

ABLEAUCTIONS COM INC  
Form 10KSB/A  
April 21, 2004

**FORM 10-KSB**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**(Mark One)**

[ X ]

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003 *OR*

[ ]

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission file number: 000-28179

**ABLEAUCTIONS.COM, INC.**

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(Exact name of small business issuer in its charter)

Florida  
(State or other jurisdiction of incorporation or  
organization)

59-3404233  
(I.R.S. Employer Identification No.)

1963 Lougheed Highway  
Coquitlam, British Columbia Canada  
(Address of principal executive offices)

V3K 3T8  
(Zip Code)

Issuer's telephone number: (604) 521-3369

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

None

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

Common Stock, \$0.001 par value

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes

No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

State issuer's revenues for most recent fiscal year: \$778,102

The number of shares of the Registrant's common stock, par value \$0.001 per share, outstanding as of March 22, 2004 was 55,035,405. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant on March 22, 2004, based on the average bid and ask price on the American Stock Exchange as of such date, was approximately \$50,289,989.

Documents Incorporated by Reference: None.

Transitional Small Business Format. Yes [ ] No [X]

**NOTE REGARDING FORWARD LOOKING STATEMENTS**

Certain information contained herein constitutes forward-looking statements, including without limitation statements containing the words believes, anticipates, intends, expects and words of similar import, as well as all projections of future results of operations or earnings. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or achievements of the Registrant to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following: risks related to political and economic uncertainties; risks related to the Registrant's acquisition strategy and its ability to integrate acquired businesses into its operations; risks involved in implementing a new business strategy; the Registrant's ability to obtain financing on acceptable terms; competition in the auction industry; market acceptance of live auction broadcasts on the Internet; the Registrant's ability to manage growth and integrate the operations of acquired auction houses; risks of technological change; the Registrant's dependence on key personnel; the Registrant's dependence on marketing relationships with auction houses and third party suppliers; the Registrant's ability to protect its intellectual property rights; government regulation of Internet commerce and the auction industry; economic factors affecting the sales of auction merchandise; dependence on continued growth in use of the Internet; risks of technological change; capacity and systems disruptions; uncertainty regarding infringing intellectual property rights of others and the other risks and uncertainties described in this report.

**PART I**

**Item 1.**

**Description of Business**

**Overview and Insight**

We were incorporated under the laws of the state of Florida as J. B. Financial Services, Inc. on September 30, 1996. We changed our name to Ableauctions.com, Inc. on July 19, 1999. From the date of our incorporation until August 24, 1999, we had no material business and no material revenues, expenses, assets or liabilities.

Our shares began trading on the OTC Bulletin Board under the symbol ABLC on July 21, 1999.

On August 24, 1999, in consideration of shares of our common stock and cash, we acquired all of the assets and the business operations of Able Auctions (1991) Ltd., a British Columbia corporation engaged in the business of auctioning used equipment, office furnishings and equipment, and other merchandise, by acquiring all of its issued

and outstanding common shares from Dexton Technologies Corporation, a British Columbia corporation.

We are an early stage company and have developed our business and technology through the acquisition of various auction houses in the United States and Canada. Our primary business activity is as an auction technology company and a liquidator. Our revenues, for the most part, stem from the following streams:

1.

**Auction Broadcast Services** - broadcast of live auctions over the Internet using our own technology ([www.ableauctions.com/technology](http://www.ableauctions.com/technology)) or eBay's Live Auction technology, and related products, development, catalogue production and auction services ([www.icollectorlive.com/services.aspx](http://www.icollectorlive.com/services.aspx)).

2.

**Point-of-Sale (POS) and Hardware Services** - the sale, installation and support of our Point-Of-Sale (POS) software, development, support and maintenance of auction websites, custom hardware and network configurations services provided through our newly acquired subsidiary Rapidfusion Technologies Inc. ([www.rapidfusion.com/technology](http://www.rapidfusion.com/technology)).

3.

**Liquidation Services** - the sale of merchandise through our liquidation stores or auctions, and the fees realized from inventory brokerage services through our [itrustee.com](http://itrustee.com) operations.

In 2003, Auction Broadcast Services accounted for approximately 38% of our total revenue and 51% of our gross profit. POS and Hardware Services accounted for 30% of our total revenue and 19% of our gross profit. Liquidation Services accounted for 32% of our total revenue and 30% of our gross profit.

Since inception in 1999, we have maintained multiple revenue streams while focusing on developing our technologies. Our objective is to become the leading provider of Auction Broadcast Services and we believe that our success is reliant on our ability to deploy our technologies and services to the estimated 12,000 auctioneers in North America. We believe that each of our revenue streams could serve as an independent and viable business.

#### **Auction Broadcast Services**

As part of our Auction Broadcast Services business, we have developed our own technology to broadcast auctions over the Internet ([www.ableauctions.com/technology](http://www.ableauctions.com/technology)) and provide the technology and related services to other auction houses, enabling them to broadcast auctions over the Internet.

Through our wholly-owned subsidiaries, iCollector.com Technologies Ltd. and iCollector International Ltd., collectively referred to as iCollector throughout this Annual Report, we facilitate approximately 17 auction sessions per month using eBay's live auction technology (eBay Live Auctions) and approximately 6 auction sessions per month using our own technology to broadcast auctions over the Internet. iCollector represents antique, fine art and premium collectible auction houses, as well as industrial auction houses. iCollector catalogues its client's inventory and hosts them on its site located at [www.icollector.com](http://www.icollector.com).

In June 2002, we announced that we renewed our agreement with eBay to facilitate live auctions between our global auction house client base and eBay Live Auctions. Under our strategic alliance with eBay Live Auctions, iCollector facilitated approximately 209 live auctions in 2002. In 2003, we began promoting and recording auction sessions where clients are able to run a large auction over the course of several days. In 2003, we facilitated 272 live auction sessions. Inventory included fine and decorative arts, modern and contemporary art, memorabilia, wine, fine furniture and collectibles that were obtained from countries worldwide, including Sweden, Italy, Spain, England, Canada and the United States.

We believe that our business relationship with eBay creates synergy for both companies, which share a common vision of setting the standards for live Internet auctions. eBay has set the standard for silent auctions with unparalleled acceptance levels, user base and transaction volume. We are committed to accomplishing similar goals in the hosting and broadcasting of live auctions over the Internet and have demonstrated a complementary commitment to this objective. We believe that our relationship with eBay will help us attain these goals and are currently in the process of negotiating a more extensive agreement with eBay.

We have developed technology to manage the back-end of auction operations and to broadcast live auctions over the Internet, applying our experience in managing and operating auction houses with Internet broadcasting capabilities. Ableauctions now deploys its technology, along with the services of eBay, beyond antique and collectible auctions house and into industrial and commercial auction houses throughout North America—a market we believe has significant opportunities.

The Company recently established a consortium consisting of some of the largest and most influential auction companies in the world with the objective of implementing its live auction technology and solidifying the Company's working relationship with eBay Live Auctions. The Company currently has multi-year standing agreements to exclusively broadcast auctions for some of the world's top auctions companies, including:

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Heritage Coins: one of the world's largest dealer and auctioneer of collectibles including rare coins, currency, comics, movie posters and illustration art.

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Indiana based Kruse International Inc., one of the largest collector car auction companies in the world.

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United Kingdom based Euro Auctions UK Ltd., one of the top ranked industrial auctioneers in the world.

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West Coast Estates Auctions, one of the most successful family operated auction houses on the North American West Coast.

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Colorado based Best of the West Auctions, one of the premier auction houses in the American Midwest whose parent company is the oldest auction company in the state.

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Delaware-based Joseph C. O Neal & Sons, specializing in antiques, machinery, real estate, and personal property.

•

North Dakota based Curt D. Johnson Auction Company, with 30 years of experience conducting farm auctions and estate sales.

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Seahawk Auctions, one of the most prominent auction houses specializing in

Native Art and Artifacts.

### **Point-of-Sale (POS) and Hardware Services**

Through our POS and Hardware services, we have developed our own Windows based POS software that we sell and support to various industry sectors. We also provide computer hardware and custom software development services to our clients.

While our primary objective is to become the leading provider of Auction Broadcast Services, we believe our success depends on our ability to deploy our technologies and services to the estimated 12,000 auctioneers across North America. The integrating of POS technology with Internet broadcasting capabilities to develop an auction technology suite that specifically caters to auctioneers and liquidators may bring us one step closer to our objective. The technology suite under current development is designed to enable auctioneers and liquidators to:

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Broadcast live auctions over the Internet ([www.ableauctions.com/technology](http://www.ableauctions.com/technology))

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Manage the back-end of auction operations

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Schedule, upload and broadcast auctions seamlessly to run either on eBay Live Auctions or on our proprietary technology.

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Integrate auction operations with Point-of-Sale (POS) software that enables users to manage a bricks-and-mortar liquidation store as well as upload inventory to be sold on either eBay core or eBay Live Auctions, making it one of the first POS systems capable of such functions. The software manages and tracks inventory, assets and consigned products, for both a virtual and bricks-and-mortar store. We believe that the option for retail stores to upload surplus inventories seamlessly to eBay or Ableauctions broadcast technology will be met with a positive reaction. ([www.rapidfusion.com/technology](http://www.rapidfusion.com/technology))

## **Liquidation Services**

Through our Liquidation Services, we acquire merchandise through bankruptcies, insolvencies, defaults, or partnering liquidators, and broker or sell the merchandise to either the general public or other resellers. We sell, auction or broker merchandise and equipment from a variety of industries including antique, automotive, bakery, broadcasting, chemical, construction, dairy, electronics, energy, food processing, foundry, furniture, high-technology, machine tool, metal fabrication, office, paper, pharmaceutical, plastic, printing, restaurant, textile, and others. The auctions we conduct are open to the public and draw approximately 300 to 500 bidders in person and offer on average approximately 1,200 items or lots of merchandise and equipment for auction. We receive revenues from auction fees charged to consignees who consign merchandise to be sold and from the buyer's premiums charged to purchasers of the merchandise. We also receive revenues from auctioning merchandise that we purchase and sell at our auctions.

We conduct the majority of our auctions on an unreserved basis with no minimum prices, resulting in each and every item being sold to the highest bidder on the day of the auction. Our policy is to prohibit consignees from bidding on the items that they consign to us for auction. We attempt to differentiate our auction services from our competitors



through our no minimum price policy and by selling merchandise without interference or competition from consignees.

After an auction, purchasers generally make their own arrangements to take possession of the auctioned property. If purchasers make arrangements with us, we can make available shipping services to forward the property to the buyer by mail, freight forwarder, truck transport, or other delivery services for a cost. As agent of the consignor, we normally collect payment from the buyer for property purchased and remit to the consignor, on the settlement date, the consignor's portion of the buyer's payment, less consignor cash advances, if any, and commissions payable to us. We sometimes release property sold at auction to qualified buyers (primarily dealers) on credit before we receive payment. These qualified buyers generally have an account or line of credit (within established credit limits) with us and agree to make payment within 30 days. We extend credit only to buyers who have done business with us in the past and have an established credit standing with us.

During the year 2000, we began to expand our bricks and mortar business by acquiring existing brick-and-mortar auction companies. In February 2000 we acquired the assets of Falcon Trading, a small regional auction company located in Redmond, Washington. In March 2000, we acquired the assets of Mesler's Auction House, an auction house located in Scottsdale, Arizona, along with related real estate and a 50,000 square foot building. In May 2000, we acquired the assets of Auctions West Sales Corporation, a liquidator of the assets of bankrupt persons or businesses located in Vancouver, British Columbia, Canada. Also in May 2000 we acquired Ehli's Commercial/Industrial Auctions, Inc., an auction house located in Tacoma, Washington. In July 2000, we acquired Johnston's Surplus Office Supplies Ltd., located in Vancouver, British Columbia.

In 2001, in order to develop and expand our on-line auction business, we acquired iCollector PLC, which was located in England.

Many of our acquisitions were structured as stock transactions.

In addition to acquiring regional auction houses, our strategy was to increase the gross revenues and profitability of our existing auction operations and to expand the scope of our auction audience through the capabilities of the Internet. We believed that the growth of the Internet facilitated the development of solutions to some of the traditional problems we face in operating our auction business, including reaching potential buyers of merchandise and equipment in other geographic locations, increasing the size of bidding audiences for our auctions, reaching more potential consignees of merchandise, and automating our auction preview process. Our goal is to expand our operations by linking regional auction houses together through our web site. We believe that this would allow us to generate a greater volume of traffic and interest to our web site and sales through our auctions.

In light of abrupt shifts in market conditions in early 2001, we were not able to obtain the financing required to complete our most significant acquisition or deploy our business strategy as previously planned. Despite the lack of working capital and shortfall in financing, we redefined our business objectives and continued forward. We

developed technology for broadcasting live auctions over the Internet, applying our experience from the auction houses we owned and the services we provided for our antique and collectible auction houses on eBay.

**In 2002, our objectives were to:**

- develop a live auction technology;
- enhance our relationship with eBay and our iCollector partners;
- bring iCollector to profitability;
- reduce our debt;
- bring the parent company to profitability;
- eliminate non-performing subsidiaries.

We have made significant progress in the development of our live auction technology and were able to use the same infrastructure to turn iCollector profitable. Also in 2002, we were able to negotiate a contract with eBay to further our relationship. In the course of the year, we began an intensive restructuring program in order to meet our objectives.

We closed our San Mateo and Arizona operations and sold the 50,000 square foot building we owned in Arizona, thereby reducing our debt by over \$1 million. We eliminated an additional \$3 million in debt by settling the deferred consideration related to the iCollector acquisition by issuing 2,090,134 shares of our common stock at \$1.43 per share. We eliminated another \$500,000 in debt through the sub-license of both our name, Ableauctions, and our operations in British Columbia, Canada. We raised an additional \$154,000 by selling our subsidiary Ehli Commercial Industrial Auctions Inc. We also obtained a \$1million line of credit from our President and Chief Executive Officer.

**In 2003, our objectives were to:**

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Deploy our live auction technology and services into prominent auction houses, and enhancing our relationship with eBay and our iCollector partners;

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Secure financing, eliminate debt and increase Shareholder's Equity;

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Further expanding our liquidation and auction technology operations by way of organic growth as well as strategic alliances, through acquisitions or partnerships with companies that could add considerable breadth to our core competencies and enhance our business model;

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Deliver profitable results for the parent company;

As in the previous year, we made significant progress in fulfilling our objectives. In 2003, we established a consortium consisting of some of the largest and most influential auction companies in the world with the objective of implementing our live auction technology and solidifying the Company's working relationship with eBay Live Auctions. In July 2003, we announced that Heritage Galleries & Auctioneers, one of the world's largest dealer and auctioneer of collectibles including rare coins, currency, comics, movie posters and illustration art, and Kruse International Inc., an auctioneer specializing in collector automobiles, agreed to allow us to broadcast their auctions, either by implementing our live-auction technology or by having iCollector, through e-Bay Live Auctions, conduct the auctions. To date, we have been successful in negotiating over ten such long-term exclusive contracts. In December 2003, we also expanded our iCollector operations to better serve the East Coast with the addition of a satellite office in Toronto, Ontario to complement our presence in Buffalo, New York.

In September 2003, we completed the sale of 2.4 million shares of our common stock to select institutional investors, raising a total of \$1.05 million. The per share offering price was \$0.4375. The investors and the placement agent will also receive warrants to purchase an aggregate of 720,000 shares of common stock at an exercise price of \$.54 per share. The proceeds from the offering increased the Company's cash and cash equivalents to \$3.2 million and Shareholder's Equity to over \$4 million for that period.

In December 2003 we entered into an agreement to sell 4,615,385 shares of our common stock to select institutional investors, raising a total of \$3 million. The transaction subsequently closed in January 2004. The per share offering price was \$0.65. The investors also received warrants to purchase an aggregate of 1,384,616 of common stock at an exercise price of \$.80 per share. Proceeds from the offering increased the Company's cash and cash equivalents to \$6.2 million and Shareholder's Equity to over \$7 million.

In early 2003, we began to identify prominent auction and technology based companies that we believe would add considerable breadth to our core competencies and enhance our business model. We entered into negotiations with the candidates with the objective of either acquiring them or partnering with them. Our objective was to further expand the Company by way of organic growth as well as strategic alliances and acquisitions. The proposed targets were expected to leverage Ableauctions' scalable infrastructure and web based technical expertise to realize economies of scale, enabling the Company in taking a leading position in the auction and electronic commerce market.

Acquisition candidates were required to contribute to earnings and revenue in the first year, offer proprietary technology, reach a diverse customer base in an adjacent or complementary markets, and enhance the Company's management team. In negotiating the terms of acquisition, the Company was promoting long-term profitability and cash flow gains rather than simply revenue growth. Payments, whether cash or stock, were proposed to be vested over several years and are released as a function of earnings or performance.

On September 1, 2003 we acquired Rapidfusion Technologies Inc. ( RTI ). RTI creates and maintains websites, builds and supports custom hardware and network configurations and has developed a point of sale software that allows purchase orders, invoices and shipping notices to be sent by telephone overnight. We intend to continue the business of RTI, and to develop a Windows version of RTI's point of sale software, which we believe may be useful to our operations in the future.

As a subsequent event, in February 2004 we launched iTrustee.com, a reseller platform to expose bank and trustee inventories, as well as distressed merchandise, exclusively to resellers, auctioneers and liquidators. Simultaneously, in an effort to fuel transactions and introduce asset lending services, the Company incorporated a California based entity called Unlimited Closeouts Inc. and has engaged a prominent liquidator in the area to direct its operations.

Currently, we are still aggressively seeking to expand operations and believe that we can accomplish this in a reasonable time period.

## **Industry Background**

### *The Commercial Auction Industry*

Based on our discussions with operators of auction houses and our experience in the industry, we believe that most brick-and-mortar based auctions are regional, owner-operated businesses. Each auction house must make significant investments in real estate, personnel, inventory, and marketing for each location. Most traditional auction houses obtain their inventory locally and must contend with the logistical problems of matching supplies of available merchandise to unpredictable demand.

### *The Internet Auction Industry*

The Internet has become an increasingly significant global interactive medium for communications, information, and commerce. Use of the Internet for business purposes has continued to grow over the past several years.

There are five models of online auctions:

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**Event-based live auctions:** Bidders participate in live auctions transmitted over the Internet in real-time. Users register to qualify as bidders to participate before the time of the auction and bid for merchandise auctioned at physical auctions. Online bidders typically bid against bidders present at the physical auctions.

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**Business-to-consumer:** Businesses or consumers bid on products that are listed on an auction's web site within a set time limit. The auctioned merchandise is sold to the highest bidder.

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**Consumer-to-consumer auctions:** Sellers post merchandise on the web site in one of several categories. Hundreds of thousands of items, at all price ranges, are listed and bidders haggle directly with sellers to purchase the merchandise.

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**Specialty auctions:** Sellers offer specific types of merchandise for auction on specialty online auctions that serve eclectic collectors or consumers interested in a special product niche.

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**Business-to-business:** Businesses offer merchandise for auction to other businesses, including items for liquidation, salvaged merchandise, excess inventory, distressed inventory, and other items offered in large lots of several hundred items.

## Competition

We believe that the principal competitive factors in the auction market are:

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reputation;

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customer service;

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the ability to provide a variety of merchandise at an exceptional value; and

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the ability to attract the bidders necessary to generate the best possible prices.

We compete with a number of companies with substantially greater financial, technical, and human resources than ours. Our competitors include large and small auction companies, dealers, and retailers, including discount retail stores, liquidation centers, and other retailers of new and previously owned merchandise.

The used equipment and the industrial equipment auction markets are highly fragmented. The major auctioneers in these markets include Michael Fox International, an international auctioneer of industrial equipment and real estate, Ritchie Bros. Auctioneers, an international auctioneer of industrial equipment and Maynard's Auctioneers, an auctioneer and liquidator of household items, antiques, and commercial goods. We also compete with a number of smaller independent auctioneers as well as with equipment manufacturers, distributors, new or used equipment dealers, and equipment rental companies seeking to sell unwanted merchandise.

The Internet auction industry is still new, rapidly evolving, and intensely competitive, and we expect competition to intensify in the future. A variety of auction web sites are presently available on the Internet that are dedicated to facilitating person-to-person and business-to-person transactions on a bid-based format. These auction services allow sellers to post merchandise on their web sites and buyers to locate items and submit bids online. These services generally organize merchandise by categories and provide descriptions, pictures, or video clips of merchandise offered for sale.

We believe that the market leaders in Auction Broadcast Services include BidSpotter, Inc., DoveBid, AMS Auction Management Solutions, Manheim Online, Copart Auto Auctions, Live Global Bid, ProxiBid, ABC Auction Broadcasting Company, and Bidder Central, and other web sites that broadcast live auctions. We will also compete with various online auction services.

We believe that the market leaders in Liquidation Services include GoIndustry, Bliquid, Liquidity Services Inc., Liquidation.com, Government Liquidation, UK Surplus, Bid 4 Assets Inc., Dovebid, Ebay Business, Excess Technologies, Overstock.com, American Merchandise Liquidators, Inc., Wholesale 411, Onsale.com, Surplus.net, and Surplex, and other companies and web sites that liquidate merchandise.

We believe that the market leaders in auction software services include Achrtype Auction Software, Auction Flex, Auction Pay Inc., Auction Services, Computer Management Enterprises, C-U-S Business Systems, Inc., Dormier Software Enterprises, LuJohn s Enterprises Inc. / BidderCentral Software, Proxibid, Inc., SoldII / Proven Software Inc., and other companies that provide software services.

We believe that the market leaders in Point-of-Sale (POS) software services include Retail Pro, Keystoke POS, Beringer Group, Microbiz, King Corp, Register5, Profitec, Quicken, and other companies that provide POS services.

Additionally, several auctioneers have launched web sites that allow buyers to search for and bid on merchandise contained within the seller s inventory. Buyers search for the merchandise by visiting the web site and purchase directly from the auctioneer.

We believe that the features listed on our website at [www.ableauctions.com/technology](http://www.ableauctions.com/technology) and the following features may allow us to differentiate our web site from the web sites of our competitors:

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Live Broadcast. We broadcast live auctions from physical auction sites over the Internet in real time, which allow visitors to our web site to compete against bidders attending the live auction.

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Commercial Goods. We broadcast some live auctions that feature merchandise and equipment targeted at business or commercial buyers.

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Consumer Goods. We also broadcast live auctions targeted at consumers featuring merchandise such as antiques, collectibles, furniture, household items, and other consumer goods.

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Silent and Charity Auction. Our web site features a silent auction and a charity auction that lists items for auction that will be sold to the highest bidder.

We believe that potential bidders will save time and effort by previewing merchandise in advance of an auction using video and sound clips posted on our web site.

We believe that our no minimum price policy coupled with broadcasting our auctions live on the Internet through our web site will result in a greater volume of consigned equipment and higher gross auction sales.

### **Our Auction and Liquidation Operations**

We are able to conduct physical auctions from our auction houses located in British Columbia and the states of Washington.

Our operations in the United States include:

#### Auction House or Other Business

##### Location

Unlimited Closeouts Inc.

Ojai, California

Icollector International, Ltd.

Buffalo, New York and Fife, Washington

Ableauctions.com (Washington) Inc.

Fife, Washington

iTrustee.com International, Ltd.

Fife, Washington

Our operations in Canada include:

Able Auctions (1991) Ltd.

Coquitlam, British Columbia

Jarvis Industries Ltd.



Coquitlam, British Columbia

Icollector.com Technologies, Ltd.

Ontario and Coquitlam, British Columbia

Rapidfusion Technologies Inc.

Coquitlam, British Columbia

652297 B.C. Ltd

Coquitlam, British Columbia

iTrustee.com Technologies Ltd.

Coquitlam, British Columbia

In the course of restructuring, most of our annual revenues were derived from our Canadian operations. Going forward, we expect 70% of our annual revenues to be derived from our US operations.

In the auctions we conduct, we auction up to approximately 1,200 items or lots at each auction. We receive revenues from auction fees charged to consignees who consign merchandise to be sold and from the buyer's premiums charged to purchasers of the merchandise. In auctions of consigned goods, we received gross revenues from commissions and fees of approximately 25% from a typical auction.

The costs involved in conducting a typical auction, which average approximately \$15,000, include, among other things, the costs of catalogues, insurance, transportation, auction advertising, auction site rental fees, security, temporary personnel and expenses of certain additional auction-related accounting and shipping functions. In general, we charge purchasers a buyer's premium on auction purchases equal to 10% to 15% of the hammer price of the property and sellers a commission ranging from 5% to 25% of the hammer price.

Like most auctioneers, we do not provide any guarantee or warranty with respect to the property offered for sale at auction except as noted in our terms and conditions of sale for particular auctions. We generally auction each lot as described in our auction catalogue or on an as is basis.

Under the standard terms and conditions of our auction sales, we are not obligated to pay the consignor of the property if the purchase price for the property has not been paid by the buyer. In these instances, we will hold auctioned property until we receive payment from the buyer. If the buyer defaults on payment, we may cancel the sale and return the property to the owner, re-offer the property at another auction, or contact other bidders to negotiate a private sale.

Frequently, an owner consigning property to us will request a cash advance when the property is delivered to us and before its ultimate sale at auction or otherwise. The cash advance is in the form of a self-liquidating secured loan, using the consigned property as collateral. We are a secured party with respect to the collateral, hold a security interest in the collateral, and maintain possession of the collateral until it is sold.

We sometimes offer potential consignors the option to sell their property to us for an amount determined by our appraisers. In an outright purchase, we establish a price that we are willing to pay for the property and, if the price is acceptable to the seller or if a price can be negotiated between us and the seller, we typically pay the purchase price in full and take possession of the property immediately. We will generally sell this property at auction with other property or, if the purchase is large, at an auction of the purchased property.

In auctions where we own the auction merchandise, we receive all of the proceeds from the sale of the merchandise and related commissions and fees. Our gross profit from sales of our own merchandise is between 16% and 40%. During 1999 we had revenues of \$829,755 from the sale of our merchandise, \$8,607,230 for the year ended December 31, 2000 and \$6,653,656 for the year ended December 31, 2001. In the course of restructuring, divesting from certain bricks and mortar operations, shifting to technology services and accounting for discontinued operations, revenues from the sale of our merchandise dropped in subsequent years. For the year ended December 31, 2002, we had revenues of \$1,084,756 from the sale of our own merchandise. For the year ended December 31, 2003, we had revenues of approximately \$453,586 from the sale of our own merchandise. We believe this figure will increase as a result of restructuring.

Unlike sales of consigned property at auction, when selling our own inventory we earn a profit or incur a loss on the sale of inventory to the extent the purchase price exceeds or is less than the purchase price we paid for the inventory. Generally, we provide for the sale of portions of our inventory at public auctions. Occasionally, we may sell inventory to a customer directly without placing the inventory for sale at auction. Our goal is to sell all of our inventory as quickly and as efficiently as possible in order to achieve a high level of inventory turnover and maintain maximum liquidity.

We also generate revenues by purchasing merchandise from a variety of sources and re-selling it at our auctions or through our liquidation centers. We purchase merchandise below normal wholesale prices as a result of liquidation, generally from bankruptcy or overproduction by manufacturers. In some cases, we purchase used equipment, such as office equipment from bankrupt companies, closing businesses, or merging companies. We normally average over 50% gross margin on sales, before fixed expenses, on the sale of liquidated merchandise.

In February 2004, we introduced a new platform of liquidation services (Liquidation Platform). We launched iTrustee.com, a reseller platform to expose bank and trustee inventories, as well as distressed and surplus merchandise, exclusively to resellers, auctioneers and liquidators. The Company also incorporated a California based entity called Unlimited Closeouts Inc. to further fuel liquidation sales.

With the formation of this platform we expect to more than double our revenues for the following year and significantly increase our gross profits. We expect to earn commissions ranging from 10% to 25% of the entire inventory sold through the platform, compared to 2.5% to 5% of only the product that sells on-line from our iCollector operations.

Products listed on iTrustee.com are available to the general public for limited viewing, however, at the discretion of the trustee, bidding on certain products are restricted to pre-qualified auctioneers and resellers.

Beyond presenting an innovative value proposition for this market, we believe the Liquidation Platform is addressing unfulfilled needs of industry players. For trustees, this platform provides a forum to reach auctioneers and resellers beyond their traditional geographic areas. For auctioneers, we have created a level playing field to present their services to trustees. For resellers, iTrustee.com is a venue to access a new channel of liquidation merchandise. For the Company, the addition of this tier (trustee to auctioneers transactions) is a natural progression from its first tier services (auctioneer to retail transactions) through iCollector.

The platform currently lists a wide range of deals from foreclosed properties, real estate and industrial goods to clothing and electronics.

## **Our Web Site**

We launched our web site, [www.ableauctions.com](http://www.ableauctions.com), in September 1999 and have refined our technology to broadcast live auctions over the Internet. Through our acquisitions, our first brick-and-mortar auction dates back almost a century to 1907. Our auction broadcast technology was originally developed by our CEO between 1989 in a DOS environment using modems and telephone based bidding, and was further refined since. Over the course of time, this ultimately evolved to the current format of our live online auction broadcasting technology. We broadcasted our first live auction with video on our revised technology in January 2000. We currently broadcast approximately 23 auction session per month over the Internet.

Our web site is designed to integrate the traditional physical brick-and-mortar auction with electronic commerce by offering bidders with Internet access the ability to bid on auctions. We believe our system will increase the size of our auction audiences, lower our overall transaction costs, and increase interest from brick-and-mortar auction houses and events.

We believe our web site will be attractive to business purchasers looking for equipment, collectibles, art, fixtures, office equipment, furniture and similar merchandise and to consumers looking for jewelry, consumer electronics,

tools, cameras and musical instruments. We believe that offering previews of our merchandise over the Internet saves our visitors time and increases the number of serious bidders participating in our auctions. We do not intend to offer or auction firearms, adult materials, or other potentially illegal merchandise on our web site.

### *Live Auctions*

Features of our live auction broadcasting technology are listed on our website at [www.ableauctions.com/technology](http://www.ableauctions.com/technology). The technology is designed to allow us to broadcast live auctions over the Internet, with certain variations allowing for video and audio. Due to bandwidth limitations, our users typically choose to broadcast static pictures and audio in the course of an auction. Viewers are able to conveniently preview items in advance from their homes or offices and bid on merchandise live as the auction is being conducted. Currently, we post auction previews that allow visitors to view pictures of certain merchandise prior to the auction. The users also have the option to submit a bid on an item before it goes to auction.

During live auctions, virtual viewers are able to see the auction in progress and follow the lots of merchandise as they are being sold. A picture of each item and the current bid is posted. Internet users are able to bid simultaneously with those attending in person and update bids at their convenience.

### *Charity Auctions*

Our charity auctions allow registered non-profit organizations to raise funds and awareness of their charities through auctions hosted on our web site. We charge commissions ranging from 10% for hosting an auction, to 25% for fully organized fundraisers. Charity auctions may offer merchandise such as automobiles, vacation packages, and event passes to the highest bidder.

### **Research and Development**

Our research and development program consists of developing technologies related to our web site and the systems required to broadcast live auctions over the Internet. During the 2002 and the 2003 fiscal years, we spent a total of approximately \$200,000 on expenses related to research and development, including consulting fees, technical fees, development of our data base management technologies, research and development of our graphic and video broadcasting technologies, systems design and testing, and other technological aspects of our web site.

## History of Our Acquisitions

Effective September 20, 1999, we hired all of the employees and acquired all of the business assets of Ross Auctioneers & Appraisers Ltd., a British Columbia based auction company, for 60,000 shares of our common stock with a fair market value of approximately \$175,000.

Effective February 29, 2000, we hired the founder, Harlan Moore, and acquired all of the business assets of Falcon Trading, Inc., a Washington based auction company, for 53,405 shares of our common stock with a fair market value of approximately \$360,804.

Effective March 20, 2000, we acquired the business assets of Mesler's Auction House of Scottsdale, L.L.C., and real estate and a building from C&C Capital Investment, Inc., an affiliate of Mesler's. Mesler's is an Arizona based company that auctions antiques and other furniture and equipment. We paid \$255,000 cash and issued 30,625 shares of our common stock with a fair market value of approximately \$245,000 for the Mesler's assets. We paid \$1,200,000 in cash, assumed a promissory note with an unpaid balance of \$1,056,110.53 and issued 155,486 shares of our common stock with a fair market value of approximately \$1,245,000 for the real property.

Effective May 5, 2000, we hired the founder, Robert Kavanagh, and acquired all of the business assets of Auctions West Sales Corporation, a British Columbia based auction company, for 10,000 shares of our common stock with a fair market value of approximately \$70,000.

Effective May 16, 2000, we acquired all of the issued shares of Ehli's Commercial/Industrial Auctions, Inc., a Tacoma, Washington based liquidator of automobiles and industrial equipment, from Randy Ehli, the sole shareholder, for \$900,000 cash and 50,000 shares of our common stock with a fair market value of approximately \$350,000.

We acquired Johnston's Surplus Office Supplies Ltd. on July 26, 2000 for \$338,300 in cash and issued 68,182 shares of common stock with a fair market value of approximately \$513,410.

We acquired Jarvis Industries Ltd. for \$286,263 on July 31, 2000. We also acquired Warex Supply Ltd. on July 31, 2000 for \$145,672 and 6,900 shares of common stock with a fair market value of approximately \$55,200.

On September 27, 2001, the Company acquired all of the issued shares of iCollector PLC ( iCollector ). The consideration for the acquisition was as follows:

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The Company issued 4,150,357 shares of its common stock to the shareholders of iCollector.

•

The Company issued non-interest bearing and unsecured promissory notes ( deferred consideration notes ) in the face amount of \$2,988,258, which were due to be repaid on September 13, 2002. These deferred consideration notes were convertible into shares of the Company s common stock at \$1.43 per share at the sole option of the Company, subject to regulatory, listing, and shareholder approval. In August 2002, we paid the deferred consideration notes by issuing 2,090,134 shares of our common stock.

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The Company issued non-interest bearing and unsecured promissory notes ( Earnout Consideration Notes ) in the amount of \$5,000,000, which were payable on September 30, 2002, only if iCollector satisfied certain revenue and transaction milestones during the month of July, 2002. These Earnout Consideration Notes were convertible into shares of common stock of the Company, at the fair market value of such shares at the date of conversion, at the sole option of the Company, subject to a minimum of 2,000,000 shares and a maximum of 3,500,000 shares in the aggregate, as well as regulatory, listing, and shareholder approval.

On August 31, 2002 we provided a notice to the holders of the Earnout Consideration Notes that, during the month ending July 31, 2002, iCollector PLC conducted 11 live auctions and generated auction revenue of approximately £22,981. The letter also terminated the rights represented by the Earnout Consideration Notes for failure of the Earnout Conditions that were set forth in Appendix B to the Earnout Consideration Notes.

The total recorded cost to the Company of the acquisition of iCollector PLC, including estimated transaction costs of \$342,797, was \$8,957,281. The excess of the cost to the Company over the fair value of the net assets acquired, in the amount of \$8,327,257, was recorded as goodwill.

In November 2001 it was determined that iCollector PLC could not sustain its operations based on its existing cash resources and infrastructure. iCollector PLC then ceased operations and a restructuring plan was adopted. In January 2002 iCollector PLC was placed into formal bankruptcy proceedings pursuant to the laws of the United Kingdom. In December 2001, the Company founded iCollector.com Technologies Ltd., a Canadian company, whose technology was completely rebuilt.

In November 2002, Julian Ellison, the Chief Executive Officer and Director of Auction Services for iCollector.com Technologies Ltd., and John Ralston, a Customer Service and Support Representative for iCollector.com Technologies Ltd., resigned their positions to form LiveAuctioneers, LLC.

The investment in iCollector PLC was written off on the Company's financial statements for the year ended December 31, 2001 as a failed acquisition.

#### **Our Divestiture of Johnston's Surplus Office Systems Ltd.**

Effective March 29, 2001, the Company agreed to dispose of all of its shares of Johnston's Surplus Office Systems Ltd. ( Surplus ). The Company also agreed to settle debt owed to the Company by Surplus in the amount of \$1,191,724. The debt was settled by the issuance by Surplus to the Company of 1,191,724 common shares of Surplus at a deemed price of \$1.00 per share. The Company agreed to then sell all of the issued shares of Surplus to an employee of Surplus, for consideration of Cdn\$600,000 (US\$ 380,500).

#### **Our Divestiture of Warex Supply Ltd.**

Effective August 31, 2001, the Company agreed to dispose of all of its shares of Warex Supply Ltd. to Murray Jarvis, the former owner of Warex Supply Ltd., as severance in conjunction with the termination of his employment with the Company.

#### **Sub-Licensing of the name Able Auctions in British Columbia**

On October 24, 2002, the Company announced that its subsidiary, Able Auctions (1991) Ltd., entered into an agreement with Able Solutions Inc. to sub-license the name Able Auctions for the purpose of conducting live auctions in British Columbia, Canada only. The consideration received for the license was:

- the assumption by Able Solutions Inc. of debt in the amount of \$518,777;
- the payment by Able Solutions Inc. of an additional \$192,162 in cash over 3 years;
- the assumption by Able Solutions Inc. of all leases, obligations, salaries, employment contracts and material contracts of Able Auctions (1991) Ltd.; and
-

the transfer to Able Solutions Inc. of receivables totaling \$41,744 and inventory and leasehold improvements totaling \$289,554.

We will continue to operate in British Columbia through Able Auctions (1991) Ltd., conducting auctions and running our liquidation store, but we intend to conduct our local bricks and mortar auctions through Able Solutions Inc. We will also continue to broadcast the British Columbia auctions on our servers, using our technology, for a fee per auction. In October, 2002, we announced that we also terminated our San Francisco operations and hope to adopt a similar licensing agreement for conducting business in that region.

### **Our Divestiture of Ehli's Commercial/Industrial Auctions, Inc.**

Effective Jan 1, 2003 we sold 100% of the issued and outstanding shares of our subsidiary Ehli's Commercial/Industrial Auctions, Inc. ( Ehli ) to our former Director, Randy Ehli, in consideration of \$154,000 cash and continued use of office space and business in the same premises for two years at no charge to Ableauctions.

The Company will continue to operate in Washington, acquiring and liquidating inventory, but intends on running its local bricks and mortar auctions through Ehli. The move to sell the shares of Ehli comes as a result of the Company's aggressive restructuring program to focus on its technology and profitable operations, and sell or license its non-performing units. It enables to Company to continue operations in those regional areas cost effectively and free of any long-term debt or obligations.

### **Our Acquisition of Rapidfusion Technologies Ltd.**

On September 25, 2003 we announced that we had acquired 100% of the shares of Rapidfusion Technologies and all the intellectual property rights to its Point-of-Sale (POS) software for \$10.00, with the Company committing to make available a \$150,000 operating line of credit to the newly acquired subsidiary, deploying the necessary resources to enable the cash strapped operation complete the development of its Windows version of the POS software within 90 days, and implementing a profit sharing and long term incentive plan.

### **Government Regulation**

Our brick-and-mortar auction houses are generally subject to extensive regulation, supervision, and licensing under various federal, state, and local statutes, ordinances, and regulations. Such laws and regulations may require us to obtain a license or registration, or post a surety or bond as a precondition of doing business within the jurisdiction. In addition, applicable laws may require us to transact business and sell merchandise in accordance with specific



guidelines, including the means by which we obtain our merchandise, advertise our auctions, conduct our bidding procedures, close transactions, hold client funds, and other restrictions that may vary from state to state. We cannot guarantee that we will not be subject to actions arising out of violations by our brick-and-mortar auction houses. Such actions may have a material adverse affect on our business and results of operations.

There are currently few laws or regulations that directly apply to access to, or commerce on, the Internet. It is possible that governing bodies may adopt a number of laws and regulations governing issues such as user privacy on the Internet and the pricing, characteristics, and quality of products and services offered over the Internet. It is also possible that government authorities will adopt sales or other taxes involving Internet business.

### **Intellectual Property**

We have developed the majority of our software internally. We have taken measures to protect our intellectual property, ranging from confidentiality and non-disclosure agreements for contractors and employees to deploying a trans-modular development schedule where individual modules of software developed or coded by employees or contractors have no stand-alone benefits whatsoever until they are integrated with at least three independent modules.

We have registered the Internet domain names:

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ableauctions.com

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icollector.com

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icollectorlive.com

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icollectorliveauctions.com

-

icollector.ca

-

icollectorlive.ca

-  
rapidfusion.com

-  
rapidfusion.ca

-  
anopc.com

-  
softwarealley.com

We use copyright, trademark, service mark, and trade secret laws and contractual restrictions to protect our proprietary rights. We cannot assure you that the measures we take to protect intellectual property will prevent misappropriation of our technology or deter independent third-party development of similar technologies.

## **Employees**

As of December 31, 2003 we had a total of 28 staff persons, including 14 full time staff, 9 consultants and 5 part-time and temporary employees. In addition to management, we employ auction staff, sales people, administrative staff, and development and technical personnel. From time to time, we may employ independent consultants or contractors to support our research and development, marketing, sales and support, and administrative organizations. No collective bargaining units represent our employees. We believe our relations with our employees are good. We expect to hire additional senior management, customer service management, a database administrator, several software developers, customer service representatives, technical support representatives and sales/marketing staff.

## **Short Term Investments**

As of March 22, 2004, our reserve capital of approximately \$5.3 million is invested in the following instruments or securities:

<b>Type</b>	<b>Description</b>	<b>Market Value</b>	
		<b>CDN</b>	<b>US</b>

Bond	Bond Government of Canada Bond	\$ 1,017,473.00	
Bond	Provincial Bond Nova Scotia	\$ 1,082,302.00	
Bond	Provincial Bond - Ontario	\$ 1,034,747.00	
Bond	Provincial Bond British Columbia	\$ 788,110.00	
Bond	Corporate Bond Royal Bank of Canada	\$ 1,028,517.00	
Bond	Bond - GMAC	\$ 500,592.00	
Bond	Bond Mid Term Notes Greater Toronto Airport	\$ 203,975.00	
Income Trust	Income Trust Livingston International	\$ 94,932.00	
Income Trust	Income Trust Volume Services American Holdings	\$ 112,900.00	
Index Fund	IUNITS S&P/TSX FNCL IDX FD	\$ 24,745.00	
Reit Trust Units	H&R REIT TR UT	\$ 39,836.00	
Reit Trust Units	IUNITS S&P/TSX REIT TR UT	\$ 25,740.00	
Reit Trust Units	RETIREMENT RES REIT TR UT	\$ 46,944.00	
Reit Trust Units	RIOCAN REIT TR UT	\$ 41,075.00	
Reit Trust Units	SUMMIT REIT TR UT	\$ 40,320.00	
Reit Units	CHARTWELL SENIORS REIT TR UT	\$ 28,398.00	
T Bill Fund	FRANK TEMP T BILL SR A-FE	\$ 15,854.00	
Trust Fund	DYN FOC+DIV INCM TR-EE	\$ 78,252.00	
Trust Series 1	DIAMONDS TR UT SR 1		\$ 151,095.00
Trust Series 1	NASDAQ 100 TR UT SR 1		\$ 95,266.00
Trust Series 1	S&P DP/RCPT SPDR TR SR 1		\$ 49,904.00
Trust Units	ARC ENGY TR UT	\$ 43,148.00	
Trust Units	CDN RL EST INV TR UT	\$ 41,775.00	
Trust Units	DIVERSI INCM + FD TR UT	\$ 75,600.00	
Trust Units	FOCUS ENGY TR UT	\$ 41,496.00	
Trust Units	INNVEST RL EST INV TR UT	\$ 49,235.00	
Trust Units	IUNITS S&P/TSX 60 CAP TR UT	\$ 23,490.00	
Trust Units	IUNITS S&P/TSX ENGY TR UT	\$ 24,948.00	
Trust Units	IUNIT S&P/TSX INF TR UT	\$ 24,585.00	
Trust Units	IUNIT S&P/TSX GOLD TR UT	\$ 24,894.00	
Trust Units	MYDAS FD TR UT	\$ 43,280.00	
Trust Units	NAV ENGY TR UT	\$ 25,300.00	
Trust Units	NAL OIL & GAS TR UT	\$ 62,608.00	
Trust Units	PRIMEWEST ENGY TR UT NEW	\$ 36,465.00	
Trust Units	SELECT 50 S-1 INCM TR UT	\$ 141,906.00	
Trust Units	VIKING ENGY RYLTY TR UT	\$ 47,393.00	
	<b>Total Market Value</b>	<b>\$ 6,910,835.00</b>	<b>\$ 296,265.00</b>

## **Risk Factors**

Our business is subject to a number of risks as outlined below. An investment in our securities is speculative in nature and involves a high degree of risk. You should read this annual report carefully and consider the following risk factors:

### ***We have a limited operating history and a history of losses.***

Before our acquisition of Able Auctions (1991) Ltd., we had no material business or results of operation. We incurred a net loss of \$1,339,492 during 1999, \$11,837,363 during 2000, \$11,434,029 during 2001, and \$1,316,637 during the 2002. We may not be able to generate sufficient revenues to support our planned activities in fiscal 2004 because of our projected development and marketing costs. In the foreseeable future, these expenses may increase our net losses, and we cannot assure you that we will ever be profitable or maintain profitability.

As of December 31, 2003, we had current assets of \$4,827,398 and current liabilities of \$237,268. Our working capital position at December 31, 2002 was a deficiency of \$ 62,114. The working capital at December 31, 2003 was \$ 4,590,130. As a subsequent event, we completed a \$3 million financing that increased both assets and working capital by approximately \$2.8 million.

We anticipate raising additional capital through sales of our equity and/or debt securities, however, we cannot assure you that we will be able to obtain adequate financing to support our planned activities. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.

Because of our historical losses, it is difficult to evaluate our business and our prospects. Our revenue and income potential is unproven and our business model is still emerging. We cannot assure you that we will attract consignors or bidders to use our web site or generate significant revenues in the future. We cannot guarantee that we will ever establish a sizeable market share or achieve commercial success.

The Company has only a limited operating history on which to base an evaluation of its business and prospects. The Company's prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in new and rapidly evolving markets such as online commerce. To address these risks and uncertainties, the Company must, among other things, maintain and increase the number of its registered users, items listed on its service and completed auctions, maintain and enhance its brand, implement and execute its business and marketing strategy successfully, continue to develop and upgrade its technology and information-processing systems, provide superior customer service, respond to

competitive developments and attract, integrate, retain and motivate qualified personnel. There can be no assurance that the Company will be successful in accomplishing all of these things, and the failure to do so could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company believes that its continued growth and profitability will depend in large part on its ability to (i) increase its brand name awareness, (ii) provide its customers with superior community and trading experiences and (iii) maintain sufficient transaction volume to attract buyers and sellers. Accordingly, the Company intends to invest, when and as it has the funds to do so, in marketing and promotion, site development, technology and operating infrastructure development. The Company may experience significant revenue growth and significant growth in the number of its registered users and items listed for auction by its users, however, such growth rates may not be sustainable. In view of the rapidly evolving nature of the Company's business and its limited operating history, the Company believes that period-to-period comparisons of its operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

***Our operating results fluctuate significantly and may be impacted by seasonal factors. This makes it difficult to accurately predict what the revenues from our operations will be.***

The Company's operating results have varied on a quarterly basis during its short operating history and may fluctuate significantly as a result of a variety of factors, many of which are outside the Company's control. Factors that may affect the Company's quarterly operating results include: (i) the Company's ability to retain an active user base, attract new clients who list items for sale and who complete transactions through its service and maintain customer satisfaction; (ii) the Company's ability to manage the number of items listed on its service; (iii) the announcement or introduction of new sites, services and products by the Company or its competitors; (iv) the success of the Company's brand building and marketing campaigns; (v) price competition; (vi) the level of use of the Internet and online services; (vii) increasing consumer confidence in and acceptance of the Internet and other online services for commerce and, in particular, the auctioning of products; (viii) consumer confidence in the security of transactions over the Internet; (ix) the Company's ability to upgrade and develop its systems and infrastructure to accommodate growth; (x) the Company's ability to attract new personnel in a timely and effective manner; (xi) the volume of items listed on the Company's Web site; (xii) the timing, cost and availability of advertising in traditional media and on other Web sites and online services; (xiii) technical difficulties or service interruptions; (xiv) the amount and timing of operating costs and capital expenditures relating to expansion of the Company's business, operations and infrastructure; (xv) consumer trends and popularity of certain categories of items; (xvi) volume, size, timing and completion rate of auctions; (xvii) governmental regulation by Federal or local governments; and (xviii) general economic conditions as well as economic conditions specific to the Internet and online commerce industries.

As a result of the Company's limited operating history and the emerging nature of the markets in which it competes, it is difficult for the Company to forecast its revenues or earnings accurately. In addition, the Company has no backlog and a significant portion of the Company's net revenues for a particular quarter are derived from auctions that are listed and completed during that quarter. The Company's current and future expense levels are based largely on its investment plans and estimates of future revenues and are, to a large extent, fixed. The Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues relative to the Company's planned expenditures would have an immediate adverse effect on the Company's business, results of operations and financial condition. Further, as a strategic response to changes in the

competitive environment, the Company may from time to time make certain pricing, service or marketing decisions that could have a material adverse effect on its business, results of operations and financial condition.

The Company believes that its results of operations are somewhat seasonal in nature, with fewer auctions listed around the Thanksgiving and Christmas holidays in the fourth quarter. The Company's limited operating history, however, makes it difficult to fully assess the impact of these seasonal factors or whether or not its business is susceptible to cyclical fluctuations in the U.S. and Canadian economy. There can be no assurance that seasonal or cyclical variations in the Company's operations will not become more pronounced over time or that they will not materially adversely affect its results of operations in the future. Moreover, consumer "fads" and other changes in consumer trends may cause significant fluctuations in the Company's operating results from one quarter to the next.

Due to the foregoing factors, the Company's quarterly revenues and operating results are difficult to forecast. The Company believes that period-to-period comparisons of its operating results may not be meaningful and should not be relied upon as an indication of future performance. In addition, it is likely that in one or more future quarters the Company's operating results will fall below the expectations of securities analysts and investors. In such event, the trading price of the Company's common stock would almost certainly be materially adversely affected.

***Our ability to complete acquisitions and to meet our business projections through December 31, 2004 may depend on our ability to raise additional capital in 2004.***

We may seek additional capital in 2004 to complete acquisitions or meet our operating and capital budget requirements through December 31, 2004. See Management's Discussion and Analysis of Financial Condition and Results of Operations. We cannot assure you that any additional financing would be available on terms acceptable to us, or at all. Furthermore, any issuance of additional securities may result in dilution to the then existing shareholders.

If adequate funds are not available, we will lack sufficient capital to pursue our intended course of action and business strategy in 2004, which will have a material adverse effect on our ability to meet our business projections.

***Our growth strategy success depends on our ability to acquire additional auction and liquidation businesses, to market and develop our businesses, and to integrate these acquisitions and models into our business.***

Our business strategy is to grow through acquisitions or strategic affiliations with auction, liquidation or related companies in a number of North American markets. We may acquire additional auction houses, although we have not publicly announced any plans to do so. There can be no assurance that our current management, personnel, and corporate infrastructure will be adequate to manage future growth, if any. The success of our business strategy depends on making further acquisitions of or entering into strategic affiliations with auction companies.

We acquired iCollector PLC in September 2001. At that time, iCollector PLC was insolvent and needed working capital. We agreed to acquire iCollector PLC as long as its majority shareholder was willing to finance iCollector PLC until it met its projected cash flow targets. iCollector PLC did not attain the projections, and there were not adequate resources to continue funding its losses. In December 2001, iCollector PLC was restructured and it was placed in formal liquidation in January 2002. Thereafter, we restructured the operations of iCollector PLC. We cannot assure you that the new business model will be consistently profitable. The success of the new iCollector business model is dependent upon the strengths and relationships of the current sales team, the skills of the technology team, and the continued support and generation of new customers. We cannot assure you that the formal liquidation of iCollector PLC will have no material adverse effect legally or on our business, financial condition and results of operations.

We also cannot guarantee that we will be able to integrate new acquisitions or affiliations successfully into our company without substantial costs, delays, or other operational or financial problems. Further, acquisitions and expansion into new markets involve a number of special risks, including possible adverse effects on our operating results, diversion of management's attention, failure to retain key personnel, risks associated with unanticipated events or liabilities, and amortization of acquired intangible assets. Some or all of these risks could have a material adverse effect on our business, financial condition and results of operations.

We may finance future acquisitions and expansions by incurring bank indebtedness, using cash from operations, issuing common stock or other securities, or any combination of these. If our common stock does not maintain a sufficient market value, or potential acquisition candidates are otherwise unwilling to accept our common stock or other securities as part of the consideration for the sale of their businesses, we may be required to use more of our cash resources or incur substantial debt in order to finance future acquisitions. If we do not have sufficient cash resources, our ability to make acquisitions could be limited unless we are able to obtain additional capital through debt or equity financings. There can be no assurance that we will be able to obtain the financing we will need in the future on terms we consider acceptable, if at all.

***We have experienced rapid growth, which has placed a strain on our resources, and any failure to manage our growth effectively could cause our business to suffer.***

We do not have a proven record in managing our growth and may not be successful in doing so. We have grown from 12 employees on August 24, 1999 to approximately 24 staff persons on December 31, 2003. We plan to continue expanding through acquisitions and to continue to develop our three basic business, Auction Broadcast Services, Point-of-Sale and Hardware Services and Liquidation Services. Past growth in these areas has placed, and any future growth will continue to place, a significant strain on our management systems and resources.

***If we are unable to achieve a significant number of visitors and successfully facilitate transactions, we may be unable to generate sufficient revenues to earn a profit.***

The success of our Ableauctions.com, iCollector.com, iTrustee and other web sites depends on whether or not there is significant market acceptance of these web site by consumers. We currently offer only a limited selection of merchandise for sale. We anticipate that we will have very limited market acceptance until we begin offering more items of merchandise for sale and our brand name is established. Our business concept of offering an solutions for broadcasting live auctions or liquidating inventory is still being tested and we cannot assure you that our strategy will be successful, or that it will increase revenues.

Our competitors and potential competitors may offer more cost-effective auctioning, technology or merchandising solutions than us, which could damage our business and our ability to successfully commercialize our businesses. Our failure to attract visitors, successfully complete transactions, and develop an adequate auction house base will seriously harm our business and our ability to earn a profit.

***We have capacity constraints and system development risks that could damage our customer relations or inhibit our possible growth, and we may need to expand our management systems and controls quickly.***

Our success and our ability to provide high quality customer service largely depends on the efficient and uninterrupted operation of our computer, Internet and communications systems and the computers and communication systems of third party vendors in order to accommodate any significant numbers or increases in the numbers of consumers and businesses using our services. Our success also depends on our abilities, and that of our vendors, to rapidly expand transaction-processing systems and network infrastructure without any systems interruptions in order to accommodate any significant increases in use of our service.

We cannot assure you that the vendors or partners we have selected and will select in the future will be capable of accommodating any significant number or increases in the number of consumer and auction houses using our services. Such failures will have a material adverse affect on our business and results of operations. We may experience periodic systems interruptions and down time caused by traffic to our web site and technical difficulties, which may cause customer dissatisfaction and may adversely affect our results of operations. Limitations of our technology infrastructure and that of our vendors may prevent us from maximizing our business opportunities.

The Company seeks to generate a high volume of traffic and transactions. Accordingly, the satisfactory performance, reliability and availability of the Company's Web site, processing systems and network infrastructure are critical to the Company's reputation and its ability to attract and retain large numbers of users who bid for or sell items on its service while maintaining adequate customer service levels. The Company's revenues depend on the number of items listed by users, the volume of user auctions that are successfully completed and the final prices paid for the items listed. Any system interruptions that result in the unavailability of the Company's service or reduced customer activity would reduce the volume of items listed and auctions completed and could affect the average selling price of the items. Interruptions of service may also diminish the attractiveness of the Company and its services. The Company may experience periodic system interruptions, which it believes will continue to occur from time to time. Any substantial increase in the volume of traffic on the Company's Web site or in the number of auctions being conducted by customers will require the Company to expand and upgrade its technology, transaction processing systems and network infrastructure. There can be no assurance that the Company will be able to accurately project the rate or



timing of increases, if any, in the use of the Company's services or timely expand and upgrade its systems and infrastructure to accommodate such increases in a timely manner. Any failure to expand or upgrade its systems could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company uses internally developed systems for its service and transaction processing, including billing and collections processing. The Company must continually enhance and improve these systems in order to accommodate the level of use of its customers. Furthermore, in the future, the Company may add additional features and functionality to its services that would result in the need to develop or license additional technologies. The Company's inability to add additional software and hardware or to develop and further upgrade its existing technology, transaction processing systems or network infrastructure to accommodate increased traffic on the Company's service or increased transaction volume through its processing systems or to provide new features or functionality may cause unanticipated system disruptions, slower response times, degradation in levels of customer service, impaired quality of the user's experience on the Ableauctions service, and delays in reporting accurate financial information. In addition, although the Company works to prevent unauthorized access to Company data, it is impossible to completely eliminate this risk. There can be no assurance that the Company will be able in a timely manner to effectively upgrade and expand its systems or to integrate smoothly any newly developed or purchased technologies with its existing systems. Any inability to do so would have a material adverse effect on the Company's business, results of operations and financial condition.

*Our business is at risk for system failures that disrupt our operations.*

The Company's success, and in particular its ability to facilitate trades successfully and provide high quality customer service, depends on the efficient and uninterrupted operation of its computer and communications hardware systems. Substantially all of the Company's computer hardware for operating its service is currently located at the facilities of Telus in British Columbia. These systems and operations are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, break-ins, sabotage, intentional acts of vandalism and similar events. The Company does not presently have fully redundant systems, a formal disaster recovery plan or alternative providers of hosting services and does not carry sufficient business interruption insurance to compensate it for losses that may occur. Despite any precautions taken by, and planned to be taken by the Company, the occurrence of a natural disaster or other unanticipated problems at the Telus facility could result in interruptions in the services provided by the Company. In addition, the failure by Telus to provide the data communications capacity required by the Company, as a result of human error, natural disaster or other operational disruption, could result in interruptions in the Company's service. Any damage to or failure of the systems of the Company could result in reductions in, or terminations of, the Ableauctions service, which could have a material adverse effect on the Company's business, results of operations and financial condition.

In the case of frequent or persistent system failures, the Company's reputation and name brand could be materially adversely affected. Although the Company has implemented certain network security measures, its servers are also vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays, loss of data or the inability to complete customer auctions, any and all of which could have a material adverse effect on the Company's business, results of operations and financial condition.

***Changing technology may render our equipment, software, and programming obsolete or irrelevant.***

The market for Internet-based products and services is characterized by rapid technological developments, frequent new product introductions, and evolving industry standards. The emerging character of these products and services and their rapid evolution will require that we continually improve the performance, features, and reliability of our Internet-based products and services, particularly in response to competitive offerings. We cannot guarantee that we will be successful in responding quickly, cost effectively, and sufficiently to these developments. In addition, the widespread adoption of new Internet technologies or standards could require substantial expenditures by us to modify or adapt our Internet sites and services and could fundamentally affect the character, viability, and frequency of Internet-based advertising, either of which could have a material adverse effect on our business, financial condition, and operating results. In addition, new Internet-based products, services, or enhancements offered by us may contain design flaws or other defects that could require costly modifications or result in a loss of consumer confidence, either of which could have a material adverse effect on our business, financial condition, and operating results.

***We depend on eBay for revenue and uninterrupted Internet access and may be harmed by the loss of any such service.***

We rely heavily on eBay's servers for uninterrupted Internet access and the ability to offer our customers live auction technology that access eBay's clients. We are negotiating an agreement with eBay governing the conduct of auctions on their site that may be terminated instantly or on short notice. Our business is dependent on the uninterrupted Internet access, their servers and their continued operation of the live auction platform on eBay Live Auction. The loss of any of these services or agreement will have a material adverse effect on our business, financial condition, and operating results. We cannot assure you that we would be able to obtain these services from other third parties or that we can renew our eBay agreement.

***If we cannot protect our Internet domain names, our ability to conduct our operations may be impeded.***

We anticipate that the Internet domain names `ableauctions.com`, `icollector.com`, `itrustee.com` and various others listed under our intellectual property will be extremely important part of our business and the business of our subsidiaries. Governmental agencies and their designees generally regulate the acquisition and maintenance of domain names. The regulation of domain names in the United States and in foreign countries may be subject to change in the near future. Governing bodies may establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names in all countries in which we conduct business. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. Therefore, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe on, or otherwise decrease the value of our trademarks and other proprietary rights. Third parties have acquired domain names that include `auctions` or other variations both in the United States and elsewhere.

***Potential fluctuations in results of operating may cause cash shortfalls materially affecting our results of operations.***

Because of our limited operating history and the emerging nature of the markets in which we compete, it is difficult for us to forecast our revenues or earnings accurately. In addition, we have no backlog and a significant portion of our net revenues for a particular quarter is derived from auctions that are listed and completed during that quarter. Our current and future expense levels are based largely on our investment plans and estimates of future revenues and are, to a large extent, fixed.

We may be unable to adjust spending in time to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues relative to our planned expenditures would have an immediate adverse effect on our business, results of operations and financial condition. Further, as a strategic response to changes in the competitive environment, we may from time to time make certain pricing, service or marketing decisions that could have a material adverse effect on our business, results of operations, and financial condition.

We believe that period-to-period comparisons of our operating results may not be meaningful and should not be relied on as an indication of future performance. In addition, it is likely that in one or more future quarters our operating results will fall below the expectations of securities analysts and investors. In that event, the trading price of our common stock would almost certainly be materially adversely affected.

***Our success depends on the services of our key officers and our ability to attract and maintain qualified, experienced personnel.***

Our future success will depend on our key officers. The loss of key personnel could have an adverse effect on our operations. We do not maintain insurance to cover losses that may result from the death of any of our key personnel. Competition for qualified employees is intense. Our inability to attract, retain, and motivate additional, highly skilled personnel required for expansion of operations and development of technologies could adversely affect our business, financial condition, and results of operations. Our financial situation may adversely affect our ability to retain existing personnel and attract new personnel. We cannot assure you that we will be able to retain our existing personnel or attract additional, qualified persons when required and on acceptable terms.

***The e-commerce industry is highly competitive, and we cannot assure you that we will be able to compete effectively.***

The market for broadcasting auctions, providing auction technology, liquidating inventory over the Internet and POS services is new, rapidly evolving, and intensely competitive and we expect competition to intensify further in the future.

Our direct competitors in Auction Broadcast Services include BidSpotter, Inc., DoveBid, AMS Auction Management Solutions, Manheim Online, Copart Auto Auctions, Live Global Bid, ProxiBid, ABC Auction Broadcasting Company, and Bidder Central, and other web sites that broadcast live auctions. We will also compete with various online auction services.

Our direct competitors in Liquidation Services include GoIndustry, Bliquid, Liquidity Services Inc., Liquidation.com, Government Liquidation, UK Surplus, Bid 4 Assets Inc., Dovebid, Ebay Business, Excess Technologies, Overstock.com, American Merchandise Liquidators, Inc., Wholesale 411, Onsale.com, Surplus.net, and Surplex, and other web sites that liquidate merchandise.

Our direct competitors in auction software services include Achrtype Auction Software, Auction Flex, Auction Pay Inc., Auction Services, Computer Management Enterprises, C-U-S Business Systems, Inc., Dormier Software Enterprises, LuJohn's Enterprises Inc. / BidderCentral Software, Proxibid, Inc., SoldII / Proven Software Inc., and other companies that provide software services.

Our direct competitors in Point-of-Sale (POS) software services include Retail Pro, Keystoke POS, Beringer Group, Microbiz, King Corp, Register5, Profitec, Quicken, and other companies that provide POS services.

We face potential competition from a number of large online communities and services that have expertise in developing online commerce and in facilitating online person-to-person interaction. Some of these potential competitors, including eBay, Amazon.com, America Online, Inc., Microsoft Corporation, and Yahoo! Inc., currently offer a variety of business-to-consumer trading and classified advertisement services and may introduce live auctions to their large user populations. We believe that the principal competitive factors in the online auctions market are volume and selection of goods, population of buyers, customer service, reliability of delivery and payment by users, brand recognition, web site convenience and accessibility, price, quality of search tools, and system reliability. Many of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition, and significantly greater financial, marketing, technical, and other resources than us.

Certain of our competitors with other revenue sources may be able to devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing policies, and devote substantially more resources to web site and systems development than us or may try to attract traffic by offering services for free. We cannot assure you that we will be able to compete successfully against current and future competitors. Further, as a strategic response to changes in the competitive environment, we may, from time to time, make certain pricing, service, or marketing decisions that could have a material adverse effect on our business, results of operations, and financial condition.

***Due to the emerging nature of Internet commerce, we are unable to forecast our expenses and revenues accurately, and if our expenses exceed our revenues, we may not become profitable.***

Due to the emerging nature of Internet-based advertising, services, and electronic commerce, we are unable to forecast our expenses and revenues accurately. We believe that because the Internet has been available to the general public for a relatively brief time, the successful operation of any form of Internet-based business will be uncertain. Our current and future estimated expense levels are based largely on our estimates of future revenues and may increase considerably. Few, if any, of our operating expenses can be quickly or easily reduced, such as the laying off of personnel or reducing our commitment to our consultants and service providers, without causing a material adverse effect to our business, financial condition, and operating results. In addition, we may be unable to adjust spending in time to compensate for any unexpected expenditures, and a shortfall in actual revenues as compared to estimated revenues would have an immediate material adverse effect on our business, financial condition, and operating results.

***Our business may be subject to government regulation and legal uncertainties that may increase the costs of operating our operations or limit our ability to generate revenues.***

We are subject to the same federal, state, and local laws as other companies conducting business on the Internet. Today there are relatively few laws specifically directed towards online services. However, due to the increasing popularity and use of the Internet and online services, it is possible that laws and regulations will be adopted regarding the Internet or online services. These laws and regulations could cover issues such as online contracts, user privacy, freedom of expression, pricing, fraud, content and quality of products and services, taxation, advertising, intellectual property rights, and information security. Applicability to the Internet of existing laws governing issues such as property ownership, copyrights and other intellectual property issues, taxation, libel, obscenity, and personal privacy is uncertain. In addition, numerous states have regulations regarding the manner in which auctions may be conducted and the liability of auctioneers in conducting such auctions.

Due to the global nature of the Internet, it is possible that the governments of other states and foreign countries might attempt to regulate our transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws. Such laws may be modified, or new laws may be enacted, in the future. Any such development could damage our business.

***Our business may be subject to sales and other taxes, which may cause administrative difficulties and increase our cost of operations.***

We will collect applicable sales and other similar taxes on goods sold on our web site. One or more states may seek to impose additional sales tax collection obligations on companies such as ours that engage in or facilitate online commerce. Several proposals have been made at the state and local level that would impose additional taxes on the sale of goods and services through the Internet. These proposals, if adopted, could substantially impair the growth of electronic commerce and could diminish our opportunity to derive financial benefit from our activities.

***Our business may be subject significant insurance rate increases, which may make it difficult for us to attain the appropriate risk coverage or liability insurance, creating administrative difficulties in keeping board members and increasing the cost of our operations.***

Due to the global nature of the Internet related businesses, their impact on publicly trading companies, and political instability, it is possible that the company be denied insurance or not be able to afford it. Any such development could seriously impede the company's performance and profitability and the ability to conduct business. It may also impede the company in retaining key employees and board members or attracting suitable ones.

***If the American Stock Exchange determines that our common stock does not meet its listing criteria, our stock could be delisted.***

The Company is not under any immediate threat to be delisted from the American Stock Exchange and the American Stock Exchange has not taken any action in notifying the Company of any concerns surrounding the listing. However, the American Stock Exchange may change its listing requirements or the Company may not be able to meet the listing criteria.

***In the future, laws making us liable for the activities of users of our services could be passed, which would adversely affect our business, operations and financial condition.***

The law relating to the liability of providers of online services for activities of their users on the service is currently unsettled. While the Company does not pre-screen the types of goods offered on its website, the Company is aware that certain goods may be subject to regulation by local, state or federal authorities will be auctioned on one of the Company's websites. There can be no assurance that the Company will be able to prevent the unlawful exchange of goods on its service or that it will successfully avoid civil or criminal liability for unlawful activities carried out by users through the Company's service. The imposition upon the Company of potential liability for unlawful activities of users of the Ableauctions services could require the Company to implement measures to reduce its exposure to such liability, which may require, among other things, the Company to spend substantial resources and/or or to discontinue certain service offerings. Any costs incurred as a result of such liability or asserted liability could have a material adverse effect on the Company's business, results of operations and financial condition.

In addition, the Company's success depends largely on sellers reliably delivering and accurately representing the working condition of auctioned goods and buyers paying the auctioned price. The Company auctions the goods as is and takes no responsibility for working condition of goods to any user of the Ableauctions service. The Company anticipates that it will receive in the future, communications from users regarding the working condition of the goods and users who dispute the posting of Internet bids. While the Company can suspend the accounts of users who fail to fulfill their obligations, the Company, beyond crediting sellers with the amount of their fees in certain circumstances, does not have the ability to otherwise require users to make payments or deliver working goods and the Company does not compensate users who believe they have been defrauded by other users. The Company may be brought into

litigation as a third party for instances where a seller has intentionally set out to defraud the buyer, then disappears. The Company also from time to time receives complaints from buyers as to the quality of the goods purchased. Although the Company has attempted to reduce its liability to buyers for unfulfilled transactions or other claims related to the quality of the purchased goods and although the average transaction size is approximately \$500.00, the Company may in the future receive additional requests from users requesting reimbursement or threatening legal action against the Company if no reimbursement is made. Any resulting litigation could be costly for the Company, divert management attention and could result in increased costs of doing business, or otherwise have a material adverse effect on the Company's business, results of operations and financial condition. Any negative publicity generated as a result of fraudulent or deceptive conduct by users of Ableauctions services could damage the Company's reputation and diminish the value of its brand name, which could have a material adverse effect on the Company's business, results of operations and financial condition.

***We conduct much of our business online, however such activities may not be secure. If a breach of security occurred, our reputation could be damaged and we could be sued.***

A significant barrier to online commerce and communications is the secure transmission of confidential information over public networks. Currently, a significant number of Ableauctions users authorize the Company to bill their credit card accounts directly for all transaction fees charged by the Company. The Company relies on encryption and authentication technology licensed from third parties to provide the security and authentication technology to effect secure transmission of confidential information, including customer credit card numbers. There can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments will not result in a compromise or breach of the technology used by the Company to protect customer transaction data. If any such compromise of the Company's security were to occur, it could have a material adverse effect on the Company's reputation and, therefore, on its business, results of operations and financial condition. Furthermore, a party who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in the Company's operations. The Company may be required to expend significant capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches. Concerns over the security of transactions conducted on the Internet and other online services and the privacy of users may also inhibit the growth of the Internet and other online services generally, and the Web in particular, especially as a means of conducting commercial transactions. To the extent that activities of the Company involve the storage and transmission of proprietary information, such as credit card numbers, security breaches could damage the Company's reputation and expose the Company to a risk of loss or litigation and possible liability. The Company's insurance policies carry low coverage limits, which may not be adequate to reimburse the Company for losses caused by security breaches. There can be no assurance that the Company's security measures will prevent security breaches or that failure to prevent such security breaches will not have a material adverse effect on the Company's business, results of operations and financial condition.

***We cannot guarantee that we will be able to successfully incorporate into our business model the acquisitions that we make, or that the acquisitions we make will be profitable.***

The Company intends to acquire businesses, technologies, services or products that the Company believes are strategic. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired

business, technology, service or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Moreover, there can be no assurance that the anticipated benefits of any acquisition will be realized. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favorable to the Company, or at all, and such financing, if available, might be dilutive.

***We may be unable to adequately protect our intellectual property.***

The Company regards the protection of its copyrights, service marks, trademarks, trade dress and trade secrets as critical to its future success and relies on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect its proprietary rights in products and services. The Company attempts to enter into confidentiality and invention assignment agreements with its employees and contractors, and nondisclosure agreements with parties with which it conducts business in order to limit access to and disclosure of its proprietary information. There can be no assurance that these contractual arrangements or the other steps taken by the Company to protect its intellectual property will prove sufficient to prevent misappropriation of the Company's technology or to deter independent third-party development of similar technologies. The Company will pursue the registration of its trademarks and service marks in the U.S. and Canada. Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which the Company's services are made available online. The Company has licensed in the past, and expects that it may license in the future, certain of its proprietary rights, such as trademarks or copyrighted material, to third parties. While the Company attempts to ensure that the quality of the Ableauctions or iCollector brand is maintained by such licensees, there can be no assurance that such licensees will not take actions that might materially adversely affect the value of the Company's proprietary rights or reputation, which could have a material adverse effect on the Company's business, results of operations and financial condition. The Company will also rely on certain technologies that it licenses from third parties, such as Oracle Corporation ("Oracle"), Microsoft and Sun Microsystems Inc. ("Sun"), the suppliers of key database technology, the operating system and specific hardware components for the Ableauctions services. There can be no assurance that these third-party technology licenses will continue to be available to the Company on commercially reasonable terms. The loss of such technology could require the Company to obtain substitute technology of lower quality or performance standards or at greater cost, which could materially adversely affect the Company's business, results of operations and financial condition.

To date, the Company has not been notified that its technologies infringe the proprietary rights of third parties, but there can be no assurance that third parties will not claim infringement by the Company with respect to past, current or future technologies. The Company expects that participants in its markets will be increasingly subject to infringement claims as the number of services and competitors in the Company's industry segment grows. Any such claim, whether meritorious or not, could be time-consuming, result in costly litigation, cause service upgrade delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to the Company or at all. As a result, any such claim could have a material adverse effect upon the Company's business, results of operations and financial condition.



***Our stock price is subject to extreme volatility.***

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Company's quarterly operating results, announcements of technological innovations, or new services by the Company or its competitors, changes in financial estimates by securities analysts, conditions or trends in the Internet and online commerce industries, changes in the market valuations of other Internet or online service companies, announcements by the Company or its competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments, additions or departures of key personnel, sales of common stock or other securities of the Company in the open market and other events or factors, many of which are beyond the Company's control. Further, the stock markets in general, and the Nasdaq National Market and the market for Internet-related and technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. The trading prices of many technology companies' stocks do not reflect valuations. There can be no assurance that trading prices and valuations will be sustained. These broad market and industry factors may materially and adversely affect the market price of the common stock, regardless of the Company's operating performance. Market fluctuations, as well as general political and economic conditions such as recession or interest rate or currency rate fluctuations, may also adversely affect the market price of the common stock. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against such company. Such litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources, which would have a material adverse effect on the Company's business, results of operations and financial condition.

***Our executive officers and directors control a large percentage of our common stock, which may allow them to control matters submitted to stockholders for approval.***

The Company's executive officers and directors (and their affiliates), in the aggregate, own approximately 12 % of the Company's outstanding common stock. As a result, such persons, acting together, will have the ability to control all matters submitted to stockholders of the Company for approval (including the election and removal of directors and any merger, consolidation or sale of all or substantially all of the Company's assets) and to control the management and affairs of the Company. Accordingly, such concentration of ownership may have the effect of delaying, deferring or preventing a change in control of the Company, impede a merger, consolidation, takeover or other business combination involving the Company or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, which in turn could have an adverse effect on the market price of the Company's common stock.

***The market price of our common stock may be adversely affected if too much of it is sold at once.***

Sales of substantial amounts of the Company's common stock (including shares issued upon the exercise of outstanding options) in the public market could adversely affect the market price of the common stock. Such sales also might make it more difficult for the Company to sell equity or equity-related securities in the future at a time and price that the Company deems appropriate.

***We have been sued for claims relating to our discontinued operations and we may have more such claims.***

In 2002 it was determined that iCollector PLC could not sustain its operations based on its existing cash resources and infrastructure. iCollector PLC then ceased operations and a restructuring plan was adopted. In January 2002 iCollector PLC was placed into formal bankruptcy proceedings pursuant to the laws of the United Kingdom. In 2002, we also ceased operations in San Mateo and San Francisco, both operating under Ableauctions.com (Washington) Inc. In connection with such cease of operations, we have received a number of claims from various persons claiming that they are creditors entitled to be paid. Seven such claimants have instigated lawsuits against us and six have received judgments ranging from \$737.28 to \$26,084.54. In the aggregate these seven claimants are claiming, in the aggregate approximately \$68,045.57. We cannot assure you that no additional claims will arise from the discontinued operations. Furthermore, based on existing cash resources, subsequent claims may force us to place our Washington operations into formal bankruptcy.

***In preparing our financials, earnings and guidance and management reports, we use a number of models, sources and factors that may be volatile and may generate inconsistent outcomes depending on how they are applied requiring us to restate our financials, reports and guidance.***

We rely on a number of models, sources and factors in the preparation of our financials, earnings guidance and management reports, including those used by our advisors, accountants, and brokerage houses in the reporting investment income and costs, that may be subjective and very volatile. We also rely on models such as the Black & Scholes option pricing model, a model developed by Fischer Black and Myron Scholes, to gauge whether options contracts are fairly valued. It, along with other models and financial tools, incorporates such factors as the volatility of a security's return, the level of interest rates, the relationship of the underlying stock's price to the strike price of the option, and the time remaining until the option expires. There are numerous variables to consider in the use of the models, each able to affect the outcome of results significantly from one day to another. There can be no assurance that outcome from assumptions and calculations made by one party will be consistent with those made by another, or from one time period to another, will yield similar results or arguably different results, requiring us to restate our financials, our reports, or update our guidance.

***The posting of inventory using third party technology (e.g., eBay) or our own technology may expose us to certain liabilities.***

The posting of inventory using third party technology (e.g., eBay) or our own technology may expose us to certain liabilities. The inventory posted for sale whether ours or on behalf of a client may not be free of liens or is encumbered, violates applicable laws, cause damage, death or harm or is unsuitable for the use suggested, be counterfeited, misrepresented, damaged, illustrated incorrectly or not authentic, or may be damaged during delivery or shipment. In addition, the posting of the image of inventory may illustrate or describe the inventory incorrectly or violate applicable trademark or copyright. Further, the parties to the auction may fail to consummate the transaction or acts fraudulently or dishonestly. Finally, we may make errors in posting a catalogue for a client such as missing an

item, incorrectly upload the information, make errors in starting time, or inadvertently (or through equipment malfunctions, data crashes, viruses, hackers, etc.) omitting the catalogue altogether or lose the client's data.

***Investment of the Company's cash in short term instruments subjects such assets to investment risks.***

The management of the Company has invested a certain amount of its cash holdings in short term instruments. See, the section entitled "Short Term Investment" above. The management of the Company are not experts in making investments in short term instruments and in the event such investments decline in value, the Company may suffer significant losses.

***A majority of our obligations, investments and expenditures with respect to our operations are incurred in a foreign currency which is subject to currency exchange rates.***

While our financial results are quantified in U.S. dollars, a majority of our obligations, investments and expenditures with respect to our operations, however, are incurred in Canadian dollars. We may have market risks relating to our operations resulting from foreign exchange rates, if we enter into financing or other business arrangements denominated in currency other than the U.S. dollar, variations in the exchange rate may give rise to foreign exchange gains or losses that may be significant.

**Item 2.**

**Description of Property**

We currently maintain a small business office that serves as the head office for the Company at 1222 - 46th Ave E, Fife Washington 98424. Pursuant to the purchase agreement between Ehli and Ableauctions, we have continued use of the office space and business in the same premises until March 31<sup>st</sup>, 2005 at no charge to Ableauctions.

We currently maintain two small business offices that service our East Coast iCollector clients. The first, located at 1589 Niagara Street, Buffalo, New York and the second, at 50 Sweetbriar Drive, Kitchener, Ontario in Canada. We have continued use of the office space and business in the same premises indefinitely at no charge to Ableauctions.

We lease 8,000 sq ft. showroom and office at 1963 Lougheed Highway, Coquitlam, British Columbia and an 9,000 sq ft. showroom and office at 3112 Boundary Road, Burnaby, British Columbia. The monthly payments are \$3,300 and

\$3,747 respectively. The landlord is Derango Resources Inc., a private company wholly-owned by Hanifa Ladha, who is the wife of our President, Abdul Ladha. The rent payments are below market, as verified independently by Burgess Austin valuers.

We lease 350 sq ft. office located at 408-C Bryant Street, Ojai, California. The monthly payments are \$575. The facility serves as the company's operating office for Unlimited Closeouts Inc.

Prior to our license agreement with Able Solutions, Inc., Able Auctions (1991) Ltd. leased 10,000 square feet of space at 1963 Lougheed Highway, Coquitlam, British Columbia, Canada. The monthly payments under the lease during the last fiscal year were \$7,900. The lease is now assigned to Able Solutions Inc.

Prior to our license agreement with Able Solutions, Inc., we subleased approximately 15,000 square feet of warehouse and office space at 9121 196A Street, Langley, British Columbia, Canada. The monthly rent was \$9,800. The lease is now assigned to Able Solutions Inc.

Prior to our license agreement with Able Solutions, Inc., we leased approximately 9,000 square feet of warehouse, production and office space at 1055 Vernon Street, Vancouver, British Columbia. The monthly rent was \$7,500. The lease is now assigned to Able Solutions Inc.

Neither our subsidiaries nor we presently own or lease any other property or real estate.

### **Item 3.**

#### Legal Proceedings

As of the date hereof, there is no material litigation pending against us. From time to time, we may become a party to litigation and claims incident to the ordinary course of our business.

### **Item 4.**

#### Submission of Matters to a Vote of Security Holders

No meetings of security holders were held during the fourth quarter of our fiscal year ended December 31, 2003.

## PART II

### Item 5.

#### Market for Common Equity and Related Stockholder Matters

Our common stock has traded on the American Stock Exchange since June 29, 2000 under the symbol AAC . Prior to June 29, 2000 our common stock traded on the Over-the-Counter Bulletin Board (OTCBB) under the symbol ABLC . The range of high and low bid prices per share for our common stock for each quarter during the period from January 1, 2002 through December 31, 2003, as published by the American Stock Exchange and is set forth below. The quotations merely reflect the prices at which transactions were proposed, and are not quarterly averages or do not necessarily represent actual transactions. Prices do not include retail markup, markdown, or commissions and may not represent actual transactions.

Quarter Ended	2002	
	High	Low
March 31	\$ 0.53	\$ 0.42
June 30	\$ 0.43	\$ 0.31
September 30	\$ 0.12	\$ 0.09
December 31	\$ 0.10	\$ 0.09

Quarter Ended	2003				
	High	Death			
Compensation:					
Base Salary(1)	\$	\$ 1,000,000	\$ 1,000,000	\$ 500,000	\$ 500,000
Bonus		200,000	200,000	133,333	133,333
Benefits & Perquisites:					
Stock Awards					
Health and Welfare Benefits(2)		27,000	27,000		
Excise Tax and Gross-Up					
Accrued Vacation Pay(3)					

Total	\$	\$ 1,227,000	\$ 1,227,000	\$	\$ 633,333	\$ 633,333
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- (1) Assumes termination as of April 30, 2009 and all salary due and payable, and all matching contributions pursuant to our 401(k) plan to that date have been paid.
- (2) Average monthly cost is \$1,125, with approximately 24 months remaining under the term of the employment agreement.
- (3) Mr. Lee has no accrued vacation pay.

Payments of separation benefits may be delayed if (i) Mr. Lee is a specified employee within the meaning of Section 409A of the Code ( Section 409A ) as of the date of his separation from service and (ii) the amount of any separation benefits payable to him are subject to Section 409A. In such instance, the separation benefits will not be paid to Mr. Lee until six months after the date of separation from service (or, if earlier, the date of his death). Any delayed payment will be paid in a single lump sum in cash on the first day of the seventh month following Mr. Lee s separation from service (or, if earlier, upon his death).

*Mr. Austin s Compensation Arrangement*

If, during the first three years of Mr. Austin s employment with us, either (i) his employment is terminated (in a manner that constitutes a separation from service under Section 409A) by us other than for cause or (ii) a change of control occurs, and upon such change of control or within six months thereafter, his employment with us is terminated (in a manner that constitutes a separation from service under Section 409A) either (y) by us other than for cause, or (z) by him for good reason, then we must pay to Mr. Austin as a severance benefit an amount equal to the sum of:

his then current base salary; plus

a bonus payment equal to the average of his three then most recent annual cash bonuses.

In the event a termination event occurs before Mr. Austin has received his first annual cash bonus, the bonus payment will be deemed to be \$125,000.

The term change of control means any change in the composition of our board of directors such that the incumbent directors comprise less than one-half of the membership of our Board. The term incumbent directors means those persons currently serving as our directors, any person selected by the current directors to replace a director who dies, resigns or is removed as a director (and any such person shall thereafter be deemed to be a

current director), or any person nominated by the current directors, or whose nomination is supported by the current directors, and who thereafter is elected by the stockholders as a director (and any such person shall thereafter be deemed to be a current director).

The term "cause" means:

conviction of a felony;

an act or acts of dishonesty intended to result in personal enrichment at our expense; or

failure to follow a reasonable and lawful order from our chief executive officer or the Board, within the reasonable scope of his duties and responsibilities, which failure is not cured within ten (10) days after notice.

The term "good reason" means the termination by Mr. Austin of his employment within the period ending six (6) months following a change of control for any of the following events, unless he has consented in writing to such event:

a material diminution of his base annual salary;

his assignment of any duties materially inconsistent with his position as chief financial officer (including status, offices, titles, and reporting requirements), or any material diminution of his authority, duties, or responsibilities, other than an isolated, insubstantial, or inadvertent action not taken in bad faith and which we remedy promptly after receipt of notice from Mr. Austin; or

any required relocation of his principal office to a location more than fifty (50) miles from Tulsa, Oklahoma.

The following table shows the potential payments upon termination of Mr. Austin's employment with us as provided in his compensation arrangement:

	Change of Control Event	Involuntary Not For Cause Termination
<b>Executive Benefits and Payments Upon Separation</b>		
Base Salary(1)	\$ 250,000	\$ 250,000
Bonus	125,000	125,000
Accruals(2)	9,659	9,659
Total	\$ 384,659	\$ 384,659

(1) Assumes termination as of April 30, 2009 and all salary due and payable, and all matching contributions pursuant to our 401(k) plan have been paid.

(2) Accrued vacation balance payable as of April 30, 2009.

Mr. Austin's employment arrangement contemplated the adoption of the 2009 CIC Plan, and includes specific provisions that address potential differences in the payment of change of control separation benefits. If circumstances under which the change of control separation benefit payable to Mr. Austin in the 2009 CIC Plan are substantially similar to the circumstances specified under his employment agreement, then the provisions of the 2009 CIC Plan will control. If, however, events subsequently occur that would have entitled Mr. Austin to the payment of change of control separation benefits under his employment agreement that are greater than those payable under the 2009 CIC Plan, we must make a cash payment to Mr. Austin equal to the increase in benefits payable. Assuming a termination as of April 30, 2009, the severance benefit payable to Mr. Austin under the 2009 CIC Plan would be greater than the benefit payable under his employment agreement.

Any payments of separation benefits may be delayed to ensure compliance with Section 409A in the same manner as described above under Mr. Lee's employment agreement.



*Change in Control Separation Benefit Plan of RAM Energy Resources, Inc, and Participating Subsidiaries*

We adopted the 2009 CIC Plan to assure that we will have the continued dedication of each of our senior vice presidents and vice presidents ( Executives ), notwithstanding the possibility, threat, or occurrence of a change in control. Our Board believed it was important to diminish the inevitable distraction of these executives by virtue of the personal uncertainties and risks created by a pending or threatened change in control, and to encourage these executive s full attention and dedication to our affairs during the term of the 2009 CIC Plan and upon the occurrence of such event. Our Board also believed that we are best served by providing these executives with compensation arrangements upon a change in control which provide these executives with individual financial security and which are competitive with those of other corporations. The principal provisions of the 2009 CIC Plan are as follows.

*Reasons for Termination of Employment of an Executive*

*Termination Upon Death or Becoming Disabled.* An Executive s employment shall terminate immediately upon the Executive s death and we will have no further obligation under the 2009 CIC Plan to the deceased Executive or such Executive s legal representatives. If the Executive s employment is terminated due to the Executive becoming disabled, we will have no further obligation under the 2009 CIC Plan to the Executive or such Executive s legal representatives. The term disabled means, with respect to any Executive, that (i) such Executive has received disability payments under our long-term disability plan for a period of three months or more, or (ii) based upon the written report of a mutually agreeable qualified physician designated by us and the Executive or the Executive s representative, our Compensation Committee determines, in accordance with Section 409A, that the Executive has become physically or mentally incapable of performing the Executive s essential job functions with or without reasonable accommodation or job protection as required by law for a continuous period expected to last not less than twelve months.

*Termination by the Company; Cause.* We may terminate an Executive s employment at any time whether with or without cause. For purposes of the 2009 CIC Plan, cause means the termination of Executive s employment due to:

the failure of the Executive to perform in any material respect the Executive s prescribed duties to us (other than any such failure resulting from the Executive becoming disabled);

the commission by the Executive of a wrongful act that caused or was reasonably likely to cause damage to us;

an act of gross negligence, fraud, unfair competition, dishonesty or misrepresentation in the performance of the Executive s duties on our behalf;

the conviction of or the entry of a plea of nolo contendere by the Executive to any felony or the conviction of or the entry of a plea of nolo contendere to any offense involving dishonesty, breach of trust or moral turpitude; or

a breach of the Executive s fiduciary duty involving personal profit.

If we terminate the Executive s employment for cause within the year following a change in control (the Change in Control Period ), then such termination for cause shall not be effective for purposes of determining that the Executive is not entitled to payment of the separation benefit under the 2009 CIC Plan unless and until two-thirds of the Board adopt a resolution approving the termination of the Executive for cause, following notice and an opportunity to the Executive to be heard at a meeting called by the Board to discuss the Executive s employment.

For purposes of the 2009 CIC Plan, a change in control shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

at the close of business day next following the day on which we learn of the acquisition by any unaffiliated person of beneficial ownership, within the meaning of Rule 13d-3 promulgated under the Exchange Act, of 50% or more of the then outstanding shares of our common stock;



at any time the incumbent directors (defined below) shall cease for any reason to constitute a majority of our Board;

upon the consummation of a reorganization, merger or consolidation, or a sale or other disposition of all or substantially all of our assets, with certain limited exceptions where our stockholders continue to control the resulting entity (or the entity which purchases our assets) and the incumbent directors control the board of the resulting entity (or the entity which purchases our assets); or

approval by our stockholders of a plan of complete liquidation or dissolution.

The incumbent directors are the members of the Board on the date of adoption of the 2009 CIC Plan, together with any person who hereafter becomes our director and whose election or nomination for election was approved by a vote of at least a majority of the incumbent directors (including directors so appointed or elected by incumbent directors) then on the Board; provided, however, that no individual initially elected or nominated as our director as a result of an actual or threatened election contest (as described in Rule 14a-11 under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board, including by reason of any agreement intended to avoid or settle any such election contest or solicitation of proxies or consents, shall be deemed an incumbent director.

*Termination by the Executive; Good Reason.* The Executive may terminate the Executive's employment at any time whether with or without good reason. The term "good reason" means the termination by the Executive of the Executive's employment during the Change in Control Period for any of the following events, unless the Executive has consented in writing to such event:

any material diminution in the Executive's annual base salary;

the assignment to the Executive of any duties materially inconsistent with the Executive's position (including status, offices, titles, and reporting requirements), authority, duties, or responsibilities, other than an isolated, insubstantial, or inadvertent action not taken in bad faith and which we remedy promptly after receipt of notice from the Executive;

any failure by us to require any successor or assignee to assume the obligations under the 2009 CIC Plan; or

any relocation of the Executive's principal office to a location more than fifty (50) miles from the Executive's principal office prior to such relocation.

No termination of employment for good reason shall be effective for purposes of determining that the Executive is entitled to payment of the separation benefits under the 2009 CIC Plan unless (i) following receipt of proper notice, we fail to either cure the offending cause or notify the Executive of our intended method of cure, and (ii) the Executive timely delivers a notice of termination.

*Termination Prior to a Change in Control.* If we terminate the Executive's employment other than for cause, the Executive's death or the Executive becoming disabled, and a change in control occurs within six (6) months following the date of termination, then for purposes determining eligibility for payment of the separation benefits under the 2009 CIC Plan, such change in control shall be deemed to have occurred immediately prior to the date of termination if either (i) the date of termination occurs following the execution of an agreement (including a letter of intent) that provides for a transaction that subsequently is consummated and constitutes such change in control, or (ii) the Executive reasonably demonstrates that such termination was effected in connection with, or in anticipation of, such change in control.

#### *Separation Benefits Upon Termination of the Executive under the 2009 CIC Plan*

*Accrued Obligations.* Upon any termination of the Executive's employment for any reason, we will pay the Executive any unpaid portion the Executive's annual base salary through the date of termination and any accrued, unused vacation through the date of termination (the "Accrued Obligations").

*Termination for Good Reason; Other Than for Cause, Death, or Becoming Disabled.* If during the Change in Control Period (i) we terminate the Executive's employment other than for cause, the Executive's death, or the Executive becoming disabled, or (ii) the Executive terminates the Executive's employment for good reason, then we will, in addition to the payment of the Accrued Obligations, pay the following separation benefits to the Executive:

If the Executive is a vice president, we will pay the Executive a lump sum in cash equal to one times the sum of the greater of (x) the Executive's annual base salary as of the date of termination, and (y) the Executive's annual base salary at any time during the one-year period before the change in control.

If the Executive is a senior vice president, we will pay the Executive a lump sum in cash equal to two times the sum of the greater of (x) the Executive's annual base salary as of the date of termination, and (y) the Executive's annual base salary at any time during the one-year period before the change in control.

We will also provide the Executive:

with limited exceptions and for the period allowed under Section 4980B of the Code (not less than 18 months), the same level of health and dental insurance benefits for the Executive (and the Executive's dependents, if applicable) upon substantially similar terms and conditions (including contributions required by the Executive for such benefits) as existed immediately before the date of termination; and

for a period of 18 months, the same level of life and disability insurance benefits for the Executive, upon substantially similar terms and conditions (including contributions required by the Executive for such benefits) as existed immediately before the date of termination.

*Cause; Other than for Good Reason.* If during the Change in Control Period the Executive's employment is terminated for cause, or by reason of death or disability, or the Executive terminates the Executive's employment without good reason, then the Executive shall have no further rights and we will have no further obligations to the Executive under the 2009 CIC Plan, other than for payment of the Accrued Obligations.

The following tables show the potential separation benefits to be paid upon termination of our named executive officers other than Messrs. Lee and Longmire, who are not eligible for separation benefits under the 2009 CIC Plan.

**G. Les Austin**

Executive Benefits and Payments Upon Separation	Termination For Cause, Death, Disability or Without Good Reason	Termination With Good Reason, or Other Than For Cause, Death or Disability
Base Salary(1)	\$	\$ 500,000
Health and Welfare Benefits(2)		20,250
Accruals(3)	9,659	9,659
Total	\$ 9,659	\$ 529,909

- (1) Assumes termination as of April 30, 2009 and all salary due and payable and all matching contributions pursuant to our 401(k) plan to that date have been paid.
- (2) Average monthly cost is \$1,125.
- (3) Accrued vacation balance payable as of April 30, 2009.



**Larry G. Rampey**

	<b>Termination For Cause, Death, Disability or Without Good Reason</b>	<b>Termination With Good Reason, or Other Than For Cause, Death or Disability</b>
<b>Executive Benefits and Payments Upon Separation</b>		
Base Salary(1)	\$	\$ 590,000
Health and Welfare Benefits(2)		20,250
Accruals(3)	116,156	116,156
Total	\$ 116,156	\$ 726,406

- (1) Assumes termination as of April 30, 2009 and all salary due and payable and all matching contributions pursuant to our 401(k) plan to that date have been paid.
- (2) Average monthly cost is \$1,125.
- (3) Accrued vacation balance payable as of April 30, 2009. This balance represents accrued exceptions to our policy of permitting a maximum of 240 hours of vacation time to be carried over to subsequent years. Exceptions were granted due to Mr. Rampey's inability to use vacation within a given year because of workload requirements. All exceptions to our carry-over policy were approved by our president and chief executive officer. No further exceptions will be authorized.

**Drake N. Smiley**

	<b>Termination For Cause, Death, Disability or Without Good Reason</b>	<b>Termination With Good Reason, or Other Than For Cause, Death or Disability</b>
<b>Executive Benefits and Payments Upon Separation</b>		
Base Salary(1)	\$	\$ 540,000
Health and Welfare Benefits(2)		20,250
Accruals(3)	107,740	107,740
Total	\$ 107,740	\$ 667,990

- (1) Assumes termination as of April 30, 2009 and all salary due and payable and all matching contributions pursuant to our 401(k) plan to that date have been paid.
- (2) Average monthly cost is \$1,125.
- (3) Accrued vacation balance payable as of April 30, 2009. This balance represents accrued exceptions to our policy of permitting a maximum of 240 hours of vacation time to be carried over to subsequent years. Exceptions were granted due to Mr. Smiley's inability to use vacation within a given year because of workload requirements. All exceptions to our carry-over policy were approved by our president and chief executive officer. No further exceptions will be authorized.

**Vicky L. Lindsey**

	<b>Termination For Cause, Death, Disability or Without Good Reason</b>	<b>Termination With Good Reason, or Other Than For Cause, Death or Disability</b>
<b>Executive Benefits and Payments Upon Separation</b>		
Base Salary(1)	\$	\$ 160,000

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Health and Welfare Benefits(2)			20,250
Accruals(3)	17,846		17,846
Total	\$ 17,846	\$	198,096

- (1) Assumes termination as of April 30, 2009 and all salary due and payable and all matching contributions pursuant to our 401(k) plan to that date have been paid.
- (2) Average monthly cost is \$1,125.

- (3) Accrued vacation balance payable as of April 30, 2009. This balance represents accrued exceptions to our policy of permitting 180 hours of vacation time to be carried over to subsequent years. Exceptions were granted due to Ms. Lindsey's inability to use vacation in 2008 because of workload requirements. All exceptions to our carry-over policy were approved by our president and chief executive officer. Any payments of separation benefits may be delayed to ensure compliance with Section 409A in the same manner as described above under Mr. Lee's employment agreement.

### Director Compensation

Our Board of Directors determines all cash and non-cash compensation paid to our directors. We use a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on our Board of Directors. The Compensation Committee reviewed the Director Compensation Review prepared by Pearl Meyer & Partners that reflected that our independent directors are paid significantly less than directors of peer group companies, both in total cash compensation and in equity grants. The Compensation Committee noted that because each of our independent directors is a committee chair, and each member serves on each Board committee, the independent members of our Board of Directors have considerably more responsibility than the average director on a much larger board. The Committee also noted that because we have such a small Board in comparison with the peer group, our overall Board compensation burden is substantially less than the peer group. After consideration of these and other factors, effective for 2008 and future years, we intend to pay our independent directors at least the median compensation reflected in the Pearl Meyer report, as follows:

Cash compensation of the following:

an annual base retainer of \$35,000;

a meeting fee of \$1,000 per meeting attended for all in person and telephonic meetings of the Board and each Board Committee, subject to a \$15,000 per year cap on meeting fees;

an additional annual retainer of \$15,000 for the Chairman of the Audit Committee;

an additional annual retainer of \$7,500 for the Chairman of the Compensation Committee; and

an additional annual retainer of \$7,500 for the Chairman of the Nominating and Corporate Governance Committee; and

Annual long-term incentive grants in the form of restricted stock or other equity-based awards, to be determined on an annual basis. On May 8, 2008, we granted restricted stock awards of 15,000 shares to each of Messrs. Lane, Marshall and Reardon. The market price of the shares of our common stock on the date of grant was \$5.11 per share. All of the shares granted vest on May 8, 2009.

The table below summarizes the compensation paid by us to independent directors for the fiscal year ended December 31, 2008.

(a) Name	(b) Fees Earned or Paid in Cash (\$)	(c) Stock Awards \$(1)	(f) All Other Compensation \$(2)	(g) Total
Sean P. Lane	\$ 55,625	\$ 76,050	\$ 0	\$ 131,675
Gerald R. Marshall	\$ 62,500	\$ 76,050	\$ 0	\$ 138,550
John M. Reardon	\$ 55,625	\$ 76,050	\$ 0	\$ 131,675



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- (1) The amounts reflect the dollar amount recognized for financial reporting purposes for the fiscal year ended December 31, 2008 in accordance with FAS 123(R).
- (2) The value of perquisites did not exceed \$10,000.

## 2006 Long-Term Incentive Plan

The purposes of our 2006 plan are to promote our growth and profitability, to provide our executives, directors and other employees, and persons who, by their position, ability and diligence are able to make important contributions to our growth and profitability, with an incentive to assist us in achieving our long-term corporate objectives, to attract and retain executives and other employees of outstanding competence, and to provide such persons with an opportunity to acquire an equity interest in us.

Under our 2006 plan, we may grant restricted stock, stock options, stock appreciation rights or other awards to any of our directors, officers or full-time employees or those of our subsidiaries, and to any independent contractors and consultants who by their position, ability and diligence are able to make important contributions to our future growth and profitability. Generally, all classes of our employees are eligible to participate in our 2006 plan.

Our 2006 plan currently provides that a maximum of 6,000,000 shares of our common stock may be issued in conjunction with awards granted under our 2006 plan. At April 1, 2009, 2,592,526 shares of our common stock remained available for awards to be granted under our 2006 plan. Awards that are forfeited under the 2006 plan will again be eligible for issuance as though the forfeited awards had never been issued. Similarly, awards settled in cash will not be counted against the shares authorized for issuance upon exercise of awards under the 2006 plan.

### *Administration*

The Compensation Committee of our Board of Directors administers our 2006 plan. The members of our Compensation Committee serve at the pleasure of our Board of Directors. With respect to stock options or restricted stock awards to be made to any of our directors, the Compensation Committee will make recommendations to our Board of Directors as to:

which of such persons should be granted options or restricted stock;

the terms of proposed grants or awards of options or restricted stock to those selected by our Board of Directors to participate;

the exercise price for options; and

any limitations, restrictions and conditions upon any option grants or restricted stock awards.

Any award of restricted stock or grant of options to any of our directors under our 2006 plan must be approved by our Board of Directors, and such award cannot exceed 20,000 shares per annum.

In connection with the administration of our 2006 plan, the Compensation Committee, with respect to options and restricted stock and other awards to be made to any officer, employee or consultant who is not one of our directors, will:

determine which employees and other persons will be granted options or restricted stock under our 2006 plan;

grant the options or restricted stock awards to those selected to participate;

determine the exercise price for options; and

prescribe any limitations, restrictions and conditions upon any option grants or restricted stock awards.

In addition, our Compensation Committee will:

interpret our 2006 plan; and

make all other determinations and take all other actions that may be necessary or advisable to implement and administer our 2006 plan.

*Types of Awards*

Our 2006 plan permits the Compensation Committee to make several types of awards and grants, the principal types of which are awards of shares of restricted stock, the grant of options to purchase shares of our common stock, and awards of stock appreciation rights, or SARs.

*Restricted Stock.* Restricted shares of our common stock may be granted under our 2006 plan subject to such terms and conditions, including forfeiture and vesting provisions, and restrictions against sale, transfer or other disposition as our Board of Directors or the Compensation Committee may determine to be appropriate at the time of making the award. In addition, our Board of Directors or the Compensation Committee may direct that share certificates representing restricted stock be inscribed with a legend as to the restrictions on sale, transfer or other disposition, and may direct that the certificates, along with a stock power signed in blank by the employee, be delivered to and held by us until such restrictions lapse. Our Board of Directors or the Compensation Committee, in its discretion, may provide for a modification or acceleration of shares of restricted stock in the event of a change in control, death or permanent disability of the employee, or for such other reasons as our Board of Directors or the Compensation Committee may deem appropriate in the event of the termination of employment of the covered employee.

*Stock Options.* Stock options are contractual rights entitling an optionee who has been granted a stock option to purchase a stated number of shares of our stock at an exercise price per share determined at the date of the grant. Options are evidenced by stock option agreements with the respective optionees. The exercise price for each stock option granted under our 2006 plan will be determined by our Board of Directors or the Compensation Committee at the time of the grant. Either our Board of Directors or the Compensation Committee will also determine the duration of each option; however, no option may be exercisable more than ten years after the date the option is granted. Within the foregoing limitations, either our Board of Directors or the Compensation Committee may, in its discretion, impose limitations on the exercise of all or some options granted under our 2006 plan, such as specifying minimum periods of time after grant during which options may not be exercised. Our 2006 plan also contains provisions for our Board of Directors or Compensation Committee to provide for acceleration of the right of an individual employee to exercise his or her stock option or restricted stock award in the event we experience a change of control. No cash consideration is payable to us in exchange for the grant of options.

Our 2006 plan provides that the stock options may either be Incentive Stock Options within the meaning of Section 422 of the Code, or the Non-Qualified Options, which are stock options other than Incentive Stock Options within the meaning of Sections 82 and 421 of the Code.

*Incentive Stock Options.* Incentive Stock Options may be granted only to our employees or employees of our subsidiaries, and must be granted at a per share option price not less than the fair market value of our common stock on the date the Incentive Stock Option is granted. In the case of an Incentive Stock Option granted to a stockholder who owns shares of our outstanding stock of all classes representing more than 10% of the total combined voting power of all of our outstanding stock of all classes entitled to vote in the election of directors, the per share option price may not be less than 110% of the fair market value of one share of our common stock on the date the Incentive Stock Option is granted and the term of such option may not exceed five years. As required by the Code, the aggregate fair market value, determined at the time an Incentive Stock Option is granted, of our common stock with respect to which Incentive Stock Options may be exercised by an optionee for the first time during any calendar year under all of our incentive stock option plans may not exceed \$100,000. The maximum number of shares of our common stock underlying Incentive Stock Options granted under our 2006 plan may not exceed 2,400,000.

*Non-Qualified Options.* Non-Qualified Options are stock options which do not qualify as Incentive Stock Options. Non-Qualified Options may be granted to our consultants and independent contractors, as well as to our employees. The exercise price for Non-Qualified Options will be determined by the Compensation Committee at the time the Non-Qualified Options are granted, but may not be less than 75% of the fair market value of our common stock on the date the Non-Qualified Option is granted. Non-Qualified Options are not subject to any of the restrictions described above with respect to Incentive Stock Options. Incentive Stock Options and Non-Qualified Options are treated differently for federal income tax purposes as described below under Tax Treatment.

The exercise price of stock options may be paid in cash, in whole shares of our common stock, in a combination of cash and our common stock, or in such other form of consideration as our Board of Directors or the Compensation Committee may determine, equal in value to the exercise price. However, only shares of our common stock which the optionee has held for at least six months on the date of the exercise may be surrendered in payment of the exercise price for the options.

*Stock Appreciation Rights.* Awards of stock appreciation rights, which we refer to as SARs, entitle the recipient to receive a payment from us equal to the amount of any increase in the fair market value of the shares of our common stock subject to the SAR award between the date of the grant of the SAR award and the fair market value of these shares on the exercise date. Our 2006 plan provides for payment in the form of shares of our common stock or cash.

#### *Transferability*

Restricted stock awards and awards of SARs are not transferable during the restriction period. Incentive Stock Options are not transferable other than by will or by the laws of descent and distribution. Non-Qualified Stock Options are transferable on a limited basis. In no event may a stock option be exercised after the expiration of its stated term.

#### *Termination*

Rights to restricted stock, SARs and stock options which have not vested will generally terminate immediately upon the holder's termination of employment with us or any of our subsidiaries for any reason other than retirement with our consent, disability or death. Our Board of Directors or the Compensation Committee may determine, at the time of the grant, that a holder's stock option agreement may contain provisions permitting the optionee to exercise the stock options for a specified period after such termination, or for any period our Board of Directors or the Compensation Committee determines to be advisable after the optionee's employment terminates by reason of retirement, disability, death, termination without cause, or following a change in control. Incentive Stock Options will, however, terminate no more than three months after termination of the holder's employment, twelve months after termination of the holder's employment due to disability and three years after termination of the holder's employment due to death. Our Board of Directors or the Compensation Committee may permit a deceased holder's stock options to be exercised by the holder's executor or heirs during a period acceptable to our Board of Directors or the Compensation Committee following the date of the optionee's death but such exercise must occur prior to the expiration date of the stock option.

#### *Dilution; Substitution*

Our 2006 plan provides protection against substantial dilution or enlargement of the rights granted to holders of restricted stock and options in the event of stock splits, recapitalizations, mergers, consolidations, reorganizations or similar transactions. New option rights may, but need not, be substituted for the stock options granted under our 2006 plan, or our obligations with respect to stock options outstanding under our 2006 plan may, but need not, be assumed by another corporation in connection with any merger, consolidation, acquisition,

separation, reorganization, sale or distribution of assets, liquidation or like occurrence in which we are involved. In the event that our 2006 plan is assumed, the stock issuable upon the exercise of stock options previously granted under our 2006 plan will thereafter include the stock of the corporation granting such new option rights or assuming our obligations under the 2006 plan.

#### *Amendment*

Our Board of Directors may amend our 2006 plan at any time. However, without stockholder approval, our 2006 plan may not be amended in a manner that would increase the number of shares that may be issued under our 2006 plan, extend the term of our 2006 plan, or otherwise disqualify our 2006 plan for coverage under Rule 16b-3 promulgated under the Exchange Act. Restricted stock or stock options previously granted under our 2006 plan may not be impaired or affected by any amendment of our 2006 plan, without the consent of the affected grantees.

#### *Accounting Treatment*

Under current generally accepted accounting principles with respect to the financial accounting, when we make a grant of restricted stock, an amount equal to the fair market value of the restricted stock at the date of grant is charged to our compensation expense over the period of the restriction. The value of any stock option as of the date of grant will likewise be charged to our compensation expense over the vesting period of the option. Upon the grant of stock options to our employees under our 2006 plan, we would recognize compensation expense to the extent that the exercise price for the stock options granted is less than the fair market value of the covered stock on the date of grant. The cash we receive upon the exercise of stock options would be reflected as an increase in our capital. No additional compensation expense will be recognized at the time stock options are exercised.

Due to consideration of the accounting treatment of restricted stock awards and stock options by various regulatory bodies, it is possible that the present accounting treatment may change.

#### *Tax Treatment*

The following is a brief description of the federal income tax consequences, under existing law, with respect to restricted stock and stock options that may be granted as awards under our 2006 plan.

*Restricted Stock.* A recipient of restricted stock generally will not recognize any taxable income until the shares of restricted stock become freely transferable or are no longer subject to a substantial risk of forfeiture. At that time, the excess of the fair market value of the restricted stock over the amount, if any, paid for the restricted stock is taxable to the recipient as ordinary income. If a recipient of restricted stock subsequently sells the shares, he or she generally will realize capital gain or loss in the year of such sale in an amount equal to the difference between the net proceeds from the sale and the price paid for the stock, if any, plus the amount previously included in income as ordinary income with respect to such restricted shares.

A recipient has the opportunity, within certain limits, to fix the amount and timing of the taxable income attributable to a grant of restricted stock. Section 83(b) of the Code permits a recipient of restricted stock, which is not yet required to be included in taxable income, to elect, within 30 days of the award of restricted stock, to include in income immediately the difference between the fair market value of the shares of restricted stock at the date of the award and the amount paid for the restricted stock, if any. The election permits the recipient of restricted stock to fix the amount of income that must be recognized by virtue of the restricted stock grant. We will be entitled to a deduction in the year the recipient is required (or elects) to recognize income by virtue of receipt of restricted stock, equal to the amount of taxable income recognized by the recipient.

*Incentive Stock Options.* An optionee will not realize any taxable income upon the grant or the exercise of an Incentive Stock Option. However, the amount by which the fair market value of the shares covered by the Incentive Stock Option (on the date of exercise) exceeds the option price paid will be an item of tax preference to which the alternative minimum tax may apply, depending on each optionee's individual circumstances. If the optionee does not dispose of the shares of our common stock acquired by exercising an Incentive Stock Option within two years from the date of the grant of the Incentive Stock Option or within one year after the shares are transferred to the optionee, when the optionee later sells or otherwise disposes of the stock, any amount realized by the optionee in excess of the option price will be taxed as a long-term capital gain and any loss will be recognized as a long-term capital loss. We generally will not be entitled to an income tax deduction with respect to the grant or exercise of an Incentive Stock Option.

If any shares of our common stock acquired upon exercise of an Incentive Stock Option are resold or disposed of before the expiration of the prescribed holding periods, the optionee would realize ordinary income instead of capital gain. The amount of the ordinary income realized would be equal to the lesser of (i) the excess of the fair market value of the stock on the exercise date over the option price; or (ii) in the case of a taxable sale or exchange, the amount of the gain realized. Any additional gain would be either long-term or short-term capital gain, depending on whether the applicable capital gain holding period has been satisfied. In the event of a premature disposition of shares of stock acquired by exercising an Incentive Stock Option, we would be entitled to a deduction equal to the amount of ordinary income realized by the optionee.

*Non-Qualified Options.* An optionee will not realize any taxable income upon the grant of a Non-Qualified Option. At the time the optionee exercises the Non-Qualified Option, the amount by which the fair market value, at the time of exercise, of the shares covered by the Non-Qualified Option exceeds the option price paid upon exercise will constitute ordinary income to the optionee in the year of such exercise. We will be entitled to a corresponding income tax deduction in the year of exercise equal to the ordinary income recognized by the optionee. If the optionee thereafter sells such shares, the difference between any amount realized on the sale and the fair market value of the shares at the time of exercise will be taxed to the optionee as a capital gain or loss, short- or long-term depending on the length of time the stock was held by the optionee before sale.

## PROPOSAL II

### RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

UHY LLP was reappointed by the Audit Committee of our Board of Directors as our independent auditors for 2009. UHY is registered with the Public Company Accounting Oversight Board.

UHY representatives are expected to attend the 2009 annual meeting. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate stockholder questions.

Stockholder ratification of the selection of UHY as our independent auditors is not required by our bylaws or otherwise. However, we are submitting the selection of UHY to our stockholders for ratification as a matter of good corporate practice. If our stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain UHY. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent audit firm at any time during the year if it is determined that such a change would be in our best interests and the best interests of our stockholders.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF THE FIRM OF UHY LLP AS INDEPENDENT AUDITORS FOR RAM ENERGY RESOURCES, INC. FOR THE YEAR 2009.**

**Information Relating to Our Independent Registered Public Accounting Firm**

UHY LLP has served as our independent public accountants for our fiscal years ended December 31, 2006, 2007 and 2008, and will serve as our independent public accountants for 2009.

**Audit Fees**

Audit fees billed to us during the fiscal years ended December 31, 2007 and December 31, 2008 for audit or review of our annual financial statements and the effectiveness of our internal control over financial reporting, and review those financial statements included in our quarterly reports on Form 10-Q, totaled \$713,077 for 2007 and \$660,000 for 2008.

UHY LLP acts as our principal independent registered public accounting firm. Through and as of March 11, 2009, UHY LLP had a continuing relationship with UHY Advisors, Inc. ( Advisors ) from which it leased auditing staff who were full-time, permanent employees of Advisors and through which UHY LLP's partners provided non-audit services. UHY LLP has only a few full-time employees. Therefore, few, if any, of the audit services performed were provided by permanent, full-time employees of UHY LLP. UHY LLP manages and supervises the audit services and audit staff, and is exclusively responsible for the opinion rendered in connection with its examination of our financial statements and our internal control over financial reporting.

**Audit-Related Fees**

Audit-related fees billed to us during our fiscal years ended December 31, 2007 and December 31, 2008 for assurance and related services reasonably related to the audit or review of our financial statements, but not otherwise disclosed under the heading Audit Fees above, totaled \$73,933 for 2007 and \$14,000 for 2008.

**Tax Fees**

No tax fees were billed to us by UHY LLP during our fiscal years ended December 31, 2007 or December 31, 2008 for tax compliance, tax advice or tax planning.

**All Other Fees**

There were no other fees billed to us during our fiscal years ended December 31, 2007 and December 31, 2008 related to other non-audit services.

The Audit Committee has determined that the provision of non-audit services by UHY LLP did not impact the independence of that firm, and was compatible with maintaining such auditor's independence.

The Audit Committee approves in advance all audit and non-audit services to be performed for us by our independent accountants. This included the performance of the following services by UHY in 2008:

professional services rendered for the audit of our annual financial statements;

review of our quarterly financial statements;

audit services related to the effectiveness of our internal control over financial reporting; and

review of regulatory filings incorporating our annual or interim financial statements.



The Audit Committee pre-approved services which represented the following percentages of fees billed in each category in 2007 and 2008:

	2007	2008
Audit-Related Fees	100.0%	100.0%
All Other Fees	100.0%	100.0%

**Audit Committee Report**

The Audit Committee of the Board of Directors of RAM Energy Resources, Inc. (the Company) is responsible for providing independent, objective oversight and review of the Company's accounting functions and internal controls. The Audit Committee is comprised of three non-employee directors. The Audit Committee is governed by a written charter adopted and approved by the Company's Board of Directors in May 2006. The Company's Board of Directors determined that all members of the Audit Committee are independent under The Nasdaq Stock Market listing standards, and that Gerald R. Marshall is an audit committee financial expert, as defined by SEC rules.

The responsibilities of the Audit Committee include the engagement of a public accounting firm to serve as the Company's independent auditors. The Audit Committee also, as appropriate, reviews and evaluates, and discusses and consults with the Company's management, its internal audit personnel and its independent accountants, regarding the following:

the plan for, and the independent accountants' report on, each audit of the Company's financial statements;

the Company's financial disclosure documents, including all financial statements and reports filed with the SEC or sent to its stockholders, as well as the adequacy of its internal accounting controls, and accounting, financial and auditing personnel;

changes in the Company's accounting practices, principles, controls or methodologies, or in its financial statements, and recent developments in accounting rules; and

the establishment and maintenance of an environment at the Company that promotes ethical behavior.

The Company's Audit Committee Charter provides, among other things, that the Audit Committee must pre-approve all audit and non-audit services to be provided by the Company's independent auditors. The Audit Committee reviewed the Audit Committee Charter and, after appropriate review and discussions, the Audit Committee determined that it had fulfilled its responsibilities under the Audit Committee Charter.

The Audit Committee is responsible for recommending to the Company's Board of Directors that the Company's financial statements be included in its annual report. The Audit Committee took a number of steps in making this recommendation for 2008. First, the Audit Committee discussed with UHY LLP, the Company's independent auditors for 2008, those matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU § 380), including information concerning the scope and results of the audit. These communications and discussions are intended to assist the Audit Committee in overseeing the financial reporting and disclosure process. Second, the Audit Committee discussed UHY's independence with UHY and received the written disclosures and the letter from UHY regarding its independence as required by the applicable requirements of the Public Company Accounting Oversight Board regarding UHY's communications with the Audit Committee concerning its independence. This discussion and disclosure informed the Audit Committee of UHY's independence, and assisted the Audit Committee in evaluating such independence. The Audit Committee also concluded that UHY's provision of non-audit services to the Company is compatible with UHY's independence. Finally, the Audit Committee reviewed and discussed, with the Company's management and with UHY, the Company's audited consolidated balance sheets at December 31, 2008, and the related consolidated statements of income, stockholders' equity and cash flows for the year ended December 31, 2008. Based on the

discussions with UHY concerning the audit, the independence discussions, the financial statement review and additional matters deemed relevant and appropriate by the Audit Committee, the Audit Committee recommended to the Company's Board of Directors that the Annual Report on Form 10-K of RAM Energy Resources, Inc., for its fiscal year ended December 31, 2008, include these financial statements.

AUDIT COMMITTEE

Sean P. Lane  
Gerald R. Marshall  
John M. Reardon

March 30, 2009

**OTHER INFORMATION**

**Availability of Form 10-K and Annual Report to Stockholders**

We are required to provide an annual report to our stockholders who receive this proxy statement. We will also provide copies of the annual report to brokers, dealers, banks, voting trustees and their nominees for the benefit of their beneficial owners of record. Additional copies of our annual report are available without charge to our stockholders upon written request to our Secretary. You may review our filings with the SEC by visiting our website at <http://www.ramenergy.com>.

**Stockholder Proposals for 2010**

Our 2010 Annual Meeting of Stockholders is expected to be held on or about May 5, 2010, and proxy materials in connection with that meeting are expected to be mailed on or about April 2, 2010. In order to be included in our proxy materials for our 2010 Annual Meeting, we must receive stockholder proposals prepared in accordance with the proxy rules on or before December 1, 2009.

Any such proposal should be addressed to the Secretary, RAM Energy Resources, Inc., 5100 East Skelly Drive, Suite 650, Tulsa, Oklahoma 74135. Upon receipt of any such proposal, we will determine whether or not to include such proposal in the proxy statement for our 2010 Annual Meeting of Stockholders in accordance with applicable law. We suggest that such proposals be sent by certified mail, return receipt requested.

If we receive notice after February 26, 2010 of any proposal which a stockholder intends to present at our 2010 Annual Meeting, then under the proxy rules, the persons named in the proxy solicited by our Board of Directors for our 2010 Annual Meeting may exercise discretionary voting with respect to such proposal.

In addition, our bylaws currently provide that in order for a stockholder to properly bring business before an annual meeting, the stockholder must have given timely notice of such proposed business in a writing delivered to our Secretary not less than sixty (60) nor more than ninety (90) days prior to the meeting. If we mail or otherwise provide notice, or public disclosure, of the date of our annual meeting on a date that is less than seventy (70) days prior to the date of the annual meeting, the stockholder's notice that he or she proposes to bring business before the annual meeting must be received by us no later than the tenth business day following the day on which our notice of the annual meeting was mailed, or public disclosure was made, whichever event first occurs.

**General**

We know of no matters to be presented at our 2009 Annual Meeting other than those included in the Notice. Should any other matter requiring a vote of stockholders arise, including a question of adjourning the meeting,

the persons named in the accompanying proxy will vote thereon according to their best judgment in what they consider to be our best interests. The enclosed proxy confers discretionary authority to take action with respect to any additional matters that may come before the meeting.

It is important that your stock be represented at the meeting regardless of the number of shares you hold. Whether or not you plan to attend, please sign, date and return the enclosed proxy promptly. For your convenience, a return envelope is enclosed requiring no additional postage if mailed within the United States.

BY ORDER OF THE BOARD OF DIRECTORS

*Secretary*

Tulsa Oklahoma

April 3, 2009

**PROXY**

**RAM ENERGY RESOURCES, INC.**

**5100 EAST SKELLY DRIVE, SUITE 650**

**TULSA, OKLAHOMA 74135**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints G. Les Austin and Sabrina Gicaletto, and each of them, proxies of the undersigned, with full power of substitution, to vote all common stock of RAM Energy Resources, Inc., a Delaware corporation (the Company), the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company to be held on May 5, 2009, or at any adjournments thereof, with all the power the undersigned would possess if personally present, on the following matters:

**(CONTINUED AND TO BE SIGNED ON OTHER SIDE)**

A " PLEASE MARK YOUR VOTES AS IN THIS EXAMPLE

	<b>FOR THE NOMINEE LISTED TO RIGHT</b>	<b>WITHHOLD AUTHORITY FOR NOMINEE</b>	<b>NOMINEE:</b>
1. Election of Director	..	..	Gerald R. Marshall
2. Ratify and approve the appointment of UHY LLP as the independent registered public accounting firm for RAM Energy Resources, Inc. for 2009.			
3. In their discretion, the named proxies are authorized to vote in accordance with their own judgment upon such other matters as may properly come before the Annual Meeting.			

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS INDICATED, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEE FOR DIRECTOR, FOR THE APPOINTMENT OF UHY, LLP AS THE INDEPENDENT PUBLIC ACCOUNTING FIRM FOR 2009, AND THE PROXIES WILL USE THEIR DISCRETION WITH RESPECT TO ANY MATTERS REFERRED TO IN ITEM 3.**

The undersigned hereby acknowledges receipt of a copy of the Notice of Annual Meeting of Stockholders and the Proxy Statement. The undersigned hereby revokes any proxies heretofore given.

**PLEASE VOTE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.**

**SIGNATURE**

**SIGNATURE**

**DATED** \_\_\_\_\_, 2009

NOTE: Please complete, date and sign exactly as your name appears hereon. In the case of joint owners, each owner should sign. When signing as administrator, attorney, corporate officer, executor, guardian, trustee, etc., please give your full title as such.