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JACKSON RIVERS CO
Form 10QSB
November 14, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 30, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 333-70932

THE JACKSON RIVERS COMPANY
(Name of small business issuer in its charter)

FLORIDA
(State or other jurisdiction of
incorporation or organization)

65-1102865
(I.R.S. Employer
Identification No.)

550 Greens Parkway, Suite 230, Houston, Texas
(Address of principal executive offices)

77067
(Zip Code)

(619) 342-7449
(Issuer's telephone number)

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

Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of November 10, 2006, the issuer had 151,158,574 shares of its common stock issued and outstanding.

Transitional Small Business Disclosure Format (check one): Yes No

PART I. FINANCIAL INFORMATION

THE JACKSON RIVERS COMPANY
CONSOLIDATED BALANCE SHEETS

Assets

(Unaudited)
September 30, 2006

THE JACKSON RIVERS COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended September 30,		
	2006	2005	
Revenues	\$ 938,706	\$ 33,149	\$
Cost of goods sold	648,103	8,625	
Gross profit	290,603	24,524	
Research & development	84,709	--	
Selling, general & administrative	598,573	201,621	
Depreciation and amortization	57,363	382	
Total operating expenses	655,936	202,003	
Loss from operations	(450,042)	(177,479)	
Other income (expense)			
Interest expense, net	(101,273)	1	
Gain/(loss) on derivative liability	(283,645)	--	
Debt forgiveness	--	225,700	
Other income (expense)	75,549	--	
Total other income (expense)	(309,369)	225,701	
Net income (loss) from continued operations	(759,411)	48,222	
Loss from discontinued operations	--	--	
Net income (loss) attributable to common shareholders	\$ (759,411)	\$ 48,222	\$
Basic and diluted net income/(loss) from continuing operations	(0.01)	0.01	
Basic and diluted net income/(loss) from discontinued operations	0.00	0.00	
Income (loss) per share, basic and diluted	\$ (0.01)	\$ 0.01	\$
Weighted average number of shares outstanding basic and diluted	151,158,574	8,845,756	9

See accompanying notes to consolidated financial statements

THE JACKSON RIVERS COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months
ended September 30,

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	2006	2005
	-----	-----
Cash flows from operating activities		
Loss from continued operations	\$ (2,376,594)	\$
Loss for discontinued operations	(81,456)	
	-----	-----
Net loss	(2,376,594)	(1,439,3
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	165,039	1,5
Debt forgiveness	--	(225,7
Common stock issued for consulting services rendered	307,351	278,6
Common stock issued in exchange for employee services rendered	211,200	892,0
Common stock issued from stock subscription receivable	92,400	
Accretion of discount on note payable	138,425	
Changes in assets and liabilities (Increase) decrease:		
Accounts receivable	(42,824)	34,8
Inventories	19,633	(33,0
Other assets	(156,235)	(2,5
Cash disbursed in excess of available funds	--	(11,0
Increase (decrease):		
Accounts payable and accrued liabilities	(150,145)	192,2
Other liabilities	(6,957)	
	-----	-----
Net cash used in operating activities	(1,880,161)	(312,3
	-----	-----
Cash flows from investing activities		
Purchase of property and equipment	(21,409)	(4
Cash flows from financing activities		
Proceeds from sale of stock, net of costs and fees	13,407	200,7
Proceeds from notes payable, net of repayments	1,421,172	20,0
Proceeds from notes payable - related parties, net of repayments	420,751	89,3
Payment for Capital Leases	(8,844)	
Acquisition of UTSI	195,229	
	-----	-----
Net cash provided by financing activities	2,041,715	310,0
	-----	-----
Net increase (decrease) in cash and cash equivalents	140,145	(2,7
	-----	-----
Effect of exchange rate on cash and cash equivalents	11,383	
Cash and cash equivalents - beginning of period	36,361	5,2
	-----	-----
Cash and cash equivalents - end of period	\$ 187,889	\$ 2,5
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid for income taxes	\$ --	\$
	=====	=====
Cash paid for interest	\$ 60,532	\$
	=====	=====

See accompanying notes to consolidated financial statements

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1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements for The Jackson Rivers Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and such adjustments are of a normal recurring nature. Operating results for the nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. The audited financial statements at December 31, 2005, which are included in the Jackson Rivers' Annual Report on Form 10-KSB for the year ended December 31, 2005, should be read in conjunction with these consolidated financial statements.

2. ACQUISITION OF UTSI INTERNATIONAL CORPORATION

On May 5, 2006, Jackson Rivers through its wholly-owned subsidiary, JKRI Acquisition Corp., a Texas corporation ("JKRI"), consummated its acquisition of UTSI a Texas corporation, pursuant to that certain Agreement and Plan of Merger, dated May 5, 2006, by and among Jackson Rivers, JKRI, UTSI, and each of the stockholders of UTSI (the "Merger Agreement"). Pursuant to the Merger Agreement, UTSI merged with and into JKRI, with JKRI as the surviving corporation, and each share of UTSI common stock outstanding at the effective time of the merger was converted into the right to receive 1.4380297 share of a Jackson Rivers Series C Preferred Stock (i.e., the 1,529,871 shares of common stock of UTSI outstanding are convertible into an aggregate of 2,200,000 shares of Series C Preferred Stock of Jackson Rivers).

Each share of Series C Preferred Stock will initially be convertible, starting after May 5, 2008, into that number of shares of Jackson Rivers common stock obtained by multiplying the number of shares to be converted by a fraction, the numerator of which is \$1.00 and the denominator equal to the "market price" of Jackson Rivers common stock at the time of conversion subject to adjustment.

The Balance Sheet as of December 31, 2005, and the Statement of Operations for the three and nine months ending September 30, 2006 and 2005 and the Statement of Cash Flows for the nine months ending September 30, 2006 and 2005 are presented to include the results of UTSI during those periods.

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The following table summarizes the preliminary fair values assigned to the assets and liabilities at the date of acquisition:

Current assets	\$ 389,884
Property and equipment	23,630
Customer List	735,433
Goodwill	1,868,986

Total assets	3,017,933
Less:	
Total liabilities	817,933

	\$2,200,000
	=====

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Customer list was valued using the expected discounted cash flow of existing customers discounted by a risk adjusted discount factor of 50%.

Jackson Rivers reviews the carrying value of its long-lived assets annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. Jackson Rivers assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

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The following Unaudited pro forma consolidated information assumes the acquisition of UTSI on January 1, 2006 and January 1, 2005, respectively. The pro forma results are not necessarily indicative of what actually would have occurred had the acquisition been in effect for the period presented.

THE JACKSON RIVERS COMPANY
PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended September 30,	For the nine months ended September 30,	
	2005	2006	2005
Revenues	\$ 665,077	\$ 2,602,825	\$ 3,401,992
Cost of goods sold	1,027,095	1,592,528	2,106,901
Gross profit	(362,018)	1,010,297	1,295,091
Research & development	--	84,709	--
Selling, general & administrative	(58,066)	2,777,989	3,177,976
Depreciation and amortization	(95,792)	170,215	67,199
Total operating expenses	(153,858)	2,948,204	3,245,175
Loss from operations	(208,160)	(2,022,616)	(1,950,084)
Other income (expense)			
Interest expense, net	(5,770)	(287,940)	(34,516)
Gain/(loss) on derivative liability	--	(283,645)	--
Gain on sale of fixed asset	--	10,067	--
Debt forgiveness	155,000	--	155,000
Other income (expense)	21,310	(77,027)	21,934
Total other income (expense)	170,540	(638,545)	142,418
Loss before income taxes	(37,620)	(2,661,161)	(1,807,666)
Income tax expense (benefit)	27,940	--	(64,409)
Net loss from continuing operations	\$ (65,560)	\$ (2,661,161)	\$ (1,743,257)

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Loss per share, basic and diluted	\$ (0.01)	\$ (0.03)	\$ (0.44)
Weighted average number of shares outstanding basic and diluted	8,845,756	94,898,121	3,944,814

See accompanying notes to financial statements

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3. GOING CONCERN

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements at September 30, 2006, Jackson Rivers has an accumulated deficit of \$4,200,328. In addition, Jackson Rivers' current liabilities exceeded its current assets by \$1,804,743 as of September 30, 2006. These factors among others may indicate that Jackson Rivers will be unable to continue as a going concern for a reasonable period of time. Jackson Rivers' existence is dependent upon management's ability to develop profitable operations and resolve its liquidity problems. Management anticipates Jackson Rivers will attain profitable status and improve its liquidity through the continued developing, marketing and selling of its products and additional equity and debt investment in the Jackson Rivers. The accompanying financial statements do not include any adjustments that might result should Jackson Rivers be unable to continue as a going concern.

In order to improve Jackson Rivers' liquidity, Jackson Rivers is actively pursuing additional equity and debt financing through discussions with investment bankers and private investors. There can be no assurance Jackson Rivers will be successful in its effort to secure additional equity financing.

If operations and cash flows continue to improve through these efforts, management believes that Jackson Rivers can continue to operate. However, no assurance can be given that management's actions will result in profitable operations or the resolution of its liquidity problems.

4. NOTES PAYABLE

On January 2, 2006, Jackson Rivers borrowed \$250,000 to purchase shares of our common stock. The convertible note has a 1 year term and bears interest at six percent (6%). The note is convertible into our common stock pursuant to a "variable conversion price" equaling 80% of market, as defined.

On March 31, 2006, Jackson Rivers executed a Securities Purchase Agreement with certain accredited investors pursuant to which they agreed to issue up to \$2,000,000 of principal amount of convertible promissory notes in three separate tranches and warrants to purchase shares of our common stock (the "Securities Purchase Agreement"). The tranches of notes are to be issued and sold as follows: (i) \$700,000 upon execution and delivery of the Securities Purchase Agreement (issued March 31, 2006); (ii) \$600,000 within 5 days of filing of a registration statement with the SEC registering the shares of common stock issuable upon conversion of the notes and exercise of the warrants issued pursuant to the Securities Purchase Agreement (the "Registration Statement") and (iii) \$700,000 within 5 days of the Registration Statement being declared effective by the SEC. The convertible notes have a 3 year term and bear interest at six percent (6%). As of September 30, 2006, we had received funding from the first and second tranche, and the funding for the third tranche was received on October 11, 2006, after the SEC declared effective the Registration Statement.

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The notes are convertible into our common stock pursuant to a "variable conversion price" equal to the "Applicable Percentage" multiplied by the "Market Price." "Applicable Percentage" is initially 50% provided, that, such percentage will be increased to 55% if the Registration Statement is filed on or before April 30, 2006 and further increased to 60% if the Registration Statement is declared effective by the SEC on or before July 29, 2006. The Registration Statement was filed on time and the "Applicable Percentage" used is 55% in valuing the convertible promissory notes. "Market Price" means the average of the lowest three trading prices (as defined) for our common stock during the 20 trading day period prior to conversion. Upon an event of default (as defined), the notes are immediately due and payable at an amount equal to the greater of (i) 140% of the then outstanding principal amount of notes plus interest and (ii) the "parity value" defined as (a) the highest number of shares of common stock issuable upon conversion of the notes multiplied by (b) the highest closing price for our common stock during the period beginning on the date of the occurrence of the event of default and ending one day prior to the demand for prepayment due to the event of default. The notes are secured by a first lien on all of our assets, including all of our intellectual property.

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Subject to certain terms and conditions set forth therein, the notes are redeemable by us at a rate from 120% to 140% of the outstanding principal amount of the notes plus interest. In addition, so long as the average daily price of our common stock is below the "initial market price" (as defined) Jackson Rivers may prepay a monthly portion due on the outstanding notes and the investors agree that no conversions will take place during such month where this option is exercised by us.

The notes were issued with warrants to purchase up to 50,000,000 shares of our common stock at an exercise price of \$0.07 per share, subject to adjustment.

In connection with the offer and sale of the notes and the warrants, Jackson Rivers engaged Envision Capital LLC, as a finder for the transaction. Envision will receive a ten percent (10%) cash commission on the sale of the notes and warrants to purchase up to 5,000,000 shares of our common stock on the same terms and conditions as the warrants issued to purchasers under the Securities Purchase Agreement.

Jackson Rivers is accounting for the conversion option in the Convertible Note and the conversion option in the Securities Purchase Agreement and the associated warrants as derivative liabilities in accordance with SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") and EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in a Company's Own Stock ("EITF 00-19") due to the fact that the conversion feature and the warrants both have a variable conversion price.

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The fair value of the Convertible Note was determined utilizing the Black-Scholes stock option valuation model. The significant assumptions used in the valuation are: the exercise prices as noted above; the stock price as of September 30, 2006; expected volatility of 68%; risk free interest rate of approximately 4.90%; and a term of one year.

The fair value of the Securities Purchase Agreement was determined utilizing the

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Black-Scholes stock option valuation model. The significant assumptions used in the valuation are: the exercise prices as noted above; the stock price as of September 30, 2006; expected volatility of 72%; risk free interest rate of approximately 4.62%; and a term of three years.

From August 10 - 14, 2006, we obtained \$97,500 in 30-day bridge loans from 7 individuals. The terms of the loan were for 30 days with interest at 10% per annum. At the time of the funding of the third tranche, Jackson Rivers will pay the notes in full plus interest and issue common stock equal to 50% of the value of the principal, based on the average of the lowest three closing bid prices in the 20 days immediately preceding the Repayment Date. The fair value of stock was determined utilizing the Black-Scholes stock option valuation model. The significant assumptions used in the valuation are: the exercise prices as noted above; the stock price as of September 30, 2006; expected volatility of 27%; risk free interest rate of approximately 5.21%; and a term of thirty days. As of September 30, 2006, \$17,500 of the bridge loans had been paid in full.

5. CAPITAL STOCK

During the nine months ended September 30, 2006 Jackson Rivers issued 79,250,000 shares of common stock to consultants for services valued at \$307,351. Valuation was based on the fair value of the stock issued. Jackson Rivers issued 20,000,000 shares of common stock, valued at \$211,200 to officers and employees for stock options exercised.

Jackson Rivers evaluated the application of Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" and Emerging Issues Task Force ("EITF") 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" for the Series A and Series B Preferred Stock to determine if the embedded conversion options should be bifurcated from the host and accounted for separately. Based on the guidance of SFAS No. 133 and EITF 00-19, Jackson Rivers concluded that the embedded conversion options were not required to be accounted for as derivatives because the economic characteristics and risks of the embedded conversion options are clearly and closely related to the economic characteristics and risks of the Series A and Series B preferred stock.

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6. STOCK OPTIONS

Jackson Rivers has stock option plans, which provide for the granting of qualified and nonqualified options to employees of Jackson Rivers. A maximum of 5,000,000 shares of common stock may be issued under the plans. The option price, number of shares, vesting schedule, holding period or other restrictions and grant dates are determined at the discretion of a committee appointed by Jackson Rivers' board of directors. Options granted under the plans are exercisable for a period not to exceed ten years from the option grant date.

Effective January 1, 2006, Jackson Rivers adopted the fair value recognition provisions of FASB Statement No. 123R, Share-Based Payment, and related interpretations using the modified-prospective transition method. Under that method, compensation cost recognized in the first half of 2006 includes (a) compensation cost for all share-based payments granted prior to, but not yet vested as of, December 31, 2005 based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123 and (b) compensation cost for all share-based payments granted on or subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. As of December 31, 2005, all options were fully vested;

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therefore, there are no expenses to Jackson Rivers related to the implementation of SFAS No. 123R. Results for the prior periods have not been restated.

As part of the merger agreement with DNI, all of the options under the 1999 Plan would be converted 1:1 to options for JKRI Series B Preferred Stock. The 2000 Plan options that were not forfeited or were "under water" were converted 1:1 to JKRI Series B Preferred Stock. As a result, 2,915,383 of DNI options with an average exercise price of \$0.1555 and future value of \$0.0675 using the risk free rates of 1.66% to 3.94% were converted to the same amount and the same option price at the time of the merger. As of June 30, 2006, no options have been exercised, converted or forfeited, so the number and average price of the options is the same at this time.

The assumptions used in the Black-Scholes model were as follows for stock options granted in 2005 and 2004:

Risk-free interest rate	1.66%-3.94%
Expected life (years)	10
Expected dividends	None
Expected volatility	137%

There were no non-vested stock options at any point during the year ended December 31, 2005.

The Black-Scholes option valuation model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Because option valuation models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options, and Jackson Rivers' options do not have the characteristics of traded options, the option valuation models do not necessarily provide a reliable measure of the fair value of its options.

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The terms of awards issued to employees state that awards are forfeited upon termination of employment with Jackson Rivers.

Pro Forma Information Under SFAS No.123 for Periods Prior to 2006

Jackson Rivers accounted for stock options under the intrinsic value method specified in APB 25 and adopted the disclosure-only provisions of SFAS No. 123 for periods prior to the quarter ending March 31, 2006. Accordingly, compensation cost for prior reported periods has been recognized for grants under the stock option plans only when the exercise prices of employee stock options are less than the market prices or fair values of the underlying stock on the date of grant.

The table below illustrates the effect on net earnings and earnings per share if Jackson Rivers had applied the fair value recognition provisions of SFAS No. 123 to options granted in the three and nine months ended September 30, 2005.

	Three months ended September 30, 2005	Nine months e September 30,
Net loss, as reported	\$ 48,222	\$(1,439,302)
Deduct: Total stock-based employee/director compensation		

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expense under the fair value based method for all awards, net of related tax effects	(6,267)	(18,802)
Pro forma net loss	\$ 41,955	\$ (1,458,104)
	=====	=====
Loss per share, pro forma basic and diluted	\$ 0.00	\$ (0.37)
	=====	=====
Shares used in basic and diluted loss per share	8,845,756	3,944,814
	-----	-----

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and related notes included in this report. This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The statements contained in this report that are not historic in nature, particularly those that utilize terminology such as "may," "will," "should," "expects," "anticipates," "estimates," "believes," or "plans" or comparable terminology are forward-looking statements based on current expectations and assumptions.

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Various risks and uncertainties could cause actual results to differ materially from those expressed in forward-looking statements. Factors that could cause actual results to differ from expectations include, but are not limited to, those set forth under the section "Risk Factors" set forth in this report.

The forward-looking events discussed in this quarterly report, the documents to which is referred to the reader and other statements made from time to time by the company or its representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions about the company. For these statements, the company claims the protection of the "bespeaks caution" doctrine. All forward-looking statements in this document are based on information currently available to the company as of the date of this report, and the company assumes no obligation to update any forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

General

We are in the infrastructure management and technology business. We build and operate large scale wireless networks and provide consulting and engineering services to allow our customers to better manage their infrastructure, whether that be an oil or gas pipeline, a remote asset device, a building or a network. We also provide data collection and management services between remote devices called Machine to Machine or M2M services. We entered this industry upon the acquisition of Diverse Networks, Inc. on December 2, 2005. The transaction was accounted for as a recapitalization effected through a reverse merger, such that Diverse Networks, Inc. was treated as the "acquiring company" for financial reporting purposes

Our executive offices are located at 550 Greens Parkway, Suite 230, Houston, Texas 77067 and telephone number (619) 342-7449. We maintain a website at www.jacksonrivers.com.

Recent Developments

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On March 17, 2006, we sold 100% of equity interest in our wholly owned subsidiary, JRC Global Inc. to our former President and controlling shareholder, Dennis Lauzon for \$1,100 in the form of a promissory note.

From August 10 - 14, 2006, we obtained \$97,500 in 30-day bridge loans from 7 individuals. The terms of the loan were for 30 days with interest at 10% per annum. At the time of the funding of the third tranche, the company will pay the notes in full plus interest and issue common stock equal to 50% of the value of the principal, based on the average of the lowest three closing bid prices in the 20 days immediately preceding the Repayment Date. The fair value of stock was determined utilizing the Black-Scholes stock option valuation model. The significant assumptions used in the valuation are: the exercise prices as noted above; the stock price as of September 30, 2006; expected volatility of 27%; risk free interest rate of approximately 5.21%; and a term of thirty days. As of September 30, 2006, \$17,500 of the bridge loans had been paid in full.

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On October 11, 2006, we received the funding of \$700,000 from the third tranche after the SEC declared effective the Registration Statement.

Significant Accounting Policies

Revenue Recognition

We rely on the guidance provided by paragraph 45 of SOP 81-1 to measure the extent of progress towards completion of our contracts for construction of large scale wireless networks. Paragraph SOP 81-1 identifies three methods of measuring percentage of completion: 1) costs, 2) units of work, and 3) value added and further states that the method selected should be applied consistently. Accordingly, upon receipt of a contract for construction of a large scale wireless network, we establish certain "milestones" for discrete units of work based upon the total cost of the project. Each milestone is budgeted for a predetermined percentage of total cost and we recognize revenue when each such milestone, or unit of work, is achieved. Each milestone is budgeted to be x% of the cost of the project, and revenue is recognized using the same percentage factor. However, many of our projects are completed within one to two months, so revenue for the full project has been recognized in the period when the project was completed.

Results of Continuing Operations

Basis of Presentation

The results of operations set forth below for the periods ended September 30, 2006 and September 30, 2005 are those of the continuing operations of The Jackson Rivers Company, which include Diverse Networks, Inc. and UTSI International Corporation on a consolidated basis.

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The following table sets forth, for the periods indicated, certain selected financial data from continuing operations:

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	For the three months ended September 30,		For the nine months ended September 30,	
	2006	2005	2006	2005
Revenues	\$ 938,706	\$ 33,149	\$ 2,165,256	\$ 74,359
Cost of goods sold	648,103	8,625	1,394,611	20,547
Gross profit	290,603	24,524	770,645	53,812
Research & development	84,709	--	84,709	--
Selling, general & administrative	598,573	201,621	2,292,314	1,717,287
Depreciation and amortization	57,363	382	165,039	1,538
Total operating expenses	655,936	202,003	2,457,353	1,718,825
Loss from operations	(450,042)	(177,479)	(1,771,417)	(1,665,013)

Comparison of the Three Months and Nine months ended September 30, 2006 and September 30, 2005

Net sales. Our net sales for operations increased to \$938,706 and \$2,165,256 or an increase of approximately 2,732% and 2,812% for the three months and nine months ended September 30, 2006, respectively. This increase is primarily due to the acquisitions of Diverse Networks and UTSI.

Cost of Sales. Cost of sales increased to \$648,103 and \$1,394,611 or approximately 7,414% increase and 6,687% for the three months and nine months ended September 30, 2006, respectively. As a percentage of net sales, cost of sales increased to 69% and 64% of net sales for the three and nine months ended September 30, 2006, respectively, versus approximately 26% and 28% of sales for the three and nine months ended September 30, 2005. This increase is primarily due to the inclusion of costs from the acquisitions of Diverse Networks and UTSI. As a result, the company generated a gross profit of \$290,603 and \$770,645 for the three and nine months ended September 30, 2006 with a gross profit margin of approximately 31% and 36% for the three and nine months ended September 30, 2006, respectively.

Research and Development. Research and Development expenses related to the development of future products were \$84,709 for both the three and nine months ended September 30, 2006, as this cost started to be tracked during this quarter, it previously had been included in Cost of Sales.

Selling, general and administrative. Selling, general and administrative expenses increased to \$598,573 and \$2,292,314 for the first three and nine months ending September 30, 2006, respectively. As a percentage of net sales, selling, general and administrative expenses were approximately 64% and 106% for the three and nine months ended September 30, 2006, as compared to approximately 608% and 2,309% for the comparable period in 2005. Selling, general and administrative expenses were 196% and 33% higher in the three months and nine months ending September 30, 2006, respectively than the corresponding period last year, primarily due to the inclusion of Diverse Networks and UTSI expenses.

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Depreciation and Amortization. Depreciation and amortization expense increased to \$57,363 and \$165,039 for the three and nine months ending September 30, 2006, from \$382 and \$1,538 for the similar periods in 2005. This increase was primarily due to the inclusion of depreciation and amortization for Diverse Networks and UTSI.

Operating loss. We incurred an operating loss of \$450,042 and \$1,771,417 for the three and nine months ended September 30, 2006, compared to an operating loss of \$177,479 and \$1,665,013 for similar periods in 2005. The company had higher operating losses in the nine months ended September 30, 2006 compared to the prior year primarily due to losses in Diverse Networks plus higher acquisition and financing costs slightly offset by profits from UTSI since the acquisition.

Liquidity and Capital Resources

We have financed our operations, acquisitions, debt service, and capital requirements through cash flows generated from operations, debt financing, and issuance of securities. Our working capital deficit at September 30, 2006 was \$1,804,743 and at December 31, 2005 it was \$352,407. We had cash of \$187,889 as of September 30, 2006, while we had cash of \$36,361 as of December 31, 2005. The differences are primarily due to funding the losses of the operations offset by the funding from the first and second tranche.

We used \$1,880,161 of net cash in operating activities for the nine months ended September 30, 2006 compared to using \$312,341 in the nine months ended September 30, 2005.

Net cash flows used for investing activities was \$21,409 for the nine months ended September 30, 2006, compared to investments of \$450 in the nine months ended September 30, 2005. The investments were for the updating of some computers.

Net cash flows provided by financing activities were \$2,041,715 for the nine months ended September 30, 2006, compared to net cash provided by financing activities of \$310,036 in the same period last year. The increase is primarily from the funding from the first and second tranches and funding from related parties.

On March 31, 2006, we entered into a Securities Purchase Agreement with certain accredited investors pursuant to which they agreed to issue up to \$2,000,000 of principal amount of convertible promissory notes in three separate tranches and warrants to purchase shares of the company's common stock (the "Securities Purchase Agreement"). The tranches of notes are to be issued and sold as follows: (i) \$700,000 upon execution and delivery of the Securities Purchase Agreement; (ii) \$600,000 within 5 days of filing of a registration statement with the Securities and Exchange Commission (the "SEC") registering the shares of common stock issuable upon conversion of the notes and exercise of the warrants issued pursuant to the Securities Purchase Agreement (the "Registration Statement") and (iii) \$700,000 within 5 days of the Registration Statement being declared effective by the SEC. The convertible notes have a 3 year term and bear interest at six percent (6%). As of September 30, 2006, we had received funding from the first and second tranche. The payment for the third tranche was received on October 11, 2006 after the SEC declared effective the

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Registration Statement. The notes are convertible into the company's common stock pursuant to a "variable conversion price" equal to the "Applicable Percentage" multiplied by the "Market Price". Applicable Percentage" is 55% and further increased to 60% if the Registration Statement is declared effective by the SEC on or before July 29, 2006. The Registration Statement was filed on time and the "Applicable Percentage" used is 55% in valuing the convertible promissory notes. "Market Price" means the average of the lowest three trading prices (as defined) for the company's common stock during the 20 trading day period prior to conversion. Upon an event of default (as defined), the notes are immediately due and payable at an amount equal to the greater of (i) 140% of the then outstanding principal amount of notes plus interest and (ii) the "parity value" defined as (a) the highest number of shares of common stock issuable upon conversion of the notes multiplied by (b) the highest closing price for the company's common stock during the period beginning on the date of the occurrence of the event of default and ending one day prior to the demand for prepayment due to the event of default. The notes are secured by a first lien on all of the company's assets, including all of its intellectual property.

Subject to certain terms and conditions set forth therein, the notes are redeemable by the company at a rate from 120% to 140% of the outstanding principal amount of the notes plus interest. In addition, so long as the average daily price of the company's common stock is below the "initial market price" (as defined) the company may prepay a such monthly portion due on the outstanding notes and the investors agree that no conversions will take place during such month where this option is exercised by us.

The notes were issued with warrants to purchase up to 50,000,000 shares of our common stock at an exercise price of \$0.07 per share, subject to adjustment.

We agreed to register the secondary offering and resale of the shares issuable upon conversion of the notes, and the shares issuable upon exercise of the warrants within 30 days of the execution of the Securities Purchase Agreement.

We relied on the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, for the offer and sale of the notes and the warrants.

In connection with the offer and sale of the notes and the warrants, the company engaged Envision Capital LLC, as a finder for the transaction. Envision will receive a ten percent (10%) cash commission on the sale of the notes and warrants to purchase up to 5,000,000 shares of the company's common stock on the same terms and conditions as the warrants issued to purchasers under the Securities Purchase Agreement.

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As of October 11, 2006, all three tranches of convertible notes have been issued and sold, resulting in gross proceeds of \$2.0 million to us.

Capital Requirements

We had a working capital deficit of \$1,804,743 as of September 30, 2006. As of that date, we had closed the first two tranches of the March 2006 Private Offering discussed above. On October 11, 2006, the third tranche was closed and we received the final \$700 thousand.

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In the event we seek to expand our operations or launch new products for sale into the marketplace, or in the event the company seeks to acquire a company or business or business opportunity, or in the event that our cash flows from operations are insufficient to fund our operations, working capital requirements, and debt service requirements, the company would need to finance its operations through additional debt or equity financing, in the form of a private placement or a public offering, a strategic alliance, or a joint venture. Such additional financing, alliances, or joint venture opportunities might not be available to the company, when and if needed, on acceptable terms or at all. If we are unable to obtain additional financing in sufficient amounts or on acceptable terms under such circumstances, our operating results and prospects could be adversely affected. In addition, any debt financings or significant capital expenditures require the written consent of the Company's lender under the March private placement.

Off-Balance Sheet Arrangements

None.

ITEM 3. CONTROLS AND PROCEDURES.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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At the end of the period covered by this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2006, the disclosure controls and procedures of the Company were not effective to ensure that the information required to be disclosed in the Company's Exchange Act reports was recorded, processed, summarized and reported on a timely basis.

Our independent auditor, Malone & Bailey PC, identified deficiencies in our internal controls related to depreciation, amortization and the recapitalization for the fiscal period ended December 31, 2005. In addition, management identified deficiencies in our accounting for business combinations. To address these issues, we hired an accountant to assist in our preparation and review process. Our Chief Executive Officer and Chief Financial Officer feel this step now ensures that effective controls are now in place and will insure proper reporting of business

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combinations, depreciation, amortization and recapitalizations.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

See our Current Report on Form 8-K dated May 5, 2006.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit No.	Description
3.1*	Articles of Incorporation filed May 8, 2001 (incorporated by reference to Exhibit A filed with Form SB-2 on October 4, 2001).
3.2*	Articles of Amendment to the Articles of Incorporation, filed effective August 3, 2004.
3.3*	Certificate of Designation for the Series A Preferred Stock, filed effective October 18, 2004.
3.4*	Certificate of Designation for the Series B Preferred Stock, filed effective December 1, 2005.
3.5*	Articles of Amendment to the Articles of Incorporation, filed effective November 22, 2004.
3.6*	Articles of Amendment to the Articles of Incorporation, filed effective January 31, 2005
3.7*	Bylaws (incorporated by reference to Exhibit 3(ii) filed with Form SB-2 on October 4, 2001).
3.8*	Amended and Restated Bylaws.
3.9*	Articles of Amendment to the Articles of Incorporation, filed effective May 5, 2006.
10.1*	Consulting Services Agreement dated August 1, 2003.
10.2*	Technology License Agreement

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- 10.3* Stock Purchase Agreement dated as of August 31, 2005 by and among The Jackson Rivers Company, Dennis Lauzon and Jeffrey Flannery.
- 10.4* Agreement and Plan of Merger dated December 1, 2005 by and among the Jackson Rivers Company, JKRC Sub, Inc., Diverse Networks, Inc. and the shareholders of Diverse Networks, Inc.
- 10.5* Stock Purchase Agreement dated as of December 1, 2005 by and between Jeffrey W. Flannery, James E. Nelson and The Jackson Rivers Company.
- 10.6*. Employment Agreement dated as of December 1, 2005 between James E. Nelson and The Jackson Rivers Company.
- 10.7* Securities Purchase Agreement dated as of March 31, 2006 by and among The Jackson Rivers Company and the Purchaser set forth therein.
- 10.8* Form of Callable Secured Promissory Note dated March 31, 2006.
- 10.9* Security Agreement dated as of March 31, 2006.
- 10.10* Registration Rights Agreement dated as of March 31, 2006.
- 10.11* Intellectual Property Security Agreement dated as of March 31, 2006.
- 10.12* Form of Stock Purchase Warrant dated March 31, 2006.

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- 10.13* Convertible Promissory Note dated as of January 2, 2006.
- 10.14* Convertible Promissory Note dated as of March 12, 2006.
- 10.15* Agreement and Plan of Merger, dated May 5, 2006 by and among The Jackson Rivers Company, JKRI Acquisition Corp., and UTSI International Corporation.
- 31.1** Certification of Jeffrey W. Flannery, Chief Executive Officer, Chief Financial Officer and Director of The Jackson Rivers Company, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.302 of the Sarbanes-Oxley Act of 2002.
- 32.1** Certification of Jeffrey W. Flannery, Chief Executive Officer, Chief Financial Officer and Director of The Jackson Rivers Company, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.906 of the Sarbanes-Oxley Act of 2002.

* Previously Filed

** Filed Herewith

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SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

The Jackson Rivers Company

Dated: November 14, 2006

By /s/ Jeffrey W. Flannery

Jeffrey W. Flannery,
Chief Executive Officer,
Chief Financial Officer and Director