such employment is for a determined period or is at-will, for the purpose of employment, consultancy, or serving as an independent contractor for, directly or indirectly, any business entity which engages in the business of design, manufacture and sale of information security technology.

4. Work Product.

4.1 Employee agrees that any inventions, ideas, Confidential Information, or copyrightable or patentable subject matter in whole or in part conceived or made by employee during or after the term of her employment with Company which are made through the use of any of Company's Confidential Information or any of Company's equipment, facilities or time, or which result from any work performed by Employee for Company (collectively, "Work Product"), shall belong exclusively to Company and shall be considered part of the Confidential Information (as the case may be) for purposes of this Agreement.

4.2 Company, its designees, and its assigns shall have the right to use and/or to apply for patents, copyrights or other statutory or common law protections for such Work Product in any and all countries. Employee shall provide reasonable assistance to Company (at Company's expense) to obtain and from time to time enforce patents, copyrights, and other statutory or common law protections for such Work Product in any and all countries. To that end, Employee shall execute, during and after her engagement with Company, all documents reasonably related to the application, procurement, and enforcement of patents, copyrights, and other statutory or common law protections, as Company or its counsel may request, together with any assignments thereof to Company or its designee.

4.3 All copyrightable subject matter generated or developed by Employee under this Agreement shall be deemed to be work made for hire, and exclusively the Company shall upon creation, own all such copyrightable subject matter. In the event that any such copyrightable subject matter may not be considered work made for hire, then to the fullest extent permitted by law, Employee hereby assigns to Company or its designee all ownership of all copyrights in all such copyrightable subject matter, and Company or its designee shall have the right to obtain and hold in its own name copyrights, registrations and similar protections related thereto to the extent available.

5. Conflicts of Interest. During the term of her employment Employee shall not engage in activities or practices involving any possible conflict of interest. These activities or practices may subject Employee to disciplinary action, up to and including termination of employment. Employee should avoid at all times the appearance of, as well as an actual, conflict of interest.

5.1 Conflicts of interest activities or practices include, but are not limited to: engaging in business conduct that is damaging to the reputation of the Company, accepting outside employment in any organization that does business with the Company or is a competitor of the Company, investing or having a financial interest in a private company which does business with the Company or having stock ownership in a publicly traded company which does business with the Company if the relationship(s) may influence Employee's business decisions (this applies to Employee and to close relatives and is applicable at the time of hire and at any time during the course of employment). If an individual does own stock in a company that does business with the Company, the relationship should be disclosed upon employment and all significant business dealings with that company will be reviewed.

5.2 Employee may not accept gifts from any person or company doing or seeking to do business with the Company. Employees are allowed to accept advertising novelties and other gifts of nominal value.

5.3 Employee may not give, offer, or promise, directly or indirectly, anything of value to any representative of any company doing business with the Company.

5.4 Employee may not select vendors on the basis of anything other than the merit of their products or services or prices for such products or services.

5.5 Discussing company information with the press without prior authorization from management is also a conflict of interest.

5.6 This entire Section 5 shall specifically exclude any and all dealings, employment, ownership or other activity performed for or on behalf of Schoell Marine.

EMPLOYEE ACKNOWLEDGES THAT HE HAS READ AND UNDERSTANDS THESE TERMS AND CONDITIONS OF EMPLOYMENT AND AGREES THAT THESE TERMS AND CONDITIONS ARE NECESSARY FOR THE REASONABLE AND PROPER PROTECTION OF THE COMPANY'S BUSINESS. EMPLOYEE FURTHER ACKNOWLEDGES THAT THE COMPANY HAS ADVISED HER THAT HE IS ENTITLED TO HAVE THIS AGREEMENT REVIEWED BY AN ATTORNEY OF HER SELECTION PRIOR TO SIGNING, AND HE HAS EITHER DONE SO OR ELECTED TO FOREGO THAT RIGHT.

/s/ Frankie Fruge
Frankie Fruge