

Spectra Energy Partners, LP
Form S-3
June 04, 2013
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As filed with the Securities and Exchange Commission on June 4, 2013

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-3
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SPECTRA ENERGY PARTNERS, LP

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

41-2232463
(I.R.S. Employer
Identification Number)

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5400 Westheimer Court

Houston, Texas 77056

(713) 627-5400

(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

Julie A. Dill

President and Chief Executive Officer

5400 Westheimer Court

Houston, Texas 77056

(713) 627-5400

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Matthew R. Pacey

Vinson & Elkins L.L.P.

1001 Fannin Street, Suite 2500

Houston, Texas 77002

(713) 758-2222

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. "

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

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

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

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If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. "

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

	Proposed	
	Maximum	
Title of Each Class of Securities to be Registered	Aggregate Offering Price	Amount of Registration Fee
Common Units		
Debt Securities(1)		
Total	\$500,000,000(2)(3)(4)	\$68,200(5)

- (1) If any debt securities are issued at an original issue discount, then the offering price of such debt securities shall be in such amount as shall result in an aggregate initial offering price not to exceed \$500,000,000, less the dollar amount of any registered securities previously issued.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o). In no event will the aggregate initial offering price of all securities offered from time to time pursuant to the prospectus included as a part of this Registration Statement exceed \$500,000,000. To the extent applicable, the aggregate amount of common units registered is further limited to that which is permissible under Rule 415(a)(4) under the Securities Act. Any securities registered hereunder may be sold separately or as units with other securities registered hereunder.
- (3) There are being registered hereunder a presently indeterminate number of common units and an indeterminate principal amount of debt securities. This registration statement also covers an indeterminate amount of securities as may be issued in exchange for, or upon conversion or exercise of, as the case may be, the securities registered hereunder.
- (4) The proposed maximum aggregate offering price for each class of securities to be registered is not specified pursuant to General Instruction, II.D. of Form S-3.
- (5) Calculated in accordance with Rule 457(o).

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

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 4, 2013

PROSPECTUS

Spectra Energy Partners, LP

Common Units

Debt Securities

We may offer, from time to time, in one or more series:

common units representing limited partnership interests in Spectra Energy Partners, LP; and

debt securities of Spectra Energy Partners, LP, which may be either senior debt securities or subordinated debt securities.
The securities we may offer:

will be offered at prices and on terms to be set forth in one or more accompanying prospectus supplements; and

may be offered separately or together, or in separate series.

Our common units are traded on the New York Stock Exchange under the symbol SEP. We will provide information in the prospectus supplement for the trading market, if any, for any debt securities we may offer.

This prospectus provides you with a general description of the securities we may offer. Each time we offer to sell securities we will provide a prospectus supplement that will contain specific information about those securities and the terms of that offering, including the specific manner in which we will offer the securities. The prospectus supplement also may add, update or change information contained in this prospectus. This prospectus may be used to offer and sell securities only if accompanied by a prospectus supplement. You should read this prospectus and any prospectus supplement carefully before you invest. You should also carefully read the documents we refer to in the Where You Can Find More Information section of this prospectus for information on us and our financial statements.

Our principal executive offices are located at 5400 Westheimer Court, Houston, Texas 77056. Our telephone number is (713) 627-5400.

Investing in our securities involves risks. You should carefully consider each of the factors described under Risk Factors, which begin on page 5 of this prospectus, before you make an investment in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2013

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information incorporated by reference or provided in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of each such document. Our business, financial condition, results of operations and prospects may have changed since that date.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we have filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. Under this shelf registration process, we may offer from time to time our common units or debt securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of us and the securities offered under this prospectus.

Each time we sell securities under this prospectus, we will provide a prospectus supplement that will contain specific information about the terms of that offering and the securities being offered. The prospectus supplement also may add to, update, or change information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, the information in the prospectus supplement will control. We urge you to read carefully this prospectus, any prospectus supplement and the additional information described below under the heading **Where You Can Find More Information**.

This prospectus contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by reference to the actual documents. Copies of some of the documents referred to herein have been filed or will be filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below in the section entitled **Where You Can Find More Information**.

Unless the context clearly indicates otherwise, references in this prospectus to Spectra Energy Partners, we, our, us or like terms refer to Spectra Energy Partners, LP. References in this prospectus to our general partner refer to Spectra Energy Partners (DE) GP, LP or Spectra Energy Partners GP, LLC, the general partner of Spectra Energy Partners (DE) GP, LP, as appropriate. References to Spectra Energy refer to Spectra Energy Corp, the parent company of our general partner.

ABOUT SPECTRA ENERGY PARTNERS, LP

Spectra Energy Partners, through its subsidiaries and equity affiliates, is engaged in the transportation and gathering of natural gas through interstate pipeline systems with over 3,500 miles of pipelines and the storage of natural gas in underground facilities with aggregate working gas storage capacity of approximately 57 billion cubic feet (Bcf) in the United States. We are a Delaware master limited partnership (MLP) formed on March 19, 2007.

We own and operate natural gas transportation and storage assets in Texas, Oklahoma, Arkansas, Tennessee, Virginia, Florida, Alabama, Louisiana, Georgia, Kentucky, Mississippi, Missouri, North Carolina, Maine, Massachusetts, New Hampshire and the Gulf of Mexico. Our assets are strategically located in geographic regions of the United States where demand primarily for natural gas for electricity generation is expected to increase steadily. We have a broad mix of customers, including local gas distribution companies (LDC), municipal utilities, interstate and intrastate pipelines, direct industrial users, electric power generators, marketers and producers, and exploration and production companies. Our interstate gas transmission pipeline and storage operations are regulated by the Federal Energy Regulatory Commission (FERC) with the exception of Moss Bluff intrastate storage operations and the Ozark gathering facilities which are subject to oversight by various state commissions.

Our wholly owned operations and activities are managed by our general partner, Spectra Energy Partners (DE) GP, LP, which in turn is managed by its general partner, Spectra Energy Partners GP, LLC. Spectra Energy Partners GP, LLC is wholly owned by a subsidiary of Spectra Energy. Spectra Energy is a separate, publicly traded entity which trades on the NYSE under the symbol SE.

Our principal executive offices are located at 5400 Westheimer Court, Houston, Texas 77056, and our telephone number is 713-627-5400.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and other reports with and furnish other information to the Securities and Exchange Commission, or SEC. You may read and copy any document we file with or furnish to the SEC at the SEC's public reference room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for further information on their public reference room. Our SEC filings are also available at the SEC's web site at <http://www.sec.gov>.

The SEC allows us to incorporate by reference the information we have filed with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus by referring you to those documents. The information incorporated by reference is an important part of this prospectus. Information that we file later with the SEC will automatically update and may replace information in this prospectus and information previously filed with the SEC. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (excluding any information furnished and not filed with the SEC), including all such documents we may file with the SEC after the date of this registration statement and prior to the effectiveness of this registration statement, until all offerings under this registration statement are completed:

Our Annual Report on Form 10-K for the year ended December 31, 2012;

Our Quarterly Reports on Form 10-Q for the quarterly period ended March 31, 2013;

Our Current Reports on Form 8-K, as filed with the SEC on April 8, 2013 and May 3, 2013; and

The description of our common units contained in our registration statement on Form 8-A filed on June 22, 2007, and any subsequent amendment or report filed for the purpose of updating such description.

You may obtain any of the documents incorporated by reference in this prospectus from the SEC through the SEC's website at the address provided above. You may request a copy of any document incorporated by reference into this prospectus (including exhibits to those documents specifically incorporated by reference in this document), at no cost, by visiting our website at <http://www.spectraenergypartners.com>, or by writing or calling us at the following address:

Spectra Energy Partners, LP

5400 Westheimer Court

Houston, Texas 77056

Attention: Secretary

Telephone: (713) 627-5400

The information contained on our website is not part of this prospectus.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the information included in this prospectus and the documents we incorporate by reference herein contain forward-looking statements. All statements that are not statements of historical facts, including statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. These forward-looking statements are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, potential, forecast, and similar expressions. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus.

These forward-looking statements reflect our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Known risks and uncertainties include, but are not limited to, the risk factors and other cautionary statements described under the headings Risk Factors included in our most recent Annual Report on Form 10-K, any subsequently filed Quarterly Reports on Form 10-Q and any subsequently filed Current Reports on Form 8-K, all of which are incorporated by reference in this prospectus.

Forward-looking statements may include statements about our:

state and federal legislative and regulatory initiatives that affect cost and investment recovery, have an effect on rate structure, and affect the speed at and degree to which competition enters the natural gas industries;

outcomes of litigation and regulatory investigations, proceedings or inquiries;

weather and other natural phenomena, including the economic, operational and other effects of hurricanes and storms;

the timing and extent of changes in interest rates;

general economic conditions, including the risk of a prolonged economic slowdown or decline, or the risk of delay in a recovery, which can affect the long-term demand for natural gas and related services;

potential effects arising from terrorist attacks and any consequential or other hostilities;

changes in environmental, safety and other laws and regulations;

the development of alternative energy resources;

results and costs of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general market and economic conditions;

increases in the cost of goods and services required to complete capital projects;

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growth in opportunities, including the timing and success of efforts to develop domestic pipeline, storage, gathering and other related infrastructure projects and the effects of competition;

the performance of natural gas transmission, storage and gathering facilities;

the extent of success in connecting natural gas supplies to transmission and gathering systems and in connecting to expanding gas markets;

the effects of accounting pronouncements issued periodically by accounting standard-setting bodies;

conditions of the capital markets during the periods covered by forward-looking statements; and

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the ability to successfully complete merger, acquisition or divestiture plans; regulatory or other limitations imposed as a result of a merger, acquisition or divestiture; and the success of the business following a merger, acquisition or divestiture.

You should read these statements carefully because they discuss our expectations about our future performance, contain projections of our future operating results or our future financial condition, or state other forward-looking information. Before you invest, you should be aware that the occurrence of any of the events described under the headings Risk Factors included in our most recent Annual Report on Form 10-K, any subsequently filed Quarterly Reports on Form 10-Q and any subsequently filed Current Reports on Form 8-K could substantially harm our business, results of operations and financial condition. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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RISK FACTORS

An investment in our securities involves risks. You should carefully consider all of the information contained in or incorporated by reference in this prospectus and additional information which may be incorporated by reference in this prospectus or any prospectus supplement in the future as provided under *Where You Can Find More Information*, including our annual reports on Form 10-K and quarterly reports on Form 10-Q, including the risk factors described under *Risk Factors* in such reports. This prospectus also contains forward looking statements that involve risks and uncertainties. Please read *Cautionary Note Regarding Forward-Looking Statements*. Our actual results could differ materially from those anticipated in the forward looking statements as a result of certain factors, including the risks described elsewhere in this prospectus or any prospectus supplement and in the documents incorporated by reference into this prospectus or any prospectus supplement. If any of these risks occur, our business, financial condition or results of operation could be adversely affected.

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USE OF PROCEEDS

Unless otherwise indicated to the contrary in an accompanying prospectus supplement, we will use the net proceeds from the sale of the securities covered by this prospectus for general partnership purposes, which may include debt repayment, future acquisitions, capital expenditures and additions to working capital.

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DESCRIPTION OF THE COMMON UNITS

The Units

The common units are a class of limited partner interests in us. The holders of units are entitled to participate in partnership distributions and exercise the rights or privileges available to limited partners under our partnership agreement. For a description of the rights and privileges of limited partners under our partnership agreement, including voting rights, please read The Partnership Agreement.

Transfer Agent and Registrar

Duties. American Stock Transfer & Trust Company serves as registrar and transfer agent for the common units. We will pay all fees charged by the transfer agent for transfers of common units except the following that must be paid by unitholders:

surety bond premiums to replace lost or stolen certificates, taxes and other governmental charges;

special charges for services requested by a common unitholder; and

other similar fees or charges.

There will be no charge to unitholders for disbursements of our cash distributions. We will indemnify the transfer agent, its agents and each of their stockholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

Resignation or Removal. The transfer agent may resign, by notice to us, or be removed by us. The resignation or removal of the transfer agent will become effective upon our appointment of a successor transfer agent and registrar and its acceptance of the appointment. If no successor has been appointed and has accepted the appointment within 30 days after notice of the resignation or removal, our general partner may act as the transfer agent and registrar until a successor is appointed.

Transfer of Common Units

Any transfers of a common unit will not be recorded by the transfer agent or recognized by us unless the transferee executes and delivers a properly completed transfer application. By executing and delivering a transfer application, the transferee of common units:

becomes the record holder of the common units and is an assignee until admitted into our partnership as a substituted limited partner;

automatically requests admission as a substituted limited partner in our partnership;

executes and agrees to be bound by the terms and conditions of our partnership agreement;

represents that the transferee has the capacity, power and authority to enter into our partnership agreement;

grants powers of attorney to the officers of our general partner and any liquidator of us as specified in our partnership agreement;

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gives the consents, covenants, representations and approvals contained in our partnership agreement; and

certifies:

that the transferee is an individual or is an entity subject to United States federal income taxation on the income generated by us; or

that, if the transferee is an entity not subject to United States federal income taxation on the income generated by us, as in the case, for example, of a mutual fund taxed as a regulated investment company or a partnership, all the entity's owners are subject to United States federal income taxation on the income generated by us.

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An assignee will become a substituted limited partner of our partnership for the transferred common units automatically upon the recording of the transfer on our books and records. Our general partner will cause any unrecorded transfers for which a properly completed and duly executed transfer application has been received to be recorded on our books and records no less frequently than quarterly.

A transferee's broker, agent or nominee may, but is not obligated to, complete, execute and deliver a transfer application. We are entitled to treat the nominee holder of a common unit as the absolute owner. In that case, the beneficial holder's rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

Common units are securities and are transferable according to the laws governing transfer of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to request admission as a substituted limited partner in our partnership for the transferred common units. A purchaser or transferee of common units who does not execute and deliver a properly completed transfer application obtains only:

the right to assign the common unit to a purchaser or other transferee; and

the right to transfer the right to seek admission as a substituted limited partner in our partnership for the transferred common units. Thus, a purchaser or transferee of common units who does not execute and deliver a properly completed transfer application:

will not receive cash distributions;

will not be allocated any of our income, gain, deduction, losses or credits for federal income tax or other tax purposes;

may not receive some federal income tax information or reports furnished to record holders of common units; and

will have no voting rights;

unless the common units are held in a nominee or street name account and the nominee or broker has executed and delivered a transfer application and certification as to itself and any beneficial holders.

The transferor of common units has a duty to provide the transferee with all information that may be necessary to transfer the common units. The transferor does not have a duty to ensure the execution of the transfer application by the transferee and has no liability or responsibility if the transferee neglects or chooses not to execute and deliver a properly completed transfer application to the transfer agent. Please read The Partnership Agreement - Status as Limited Partner.

Until a common unit has been transferred on our books, we and the transfer agent may treat the record holder of the unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

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DESCRIPTION OF DEBT SECURITIES

We will issue debt securities under an indenture between Spectra Energy Partners, LP and a trustee that we will name in the related prospectus supplement. If we offer senior debt securities, we will issue them under a senior indenture. If we issue subordinated debt securities, we will issue them under a subordinated indenture. The term "Trustee" as used in this prospectus refers to the trustee under any of the above indentures. References in this prospectus to an "Indenture" refer to the particular indenture under which Spectra Energy Partners, LP issues a series of debt securities. The debt securities will be governed by the provisions of the related Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939.

This description is a summary of the material provisions of the debt securities and the Indentures. We urge you to read the Indentures or the forms of Indentures filed as exhibits to the registration statement of which this prospectus is a part because those Indentures, and not this description, govern your rights as a holder of debt securities.

General

Any series of debt securities:

will be issued only in fully registered form; and

will be our general obligations.

The Indenture does not limit the total amount of debt securities that may be issued. Debt securities under the Indenture may be issued from time to time in separate series, up to the aggregate amount authorized for each such series.

We will prepare a prospectus supplement and either an indenture supplement or a resolution of the board of directors of the general partner of the issuer and accompanying officers' certificate relating to any series of debt securities that we offer, which will include specific terms relating to some or all of the following:

whether the debt securities are senior or subordinated debt securities;

the form and title of the debt securities;

the total principal amount of the debt securities;

the date or dates on which the debt securities may be issued;

the portion of the principal amount which will be payable if the maturity of the debt securities is accelerated;

any right we may have to defer payments of interest by extending the dates payments are due and whether interest on those deferred amounts will be payable;

the dates on which the principal and premium, if any, of the debt securities will be payable;

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the interest rate which the debt securities will bear and the interest payment dates for the debt securities;

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Mohave County, Arizona Property

Property and Location

Our current mineral property consists of approximately 1.4 square miles of land located in the northern Black Mountains in Mohave County, Arizona, approximately 56 miles from Las Vegas, Nevada, and 22 miles south of the Hoover Dam on U.S. Highway 93 (the “Black Mountains Property”). The property is easily accessed by partially paved entry off Highway 93 and has availability to electricity and water.

Our Black Mountains Property consists of approximately 43 lode claims. Our claim holdings in this area began with placer claims in the adjacent Detrital Wash area acquired in 1998 through a mineral lease and in 2004 through an exploration rights agreement. Our subsequent claims, including our current claims comprising the Black Mountains Property, have been staked by the Company over or nearby the Company’s previous claim holdings. In 2008, we released all of our placer claims in the Detrital Wash area due to economically insufficient placer mineralization. All of our existing Black Mountains lode claims have been recorded with the BLM and Mohave County. These lode claims cover areas of bedrock mineralization indicated by historical data obtained by the Company and confirmed by geochemical assays of mineral samples performed for the Company by licensed independent labs and evaluated according to National Instrument (NI) 43-101 standards, as well as other areas where we have obtained evidence of mineralization occurring in the bedrock.

The Black Mountains Property is underlain by three basic rock units or “packages” of rocks. The oldest rock unit consists of Precambrian schist and gneissic rocks which are the reconstituted (metamorphic) equivalents of former shale, siltstone, and volcanic rocks. The next youngest rock unit, which is believed to be of Laramide (Upper Cretaceous/Lower Tertiary) age, comprises a suite of granitoid plutonic rocks that intrude the Precambrian strata and that, in large part, consist of alaskite and subordinate pegmatitic masses. The youngest rock unit is a succession of volcanic rocks of intermediate composition. This unit forms a partial cover over the older units and has been dated in age as Miocene (Middle Tertiary).

The property exhibits features of a metamorphic core complex. These features include the somewhat arch-like, cross-sectional (east-west) profile of this area of the Black Mountains, detached cover rocks, a preponderance of shallow-dipping penetrative structures (foliations) in the plutonic/metamorphic basement, and the composition of the plutonic rocks. Our 2010 mapping revealed that a portion of the section of metamorphic rocks (schist, etc.) that separates the plutonic rocks of the core from the cover rocks (known as the carapace) is also detached and, throughout the property, variously rests on plutonic rocks and other sections of the carapace. This is commonly referred to as a detachment (or decollement) zone. This detachment zone contains evidence of mineralization including gold, copper, molybdenum and other minerals.

Based on the presence of gold producing mines in the Black Mountains area and the data we have collected, we believe deposits of precious and base metals may exist within the Black Mountains Property. Our current exploration efforts are primarily focused on the establishment of gold reserves with a secondary focus on copper and other minerals. We cannot assure that we will discover such deposits or that, if such deposits are discovered, we will be able to commercially produce such mineral deposits.

Historically, from time to time, various third parties have located or attempted to locate placer and lode claims over portions of our lode claim holdings in the Black Mountains area. As of this Report, we do not believe there are currently any valid claims conflicting with our existing claims in this area. We plan to continue to monitor for and investigate any claims that appear to conflict with our Black Mountains lode claims. We believe our claims are properly located and that we have valid and superior legal interest in these properties

over any subsequent claim holders.

During 2010, we paid a total of \$1,427 in filing fees for claims in the Black Mountains Property. In addition, our Chairman, on behalf of the Company, paid a total of \$2,520 in annual maintenance fees to the BLM for the previously recorded lode claims in the Black Mountains Property. We have reimbursed our Chairman for this payment.

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Operations

In 2008, through geology and mining engineer consultants, we developed a program of testing geological samples from our Detrital Wash property for mineralization and mapping the existing geology. Assay results from the initial phases of this program during 2008 and 2009 indicated significant copper and molybdenum mineralization in the areas of our Detrital Wash claims as well as the presence of gold and silver rich zones of mineralization along trends containing historically mined deposits. Based on these and subsequent results, we converted our claims to lode claims and have progressively modified our claim holdings to the current block in the northern Black Mountains. During 2010, we conducted drilling and additional sampling and mapping work on certain areas of our Black Mountains Property showing high mineralization results from our previous assays in an effort to further assess the extent and value of the mineralization in our claim holdings. Our sampling, assays and mapping during 2010 show gold mineralization to be the most prevalent of the tested minerals in our properties, with some evidence of copper, molybdenum and other minerals. Based on the assessments of our geologists, we have continued to modify our claim holdings in the Black Mountains area to focus our limited financial resources on the areas that we believe hold the most significant potential for mineral reserves. During 2010, we allowed approximately 60 of our previously filed claims to expire and we added approximately 25 claims covering nearby areas that we believe show greater mineral potential. See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – GENERAL – Exploration Program” for more information regarding our exploration program.

Our continued exploration work in 2011 is subject to available funds. We obtained \$200,000 in debt financing in October 2010 to implement a portion of our current phase of exploration work and to fund our operations for the remainder of 2010 and a portion of 2011. See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – GENERAL – Financing.” As part of this phase, we plan to conduct further geochemical and geophysical testing to continue assessing the mineral reserve potential of our Black Mountains Property. Based on the recommendations of our geologists, we intend to locate additional claims or release existing claims depending on our assessments of their mineral potential and available funds. We continue to consider options to raise additional capital to fund our exploration program and our ongoing operating and compliance costs. We also plan to continue to seek potential joint venture or other opportunities to complete the exploration work and to bring the property to the production stage should sufficient reserves be established. We cannot guarantee that we will have, or be able to obtain, the necessary funds to complete our planned exploration activities. See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – GENERAL – Plan of Operation” and “– Going Concern.”

Wikieup, Arizona Property

As of September 1, 2010, we no longer hold any mining claims in our former Wikieup property (the “Wikieup Property”). The Wikieup Property formerly consisted of 42 lode claims comprising approximately 840 acres in the Hualapai Mountain Range at Wikieup, Arizona. We acquired the Wikieup claims from Gold Standard Mines, Inc. in March 2001 in exchange for 1,000,000 shares of our restricted common stock having an aggregate value of \$400,000 as of the date of the acquisition. We received from Gold Standard Mines a notarized quitclaim deed granting us all rights, interest and title to these claims. The deed was subsequently recorded at the BLM office in Phoenix, Arizona, and at Mohave County in Kingman, Arizona.

Based on the significant costs expected to initiate a substantial exploration program for the Wikieup Property, we determined that exploration of the Wikieup Property would not be economically feasible at any time during the near future and that the cost to continue maintaining these claims was not justifiable given our limited financial resources. In order to focus our resources on our Black Mountains Property, we chose not

renew the Wikieup claims beyond their expiration date on August 31, 2010.

We did not engage in any development activities or incur any filing or maintenance fees for our claims in the Wikieup Property during 2010.

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ITEM 3. LEGAL PROCEEDINGS

From time to time we are involved in legal proceedings relating to claims arising out of operations in the normal course of business, as well as claims arising from our status as an issuer of securities and/or a publicly reporting company. At December 31, 2010, we know of no current or threatened legal proceedings involving us or our properties reportable under this Item 3.

ITEM 4. (RESERVED)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the OTC Bulletin Board of the Financial Industry Regulatory Authority, Inc. (formerly the National Association of Securities Dealers, Inc.) and on the OTCQB market tier of the OTC Markets Group Inc. (formerly the Pink Sheets) under the symbol ILST. The following table indicates quarterly high and low prices per share for our common stock during the fiscal years ended December 31, 2010 and 2009. These prices represent quotations among dealers without adjustments for retail mark-ups, markdowns or commissions, and may not represent actual transactions. The market for our shares has been sporadic and at times very limited.

Fiscal Year Ended December 31, 2010	HIGH	LOW
4th Quarter ended December 31, 2010	\$0.0140	\$0.0065
3rd Quarter ended September 30, 2010	\$0.0150	\$0.0075
2nd Quarter ended June 30, 2010	\$0.0200	\$0.0063
1st Quarter ended March 31, 2010	\$0.0400	\$0.0013
Fiscal Year Ended December 31, 2009		
4th Quarter ended December 31, 2009	\$0.0056	\$0.0020
3rd Quarter ended September 30, 2009	\$0.0150	\$0.0022
2nd Quarter ended June 30, 2009	\$0.0100	\$0.0030
1st Quarter ended March 31, 2009	\$0.0170	\$0.0030

The closing price of our common stock as of March 23, 2011, was \$0.0730 per share.

Number of Shareholders

At March 23, 2011, we had approximately 155 stockholders of record of our common stock. This figure does not include beneficial owners of common stock held in nominee or street name, as we cannot accurately estimate the number of these beneficial owners.

Dividend Policy

We did not declare or pay any dividends during our fiscal years ended December 31, 2010 and 2009. There are no legal, contractual or other restrictions which limit our ability to pay dividends. Payment of future dividends, if any, on our common stock, will be dependent upon the amounts of our future after-tax earnings,

if any, and will be subject to the discretion of our Board of Directors. Our Board of Directors is not legally obligated to declare dividends, even if we are profitable. We have never paid any dividends on or common stock, and we have no plans to do so in the near future. Instead, we plan to retain any earnings to finance the development of the business and for general corporate purposes.

Penny Stock

Our common stock is subject to the provisions of Section 15(g) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Rule 15g-9 thereunder, commonly referred to as the “penny stock rule.” Section 15(g) sets forth certain requirements for transactions in penny stocks, and Rule 15g-9(d)(1) incorporates the definition of “penny stock” that is found in Rule 3a51-1 under the Exchange Act. The SEC generally defines “penny stock” to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. Because our common stock is deemed to be a penny stock, trading in the shares is subject to additional sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors. “Accredited investors” are persons with net worth, or joint net worth with their spouse, in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouse, for each of the past two years and with the reasonable expectation of attaining the same level of income in the current year. For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of such security and must have the purchaser’s written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the first transaction, of a risk disclosure document prepared by the SEC relating to the penny stock market. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information for the penny stocks held in an account and information on the limited market in penny stocks. Consequently, these rules may restrict the ability of broker-dealers to trade and/or maintain a market in our common stock and may affect the ability of our shareholders to sell their shares.

Securities Authorized For Issuance Under Equity Compensation Plans

On September 13, 2006, our Board unanimously voted to adopt a Stock Option Plan (the “Plan”) and to submit such Plan to a vote of our shareholders. Our shareholders voted and approved the adoption of the Plan on December 1, 2006, at our annual shareholders meeting. The Plan provides for a share reserve of 18,000,000 common shares for future issuances as direct awards or upon exercise of options granted under the Plan. In April 2010, we granted stock options representing 10,000,000 shares of our common stock to our President under the Plan. As of December 31, 2010, no other stock options have been granted to our executive officers or our directors pursuant to the Plan.

The following table provides information with respect to the shares authorized for issuance under equity compensation plans of the Company.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for issuance under equity compensation plans (excluding securities
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			reflected in column (a) (c)
Equity compensation plans approved by security holders	10,000,000 \$	0.010	8,000,000
Equity compensation plans not approved by security holders	—	—	—
Total	10,000,000 \$	0.010	8,000,000

Recent Sales of Unregistered Securities

On October 13, 2010, in connection with a \$200,000 loan received from an unrelated third party lender, we issued warrants to the lender to purchase up to 20,000,000 shares of our common stock at an exercise price of \$0.01 per share payable in cash or by a reduction of the principal amount owed on the debt equal to the exercise price, or by a combination thereof. See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – GENERAL – Financing” for more information regarding this loan. We believe the issuance of these securities was exempt from registration under Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933 (the “Securities Act”). The warrants expire on the later of the second anniversary of the date of issuance or the date all principal due to the lender is fully paid. The warrants are not transferable. In addition, we granted certain piggyback registration rights under which the lender may register for resale shares held by the lender if we propose to register shares of our common stock (or any security which is convertible into or exchangeable or exercisable for common stock) under the Securities Act.

We did not engage in any other sales of our securities that were not registered under the Securities Act during the three month period ended December 31, 2010. Our sales of unregistered securities during the fiscal years ended December 31, 2008 and 2009, and during the nine months ended September 30, 2010, have been previously reported in our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q and/or our Current Reports on Form 8-K filed with the SEC.

Purchases of Equity Securities

We did not repurchase any of our securities during the fourth quarter of our fiscal year ended December 31, 2010.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The following presentation of Management’s Discussion and Analysis of Financial Condition and Results of Operations has been prepared by internal management and should be read in conjunction with the Financial Statements and notes thereto included in Item 8 of this Annual Report on Form 10-K. Except for the historical information contained herein, the discussion in this report contains certain forward-looking statements that involve risks and uncertainties, such as statements of our business plans, objectives, expectations and intentions as of the date of this filing. The cautionary statements about reliance on forward-looking statements made earlier in this document should be given serious consideration with respect to all forward-looking statements wherever they appear in this report, notwithstanding that the “safe harbor” protections available to some publicly reporting companies under applicable federal securities law do not apply to us as an issuer of penny stocks. Our actual results could differ materially from those discussed here.

Our Business

We were organized under the laws of the State of Nevada on October 28, 1993, as Mattress Showrooms, Inc. In 1997, we changed our corporate name to International Star, Inc. and became engaged in the business of construction, sale and operation of state of the art waste management systems, specializing in turnkey systems for management of hospital, industrial, petroleum, chemical and municipal solid waste collection systems. Despite our efforts, we were unable to develop this business beyond the start-up stage. Following our unsuccessful venture in waste management, we refocused our business efforts on mineral exploration in 1998. Currently, we are engaged in the acquisition and exploration of precious and base metals mineral properties. Since 1998, we have examined various mineral properties prospective for precious and base metals and minerals and have acquired interests in those we believe may contain precious and base metals and minerals. Our properties are located in Arizona. Although we have confirmed the existence of mineralization in our properties, we have not established that any of our properties contain reserves. A reserve is that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Further exploration will be needed before a final determination can be made whether any mineral extraction on our property is economically and legally feasible. Therefore, at present we have no reserves and no income from mineral production.

Going Concern

We have incurred substantial operating and net losses, as well as negative operating cash flow, since our inception. Accordingly, we continued to have significant stockholder deficits and working capital deficits during the year ended December 31, 2010. In recognition of these trends, our independent registered accountants have included cautionary statements in their report on our financial statements for the year ended December 31, 2010, that expressed “substantial doubt” regarding our ability to continue as a going concern. Specifically, our independent accountants have opined that the continuation of our Company as a going concern is dependent upon obtaining sufficient working capital to be successful in that effort.

Our ability to continue as a going concern is dependent on obtaining additional working capital. Our management has developed a long-term strategy for generating revenues from our mineral properties, with a short-term focus on obtaining additional equity or debt funding until such operating revenues can be generated. We will continue to consider and pursue available and feasible options to raise additional capital to fund our operating costs and to continue work on establishing the existence of mineral reserves within our properties to enable us to seek feasible revenue generating opportunities.

During the fourth quarter of 2010, we obtained debt financing through an unrelated third party lender to satisfy our current obligations and to continue exploration work on our Black Mountains Property through a portion of 2011. See “– GENERAL – Financing.” We will need to raise additional equity or debt financing to fund our operating costs and our planned mineral exploration work and to service our current debt obligations for the remainder of 2011, unless and until we are able to generate substantial revenues from our mineral properties. If we do not obtain substantial additional financing, we may not have sufficient capital to continue operating as a public company or at all beyond the second quarter of 2011. We cannot assure that we will be able to obtain the necessary funding or, even if such financing is obtained, that we will be able to establish the existence of mineral reserves or generate revenues from our properties sufficient to sustain our continued operations or at all.

Financial Condition and Results of Operations

We have incurred substantial net losses since our inception as an exploration stage company. Our ability to generate revenue is dependent on our ability to establish the existence of mineral reserves on our properties. We have not generated any revenue during any period since the date of our inception, and unless and until we establish that such reserves exist, we will not have any revenue from our mineral operations.

Our current management has engaged consultants who developed an exploration plan involving geochemical and geophysical exploration methods to determine under recognized industry standards whether mineral reserves exist on our properties. We have implemented mapping, sampling and drilling phases of this plan, which have included assaying of collected geological samples. Based on the results of our exploration work during 2010, we believe further exploration work is needed and warranted to determine the commercial value of our property. During the fourth quarter of 2010, we obtained funding for recent claim acquisitions and additional exploration work. See “– GENERAL – Plan of Operation.” However, further exploration work will be dependent our obtaining additional debt or equity financing.

We are currently pursuing potential options to obtain funding to continue exploration work on our properties and to fund our future operating and compliance costs. As of the date of this Annual Report, we have not yet obtained the necessary level of funds to continue our exploration program on our Black Mountains Property or to fund our operating and compliance costs beyond the second quarter of 2011. We cannot guarantee that we will obtain such financing on terms that will be favorable to us or at all, or, even if such financing is

obtained, that we will determine that mineral reserves exist or that we will be able to commercially exploit any reserves found on our properties. See “– GENERAL – Going Concern.”

As of December 31, 2010, our total assets are \$96,315, consisting of \$96,147 in cash and \$168 in property and equipment, net of depreciation. Our total assets at December 31, 2009, were \$49,039, consisting of \$48,588 in cash and \$451 in property and equipment, net of depreciation. The \$47,276 increase in our total assets during the year ended December 31, 2009, is primarily due to our increased amount of cash on hand at the end of 2010, compared to year-end 2009, resulting from a \$200,000 loan we obtained from an unrelated third party lender during the fourth quarter of 2010. See “– GENERAL – Financing” and Footnotes G and H in the Notes to the Consolidated Financial Statements. The increase in cash was minimally offset by the continued depreciation of our property and equipment during 2010. We expect to use the cash on hand at December 31, 2010, to fund our operating and compliance costs and exploration activities for a portion of 2011. We anticipate these funds being depleted during the second quarter of 2011 unless we are able to raise additional funds to support our continued operations.

Our total liabilities as of December 31, 2010, are \$1,582,541, an increase of \$327,329 over total liabilities at December 31, 2009, of \$1,255,212. This increase is attributable primarily to \$83,183 in an additional cash advances received from our Chairman during the first and second quarters of 2010 to fund our exploration activities and general operating and compliance costs during 2010, the \$200,000 loan obtained by the Company in the fourth quarter of 2010 to satisfy certain outstanding expenses and to fund additional exploration work and operating costs through a portion of 2011, additional interest accrued on our borrowings under our two lines of credit obtained in December 2007 and December 2008, respectively, and a total of \$24,552 in additional accounts payable and accrued expenses at December 31, 2010. See “– GENERAL – Financing” and Footnotes E through H in the Notes to the Consolidated Financial Statements for more information regarding our financing activities. The increase in accounts payable was attributable primarily to additional legal and accounting fees owed at December 31, 2010, as compared to December 31, 2009, and the increase in accrued expenses for 2010 over 2009 consisted mostly of accrued salary to our President which had not been paid due to our limited funds.

During 2011, we expect that our interest expense on our outstanding debt obligations will continue to accrue unless and until we are able to secure sufficient additional funds to service this debt. The trends in our other liabilities during 2011 will be dictated primarily by the amount of additional financing we are able to raise, if any, to fund our operating costs and exploration activities beyond our current financial resources and whether such financing is in the form of equity or debt. They will also be dictated by the ongoing results of our exploration program on our Black Mountains Property and our assessment of any additional work necessary to substantially complete our exploration program, whether we are able to determine the existence of extractable reserves on our properties, and whether we are able to successfully attract and consummate a joint venture or other opportunity to commercially exploit our mineral properties during 2011. We cannot be certain at this time how these factors will unfold or what affect they will have on our financial condition for 2011 and beyond.

Fiscal Year Ended December 31, 2010, Compared to Fiscal Year Ended December 31, 2009

Net Loss. Our net loss for the fiscal year ended December 31, 2010, was \$394,053 compared to a net loss of \$312,648 during the fiscal year ended December 31, 2009, an increase of 26.04%. The over 25% increase in our net loss for the year ended December 31, 2010, over the year ended December 31, 2009, was due primarily to the compensation expense we incurred in connection with our issuance of stock options to our President and the increase in interest expense incurred related to our debt financing. Our increased geological work with respect to our Black Mountains Property and moderately higher legal and accounting expenses also contributed to our greater net loss in 2010. These increases were partially offset by slightly lower general and administrative costs.

Mineral Exploration Costs Expense. Our mineral exploration costs expense increased by \$11,634, or 12.43%, to \$105,213 in 2010, compared to \$93,579 for 2009. This increase is primarily the result of additional geological and exploration work with respect to our mining claims in 2010 as compared to 2009. The increase was partially offset by more limited assay costs in 2010 as compared to 2009 and our decision in 2010 to release most of our previous lode claim holdings. Our 2010 mineral exploration costs generally consisted of fees to our geologists and other expenses related to our drilling work in early 2010, assays of the drilled samples, additional sampling and assays, geological mapping, locating and filing new claims, and maintenance fees on our existing claims. Our 2009 mineral exploration costs generally consisted of fees and expenses related to assays performed on existing and newly collected geological samples from our properties, collection of additional samples, mapping activities, locating additional claims, and the maintenance of our claim holdings.

Professional Fees Expense. Professional fees expense increased in 2010 by \$6,917, or 9.16%, from \$75,497 for 2009 to \$82,414 for 2010. The increase in professional fees expense during 2010 over 2009 is the result of moderately higher legal and accounting expenses during 2010, as compared to 2009, related primarily to our general corporate and regulatory compliance as a public company.

Compensation and Management Fees Expense. Our compensation and management fees expense for 2010 increased by \$53,034, or 117.94%, from \$44,966 during 2009 to \$98,000 during 2009. The over two-fold increase was due to the expense we incurred in April 2010 when we issued a fully vested stock option for 10,000,000 shares of our common stock with a grant date fair value of \$56,000 to our President pursuant to his employment agreement. See “EXECUTIVE COMPENSATION.” This increase was slightly offset by additional expense incurred in 2009 due to our payment in the first quarter of 2009 of accrued compensation to our President from the fourth quarter of 2008. Compensation and management fees expense in 2009 and 2010 consisted solely of compensation to our President.

Depreciation and Amortization Expense. Depreciation and amortization expense was essentially unchanged from 2009 to 2010.

General and Administrative Costs Expense. Our general and administrative costs decreased by \$3,308, or 10.07%, to \$29,534 during 2010, compared to \$32,842 during 2009. The decrease in general and administrative expense is attributable primarily to reduced administrative expenditures due to our more limited operating funds during the first three quarters of 2010 as compared to 2009.

Interest Income. We did not have any interest income during 2010 or 2009.

Other Income. We did not have any other income during 2010. During 2009, we recognized \$3,535 in other income, which consisted of a \$3,522 refund received from the Internal Revenue Service for an overpayment of payroll taxes for a prior period and a small tax refund from the State of Louisiana.

Interest Expense. During 2010, we incurred interest expense of \$78,282, an increase of \$17,219, or 28.20%, over 2009, as a result of interest accruing on our two lines of credit obtained from Kilpatrick’s Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. in December 2007 and December 2008, respectively, and on the loan we obtained from an unrelated third party lender in October 2010. See “– GENERAL – Financing.” Interest expense for 2010 also includes \$10,357 in amortized discount on our October 2010 loan resulting from our issuance of stock warrants in connection with the loan. See Footnote G in the Notes to the Consolidated Financial Statements. Our interest expense for 2009 consisted of interest accrued on the December 2007 and December 2008 lines of credit.

Exploration Program

In 2008, through our consultants, including a geologist and a registered professional mining engineer, both of whom were “qualified persons” under NI 43-101, and an additional geologist, we developed a new exploration program for our Detrital Wash area claims of testing geological samples for the existence of minerals and mapping the existing geology. Our consultants utilized the initial results of this program obtained in 2008, which indicated the presence of copper, molybdenum and silver mineralization, to further design the exploration program to evaluate the mineral potential of our property and the viability of extracting any mineral reserves discovered.

As part of the initial phase of this exploration program, we located lode claims in the northern Black Mountains and White Hills in 2008 over or nearby our then existing placer claims in the Detrital Wash area

based on evidence of mineralization in the bedrock. We concluded that the placer mineralization on the property was not sufficient for continued exploration at that time, and therefore, we released all of our placer claims in the Detrital Wash area in September 2008. Since 2008, we have released our White Hills claims and have progressively modified our lode claim holdings to the current block in the northern Black Mountains to focus on areas that we believe show the most potential for mineral deposits.

During 2008, we obtained historical records created by various mining companies from the 1960's through the 1980's in connection with substantial exploration conducted in the northern Black Mountains. Work completed by these companies included soil sampling, stream sampling, rock sampling and drilling, bouguer gravity surveys, and resistivity and IP (induced polarization) surveys. The historical soil, sediment and rock sampling data obtained by the Company indicated gold, copper and molybdenum mineralization on the property. Results of assays performed in 2008 by Mountain States R&D International, Inc., an Arizona registered and licensed lab ("Mountain States"), on 252 samples taken from our claims supported the historical data indicating significant copper and molybdenum mineralization in the areas of our claims.

Due to budget constraints, the assays performed in 2008 did not test for gold mineralization. However, the northern Black Mountains area includes several former gold mines, and the historical data we obtained indicates mineralization of gold in the vicinity of our claims. In March 2009, we submitted over 200 additional samples collected during our initial sampling phase and several new samples to Skyline Assayers & Laboratories in Tucson, Arizona, an Arizona registered and licensed lab (“Skyline”), to be assayed for copper, molybdenum, and silver as well as gold mineralization.

The Skyline assay results showed anomalous gold, silver, copper and molybdenum mineralization in the areas tested, as well as other indicator and pathfinder elements for both precious and base metals deposits. The results indicated the presence of gold and silver mineralization along trends containing historically mined deposits. These assays also showed improved results in copper and molybdenum values from the Company’s 2008 sampling.

Our consultants plotted, contoured and evaluated the Mountain States and Skyline assay results data, along with historical results consisting of soil and rock geochem data plotted by previous exploration companies working the same property, to determine appropriate drilling locations for further exploration. We also staked additional lode claims on areas of further interest as indicated by the March 2009 Skyline assay results. In addition, we conducted follow-up soil, rock chip and channel sampling to test the extent and grade of any mineralization associated with the high value samples. The results of the assays on these samples showed mineralization generally consistent with the results of our previous assays.

During the first quarter of 2010, we completed a limited phase of drilling on our Black Mountains Property. We drilled 10 holes in various locations on our Black Mountains Property where previous sampling had indicated evidence of mineralization. Samples were taken from the drill holes and nearby areas and submitted for assay at the Skyline lab in Tucson. We also conducted additional mapping of the geology in the Black Mountains Property and nearby areas. During the second quarter of 2010, we collected approximately 60 additional surface samples, which were assayed by ALS Chemex Labs in Reno, Nevada and submitted to our geologists for evaluation.

We have modified our claim holdings in our Black Mountains Property as a result of our 2010 drilling, sampling and mapping work. During the third quarter of 2010, we allowed 60 of our Black Mountains claims that we determined were not economically feasible exploration targets, given our limited resources, to expire on August 31, 2010. We renewed 18 claims with the BLM until August 31, 2011. Since then we have staked and recorded 25 additional lode claims in the Black Mountains Property. During the fourth quarter of 2010, after securing additional funds, we also conducted additional sampling and assay work in connection with the location of our new claims.

Based on our 2010 exploration work, we have shifted the primary focus of our exploration program on the Black Mountains Property from copper and molybdenum targets toward efforts to establish gold reserves on our Black Mountains Property, with a secondary focus on copper, molybdenum and other minerals. We are continuing to work with our current geologists to implement further exploration work to fully evaluate the mineral reserve potential and to compile sufficient data to attract a joint venture or other opportunity to develop any reserves that are determined to exist on our properties. See “– GENERAL – Plan of Operation.”

Plan of Operation

We are currently working to implement a new limited phase of sampling, mapping, drilling and additional geochemical work on our Black Mountains Property over the coming months toward the establishment of gold or other mineral reserves. During the fourth quarter of 2010 and first quarter of 2011, we have located

and recorded additional lode claims over areas of interest adjacent to or nearby or previously existing Black Mountains claims, and we have conducted sampling and mapping to establish additional drilling targets for our claims. We plan to drill the target areas and conduct assays of the drilled samples during 2011 to the extent funding permits. We may conduct follow-up surface sampling and mapping depending on our evaluation of the drilling results and available funds. We may also locate and record additional claims or release existing claims as warranted by the results of such exploration work and based on our financial resources.

Management's goal is to bring the data on the Black Mountains Property to a sufficient level to attract a joint venture or other sale or lease opportunity with a larger resource entity or investor to provide additional capital and infrastructure to complete the exploration program and bring the property to the production stage should mineral reserves be established. We plan to consider any potential joint venture opportunities that may arise to fund any further exploration work needed toward the establishment of gold or other precious or base metal reserves in the Black Mountains Property and assessment of the feasibility of extracting potential mineral deposits on these properties. We will also consider other available financing options as well as any opportunities that may arise to sell or lease our interest in our properties that we believe would be favorable to our shareholders.

We continue to consider and pursue potential options to raise additional capital as needed to complete our planned exploration work, to undertake any necessary additional exploration work on the Black Mountains Property and to continue to fund our ongoing operating costs, unless and until we can achieve revenues sufficient to maintain our operations. We cannot guarantee that we will be able to raise any necessary additional capital on terms favorable to us or at all. We also cannot assure, even if such financing is obtained, that mineral reserves will be determined to exist on our properties or that we will be able to successfully attract and consummate a joint venture to develop the property to production stage or any other opportunity to commercially exploit our properties. See “– GENERAL – Going Concern.” Our ability to establish and exploit any reserves of precious or base minerals found on our properties will depend, in part, on factors beyond our control, including technological capabilities in the mining industry, current economic conditions and the current market price of any minerals discovered.

We do not anticipate any purchase or sale of property, plant, or other significant equipment, and we do not expect any significant changes in the number of our employees. However, employees, consultants and expertise will be added to the Company as management deems necessary and when financing permits.

Financing

We do not have any revenues and continue to be dependent on debt and equity financing to meet our immediate cash needs. We continue to consider and pursue available means to fund our operations and our exploration activities, either by seeking additional capital through loans or private placements of our securities, or by entering into joint venture or similar arrangements with one or more other, more substantial companies.

On October 13, 2010, we obtained a loan of \$200,000 from Beaird Operating Companies, LLC (“Beaird”) carrying simple interest at the rate of 12% per annum. All unpaid principal and accrued interest is due on December 13, 2011 (the “Maturity Date”). Under the terms of the loan, any unpaid principal will increase by 1.5 times as of the Maturity Date and will continue to accrue simple interest at a rate of 12% per annum. No payments are required until the Maturity Date; however, we have the right to prepay any amounts due to Beaird at any time without penalty. The debt is secured by a 49% interest in the mineral rights of all mining claims owned by the Company or in which the Company has an interest in its properties located in Mohave County, Arizona, along with any future claims acquired by the Company. At our election, we may convert the security interest to a priority security interest on 49% of our share of proceeds from any joint venture or licensing agreement with respect to the mining claims, subject to certain conditions. In the event we default, Beaird may institute legal action against us. In such event, Beaird would be entitled to its collection costs, including attorney fees not to exceed 20% of the amount sought to be collected.

In connection with the loan, we issued to Beaird warrants to purchase up to 20,000,000 shares of our common stock at an exercise price of \$0.01 per share payable in cash or by a reduction of the principal amount owed on the debt equal to the exercise price, or by a combination thereof. The warrants expire on the later of the

second anniversary of the date of issuance or the date all principal due to Beard is fully paid. In addition, we granted certain piggyback registration rights under which Beard may register for resale shares held by Beard if we propose to register shares of our common stock (or any security which is convertible into or exchangeable or exercisable for common stock) under the Securities Act. We have no present plans to pursue a registered public offering of our common stock. See “MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS – Recent Sales of Unregistered Securities.”

Historically, certain of our directors have from time to time advanced funds to our Company for the payment of operating expenses. These advances have been repaid in cash and through the issuance of restricted shares of our common stock. During 2009, our Chairman of the Board paid certain corporate filing fees and annual maintenance fees on our mining claims on behalf of the Company in an aggregate amount of \$16,817. In November 2009, our Chairman advanced \$100,000 to the Company to be used as working capital. Our Chairman advanced \$50,000 to the Company in January 2010 and an additional \$33,183 in April 2010 to be used as working capital. We have agreed to reimburse the Chairman for these advanced funds. As of this Report, we have not made any reimbursement payments to the Chairman for the advanced funds.

The Company has in the past obtained debt financing through lines of credit obtained from Kilpatrick’s Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. (“KRFH”). We currently have outstanding principal balances of \$500,000 and \$200,000 from two lines of credit obtained from KRFH in December 2007 and December 2008, respectively. These funds have been used to pay our operating and exploration expenses during 2008 and 2009, and no additional funds are available under these lines of credit. Effective as of May 7, 2010, we amended our corporate loan agreement and promissory note with KRFH for our December 2007 line of credit to extend the maturity date for two additional years to December 3, 2012. Under the amended terms, we are allowed to continue paying interest only on the outstanding balance until the extended maturity date. See Footnote E to the Financial Statements for more information regarding our lines of credit from KRFH.

Our Chairman of the Board, Ms. Virginia Shehee, may be deemed the beneficial owner of over 50% of the outstanding shares of KRFH due to the voting power she has obtained pursuant to a voting agreement. Due to the voting power she has obtained pursuant to a similar voting agreement, Ms. Shehee may also be deemed the beneficial owner of over 50% of the outstanding shares of Kilpatrick Life Insurance Company (“KLIC”), one of our major shareholders. Ms. Shehee serves as Chairman of the Board of KLIC and until July 1, 2008, served as its President and Chief Executive Officer. KLIC also employs as its Corporate Secretary Ms. Jacquelyn Wine. Ms. Wine is our Secretary, Treasurer/Chief Financial Officer and one of our directors.

We did not obtain any funds through debt financing or through sales of our equity securities during 2010.

We used the funds advanced by our Chairman to fund our operating and compliance costs during the first nine months of 2010. We have used a portion of the funds obtained from the Beaird loan to satisfy outstanding expenses from the first three quarters of 2010 and to fund exploration and operating costs during the fourth quarter of 2010. We plan to use the remainder of these funds for our exploration costs and to satisfy current obligations for a portion of 2011. We do not have any revenues and continue to be dependent on debt and equity financing to meet our immediate cash needs, and we do not anticipate achieving any revenues through the second quarter of 2011. We will continue to seek additional funds through debt or equity financing as needed to continue our operations and to service our debt obligations from the Beaird loan and our December 2007 and December 2008 lines of credit. We can provide no assurance that we will be able to achieve sufficient revenues or raise the funds necessary for the repayment of the lines of credit and for our continued operations on terms favorable to us or at all.

LIQUIDITY

Liquidity and Capital Resources

	Year ended December 31,	
	2010	2009
Net cash used in operating activities	\$(235,374)	\$(244,367)

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Net cash provided by investing activities	--	499
Net cash provided by financing activities	282,933	283,567

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General

Overall, we had positive cash flows of \$47,559 for the fiscal year ended December 31, 2010, resulting from \$235,374 used in our operating activities and \$282,933 provided by our financing activities. No cash was provided by investing activities during the fiscal year ended December 31, 2010. For the fiscal year ended December 31, 2009, we had positive cash flows of \$39,699. The increase in cash flows for the year ended December 31, 2009, over the year ended December 31, 2008, reflects an \$8,993 decrease in cash used for operating activities, offset partially by a \$499 decrease in cash provided by investing activities and a \$634 decrease in cash provided by financing activities during 2010, compared to the respective amounts in 2009.

Cash Used in Our Operating Activities

For the year ended December 31, 2010, net cash used in our operating activities was \$235,374, a decrease of \$8,993, or 3.68%, from the year ended December 31, 2009. This slight decrease was mostly due to the \$56,000 expense we incurred in connection with our issuance of fully vested stock options to our President, along with increases in our accounts payable and accrued expenses and accrued interest on notes payable from 2009 to 2010, all of which served to offset the \$81,405 increase in our net loss for 2010 over 2009. The \$24,552 increase in accounts payable and accrued expenses during 2010, compared to a \$12,356 decrease in accounts payable and accrued expenses during 2009, resulted primarily from additional unpaid compensation to our President for 2010 and from increases in amounts owed for professional fees at year-end 2010 compared to 2009.

Cash Provided by Our Investing Activities

We had no cash provided by investing activities during 2010. Net cash provided by our investing activities during the year ended December 31, 2009, was \$499, which was comprised of proceeds from our sale and disposal of a trailer and all-terrain vehicles no longer in use by the Company during the first quarter of 2009, for which we took a one-time loss of \$7,902.

Cash Provided by Our Financing Activities

Net cash provided by our financing activities of \$282,933 during the year ended December 31, 2010, was comprised of \$83,183 in additional cash advances received from our Chairman during the first and second quarters of 2010 and proceeds from a \$200,000 loan obtained by the Company in October 2010, less a \$250 refund to a shareholder for overpayment in connection with warrants exercised in 2009. This reflects a decrease of \$634 as compared to net cash provided by financing activities during the year ended December 31, 2009. Net cash provided by financing activities during 2009 consisted primarily of \$170,000 in proceeds borrowed from a line of credit we obtained in December 2008 and \$116,817 in advances from our Chairman, less \$3,500 in refunds to shareholders for overpayments in connection with warrants exercised in 2008.

Internal Sources of Liquidity

For the fiscal year ended December 31, 2010, the funds generated from our operations were insufficient to fund our daily operations. We can provide no assurance that funds from our operations will meet the requirements of our daily operations in the future. Unless and until funds from our operations are sufficient to meet our operating requirements, we will continue to need to seek other sources of financing to maintain liquidity.

External Sources of Liquidity

Because we have been unable to generate funds from operations sufficient to fund our daily operations, we must rely on external sources of liquidity. We continue to consider and pursue potential financing options to secure funds to continue and, where possible, grow our business operations. Our management will review any financing options at its disposal, and will judge each potential source of funds on its individual merits.

We received advances of funds from our Chairman of the Board totaling \$116,817 during 2009 and an additional \$50,000 in January 2010 and \$33,183 in April 2010. See “– GENERAL – Financing.” We have used these funds to pay operating expenses for the fourth quarter of 2009 and to fund our exploration work and operating expenses during the first nine months of 2010.

We obtained the loan of \$200,000 from Beaird on October 13, 2010. See “– GENERAL – Financing.” We have used a portion of these funds to pay certain outstanding operating expenses and exploration costs during 2010. We plan to use the remainder of the loan proceeds to fund our exploration work and operating expenses during the first and second quarters of 2011.

Because we presently do not have sufficient cash reserves or revenues to continue to fund our current operating and compliance costs or to fund our repayment of our debt obligations, we continue to consider and pursue options for additional debt or equity financing unless and until we can generate revenues from our mineral properties. We can provide no assurance that we will be able to generate sufficient revenues to sustain our operations or raise additional funds on terms favorable to us or at all. See “– GENERAL – Going Concern.”

Inflation

Management believes that inflation has not had a material effect on our results of operations in 2009 and 2010, and does not expect that it will in fiscal year 2011, except to the extent higher fuel and energy prices could materially and adversely impact the Company by increasing costs for our exploration program and any travel related expenses.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Financial Statements and supplementary data are included beginning immediately following the signature page to this Annual Report. See Item 15 for a list of the Financial Statements and financial statement schedules included with this filing.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures.

Our President and our Treasurer/Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K, December 31, 2010. Based on this evaluation, our President and our Treasurer/Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report were effective in timely alerting management to material

information relating to us and required to be included in our periodic filings with the SEC.

Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our periodic reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Internal Control over Financial Reporting

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, our controls and procedures may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the controls system are met. Because of the inherent limitations in all controls systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Our management has assessed the effectiveness of our internal control over financial reporting based on the criteria in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the criteria in Internal Control — Integrated Framework, we concluded that there are material weaknesses in our internal control over financial reporting as of December 31, 2010, with respect to the lack of segregation of duties pertaining to our financial record keeping responsibilities and our lack of an audit committee, both of which are due to the small size of our Company.

Because we do not have any employees other than our President and our Secretary and Treasurer, our ability to segregate financial record keeping and monitoring responsibilities is limited. This could potentially allow financial inaccuracies or unauthorized transactions to go undetected. Additionally, due to the small size of our Board of Directors and our current lack of independent directors, we do not have, and historically have not had, an audit committee. Historically, the Board of Directors as a whole has performed the functions of an audit committee, such as monitoring record keeping and financial reporting of the Company's transactions, approving transactions not made in the ordinary course of business and related party transactions, and evaluating and approving the hiring of the Company's auditor. Because our management makes up a significant portion, currently a majority, of our Board of Directors, management can significantly influence or control the Board's decisions with respect to matters considered by the Board.

As a result of the material weaknesses in our internal control over financial reporting described herein, we have concluded that our internal control over financial reporting is not effective as of December 31, 2010. However, notwithstanding these inherent internal control weaknesses due to our small size and limited resources, management believes that the Company's limited resources and general lack of extensive or complex business transactions partially mitigates the risk posed by these weaknesses. Management also believes that the Company's records as of December 31, 2010, fairly and accurately reflect the Company's transactions and dispositions of assets as necessary to permit the preparation of financial statements in

conformity with U.S. generally accepted accounting principles and that our receipts and expenditures have been made only with proper authorization.

Changes in Internal Control Over Financial Reporting

There was no change in our internal controls that occurred during the fourth quarter of the period covered by this report that has materially affected, or is reasonably likely to affect, the Company's internal controls over financial reporting.

ITEM
9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our executive officers and directors and their respective ages as of the date of this report are as follows:

Name	Age	Position(s) Held	Date Service Began
Virginia K. Shehee	87	Chairman of the Board of Directors	January 2005
Sterling M. Redfern	77	President, Director	December 2007
Jacquelyn B. Wine	67	Secretary, Treasurer / Chief Financial Officer, Director	January 2007

Ms. Virginia K. Shehee has served as the Chairman of our Board of Directors since May 2005 and as a director of the Company since January 2005. Ms. Shehee concurrently serves as Chairman of the Board of Kilpatrick Life Insurance Company (“KLIC”), a major shareholder of our Company, and as President of Kilpatrick’s Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. (“KRFH”). Ms. Shehee served as the President and Chief Executive Officer of KLIC from October 1971 to July 2008 and has served as President of KRFH since October 1971. Ms. Shehee is a former State Senator of Louisiana and has served on the Forum 500 Board of Governors and on the Committee on Committees of the American Council of Life Insurance (“ACLI”). She has also served on the Board of Directors and on the Taxation Steering Committee of the ACLI. In addition, Ms. Shehee is Chairman Emeritus of the Biomedical Research Foundation of Northwest Louisiana, for which she has previously served as the President and Chairman of its board of directors. Ms. Shehee is a former director of the Louisiana Insurers’ Conference and has previously served in various executive capacities for the Life Insurers Conference. Ms. Shehee has extensive executive and board experience through her many years with KLIC and KRFH and various trade and nonprofit organizations. She is an accomplished business and civic leader and has developed a strong understanding of the Company during her six years of service on our Board of Directors. Through her personal stockholdings and her affiliation with KLIC, our largest shareholder, the Board of Directors believes her interests are closely aligned with those of our shareholders.

Mr. Sterling M. Redfern has served as President and as a director of the Company since December 2007. From March 2001 through September 2003, Mr. Redfern served as a director of Cryocon, Inc., but has otherwise been retired since December 2003. From June 1960 to December 1994, Mr. Redfern was the President/Chief Executive Officer of Educational Employees Credit Union (EECU) located in Bridgeton, Missouri. Mr. Redfern has also served as a director of the Missouri Credit Union League, the Credit Union National Association, and the Metro Collegian Baseball League. He has also served as President of the Metro Collegian Baseball League, as a member of the Governor’s White House Conference on Education in Missouri and as a member of the Board of Education, Pattonville School District, Bridgeton, Missouri. In 1955, Mr. Redfern received a Bachelors of Arts Degree in Mathematics from Arkansas State University, located in Jonesboro, Arkansas. Mr. Redfern has over three decades of executive experience as well as prior experience as a public company director. As President of the Company, he provides an intimate knowledge of the management and ongoing operations of our business.

Ms. Jacquelyn B. Wine has served as Secretary and Treasurer/Chief Financial Officer of the Company since May 2008 and as a director of the Company since July 2007. She served as Acting Secretary of the Company from January 2007 to May 2008 and as Acting Treasurer/Chief Financial Officer of the Company from

August 2007 to May 2008. Ms. Wine is also the Corporate Secretary for Kilpatrick Life Insurance Company (“KLIC”), a major shareholder of our Company, a position she has held since August 2008. In July 2009, Ms. Wine was appointed Corporate Secretary and a director of Kilpatrick Financial, Inc. (“KFI”). In September 2010, she became a director of State National Fire Insurance Company (“SNFIC”), and on March 24, 2011, she was elected Corporate Secretary of SNFIC. Both KFI and SNFIC are subsidiaries of KLIC. From March 1995 to August 2008, she served as Assistant Secretary/Treasurer of KLIC. She began working for KLIC as Executive Assistant to the President in 1990. From February 1979 to September 1990, Ms. Wine concurrently served as Corporate Secretary of two related companies, McConathy Oil and Gas Company and McConathy Production, Inc. Ms. Wine has many years of experience as a corporate secretary and over three years of experience as one of our directors. In addition, as our Secretary and Treasurer, she has particular knowledge of the Company’s financial matters.

Term of Office

Our directors are elected for a one-year term to hold office until the next annual meeting of our shareholders, or until removed from office in accordance with our bylaws and applicable law. Our officers are appointed by our Board of Directors and hold office until the earlier of their resignation or removal by the Board. Our President, Sterling Redfern, has a formal employment agreement with the Company, effective April 1, 2008. Since April 1, 2009, however, under the agreement, Mr. Redfern now serves and may continue to serve at the will of the parties. See “EXECUTIVE COMPENSATION – Employment Agreements.”

Family Relationships

There are no familial relationships among any of our directors, executive officers, or persons nominated or chosen to become directors or executive officers.

Involvement in Certain Legal Proceedings

During the past ten years, no present director, executive officer or person nominated to become a director or an executive officer of the Company:

- (1) was the subject of any bankruptcy petition or was a general partner or executive officer of any business against which any bankruptcy petition was filed, either at the time of the bankruptcy or within two years prior to that time;
- (2) was convicted in a criminal proceeding or named subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- (3) was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, or otherwise limiting, his or her involvement in any type of business, securities, banking or insurance activities;
- (4) was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or state authority barring, suspending or otherwise limiting for more than 60 days his or her right to engage in any type of business, securities, banking or insurance activities, or to be associated with persons engaged in any such activities;
- (5) was found by a court of competent jurisdiction in a civil action or by the SEC to have violated a Federal or state securities law, and the judgment or finding has not been reversed, suspended or vacated;
- (6) was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated a Federal or state commodities law, and the judgment has not been reversed, suspended or vacated;
- (7) was the subject of, or a party to, any Federal or state judicial or administrative order, judgment, decree or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:
 - (i) any Federal or state securities or commodities law or regulation; or
 - (ii) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or

temporary or permanent cease-and-desist order, or removal or prohibition order; or

(iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

(8) was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Director Nomination Procedures

We have not adopted formal procedures for nominating director candidates. Our Board of Directors identifies qualified director nominees from among persons known to the members of the Board, by reputation or otherwise, and through referrals from trusted sources, including management, existing Board members, and shareholders. The Board evaluates candidates based upon the candidate's qualifications, recommendations, or other relevant information, which includes a personal interview. The Board then considers and approves candidates for nomination.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than ten percent of our equity securities, to file reports of ownership and changes in ownership with the SEC on Forms 3, 4 and 5. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based solely upon review of copies of any such reports furnished to us during, and with respect to, the fiscal year ended December 31, 2010, or any written representations we received from a director, officer, or beneficial owner of more than 10% of our common stock that no other reports were required during that period, we believe that, for the fiscal year ended December 31, 2010, all Section 16(a) filing requirements applicable to our reporting persons were met.

Code of Ethics

We have adopted a Code of Ethics applicable to our principal executive officers, principal financial officers, principal accounting officers or controllers, or persons performing similar functions, a copy of which was included as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2009, filed on April 15, 2010. In addition, a copy of our code of ethics can be obtained without charge by writing our Company at P.O. Box 7202, Shreveport, Louisiana 71137.

Audit Committee and Financial Expert Disclosures

Section 301 of the Sarbanes-Oxley Act of 2002 and SEC regulations implementing that provision require that public companies disclose a determination by their Board of Directors as to the existence of a financial expert on their audit committee and, if none is determined to exist, that the Board of Directors has determined that no one serving on its Board of Directors meets the qualification of a financial expert as defined in the Sarbanes-Oxley Act and implementing regulations.

As of December 31, 2010, and as of the date of filing of this report, we have not created any standing committees of the Board of Directors, including an audit committee. Accordingly, our entire Board of Directors serves as our audit committee.

We also disclose that our Board has determined that we have not possessed, and we do not possess, on our Board of Directors anyone who qualifies as an audit committee financial expert, and unless and until one is identified and agrees to serve, we will continue to rely on outside professional consultants who advise us with respect to audit matters.

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ITEM
11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the compensation of our executive officers during the fiscal years ended December 31, 2010 and 2009:

Summary Compensation Table

Name and principal position	Year	Salary	Bonus	Stock awards	Option awards	Non-equity incentive plan compensation	Change in pension value and non-qualified deferred compensation earnings	All other compensation	Total
Sterling M. Redfern, President	2010	\$ 42,000	--	--	\$ 56,000 (1)	--	--	--	\$ 98,000
	2009	42,000	--	--	--	--	--	--	42,000
Jacquelyn B. Wine, Secretary and Treasurer / Chief Financial Officer(2)	2010	--	--	--	--	--	--	--	--
	2009	--	--	--	--	--	--	--	--

(1) Represents an option to purchase 10,000,000 shares of our common stock at an exercise price of \$0.01 per share granted on April 28, 2010. The option is valued based upon the grant date fair value in accordance with Accounting Standards Codification Topic 718. See Footnote I in the Notes to the Consolidated Financial Statements for a discussion of the assumptions made in determining the valuation.

(2) Ms. Wine did not receive compensation for her services as an officer of the Company during 2010 or 2009.

Employment Agreements

On December 6, 2007, our Board of Directors appointed Sterling M. Redfern to be our President and a director of the Company. As compensation for serving as our President, the Board agreed to pay Mr. Redfern \$2,700 a month and to issue to him 100,000 shares of our common stock per month. Mr. Redfern agreed to be responsible for all withholding taxes on this compensation. All shares of Company common stock received by Mr. Redfern as part of his compensation would not be adjusted for any reverse split, and the shares would be issued to him on a quarterly basis. The terms of Mr. Redfern's compensation were partially

documented in the Board resolution offering Mr. Redfern his position. The Board issued 400,000 shares of common stock to Mr. Redfern on April 30, 2008, for his services to the Company for the months of December 2007 through March 2008.

On March 19, 2008, our Board of Directors renegotiated Mr. Redfern's compensation and entered into a formal employment agreement with Mr. Redfern effective April 1, 2008. Under the agreement, Mr. Redfern would serve as our President for a term of one year, after which he may continue to serve at the will of the parties. As compensation for serving as our President, Mr. Redfern would receive an annual salary of \$42,000. The original terms of the agreement provided that Mr. Redfern would also receive two non-qualified stock options pursuant to the Company's 2006 Stock Option Plan (the "Plan") each for 5,000,000 shares of our common stock exercisable at specified exercise prices. This agreement was amended by the Company and Mr. Redfern on August 13, 2008, to ensure that the terms of the agreement with respect to stock options are consistent with the terms of the Plan. The amended agreement provides that, in addition to an annual salary of \$42,000, Mr. Redfern would receive stock options for an aggregate of 10,000,000 shares of our common stock to be granted on such dates and according to such terms as designated by our Board of Directors pursuant to the Plan. All of the stock options were issued to Mr. Redfern on April 28, 2010. See "– Stock Options and Stock Awards."

We do not have any written employment agreement for Ms. Wine to serve as our Secretary and Treasurer/Chief Executive Officer, nor have any terms of compensation for Ms. Wine been approved by our Board of Directors. As of the date of this filing, she has not received compensation for her services as an officer of the Company. She may or may not receive compensation for her services in the future.

Stock Options and Stock Awards

On April 28, 2010, our Board of Directors granted to Mr. Redfern a non-qualified stock option to purchase 10,000,000 shares of our common stock pursuant to his amended employment agreement and the Plan. The stock option is exercisable immediately upon the date of grant and may be exercised in whole or in part. The exercise price of the option is \$0.01 per share. The option will expire on April 27, 2015.

No other stock options or stock awards were granted to our named executive officers or directors during the year ended December 31, 2010. Additionally, no stock options were exercised by our named executive officers during the fiscal year ended December 31, 2010.

The following table contains information about unexercised stock options previously granted to our named executive officers that are outstanding as of December 31, 2010. No unvested stock awards to our named executive officers were outstanding as of December 31, 2010; therefore, the table does not include any information related to stock awards.

Outstanding Equity Awards at Fiscal Year-End Table

Name	Number of securities underlying unexercised options exercisable	Number of securities underlying unexercised options unexercisable	Option Awards Equity incentive plan awards:		Option exercise price	Option expiration date
			Number of securities underlying unexercised unearned options	Number of securities underlying unexercised options		
Sterling M. Redfern	10,000,000	--	--	--	\$0.01	4/27/2015
Jacquelyn B. Wine	--	--	--	--	--	--

Pension and Other Benefits

We do not currently have in effect any plan that provides for payment to our executive officers of specified retirement benefits or benefits that will be paid primarily following retirement.

Nonqualified Deferred Compensation

We do not currently have in effect any defined contribution or other plan that provides for the deferral of compensation to any of our executive officers on a basis that is not tax-qualified.

Payments Upon Termination or Change-In-Control

We do not currently have in effect any compensatory plan or other arrangement that provides for payments or the provision of benefits to any of our executive officers upon their termination of employment with the Company or upon a change in control of the Company or a change in the officer's responsibilities.

Compensation of Directors

Our directors did not receive any fees or other compensation for the services they provided to the Company as directors during 2010. We do not anticipate providing any such fees to our directors for their service during 2011.

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

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information concerning the number of shares of our common stock owned beneficially as of March 23, 2011, by: (i) each person (including any group) known to us to own more than five percent (5%) of any class of our voting securities; (ii) each of our directors and named executive officers; and (iii) all of our officers and directors as a group. Except as otherwise indicated, all stockholders have sole voting and investment power with respect to the shares listed as beneficially owned by them, subject to the rights of spouses under applicable community property laws.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Shares Outstanding (1)	
5% or greater holders:			
Kilpatrick Life Insurance Company(2)	52,351,682	18.56	%
Kamal Alawas (3)	27,964,524	9.92	%
Directors and executive officers:			
Sterling M. Redfern	400,000	*	
Virginia K. Shehee (4)	61,022,590	21.64	%
Jacquelyn B. Wine (5)	311,667	*	
All directors and executive officers as a group (3 persons)	61,734,257	21.89	%

* Less than 1%.

- (1) The percentage of our common stock beneficially owned was calculated based on 282,012,274 shares of our common stock outstanding as of March 23, 2011.
- (2) Kilpatrick Life Insurance Company is located at 1818 Marshall Street, Shreveport, Louisiana, 71101.
- (3) Includes 1,500,000 shares beneficially owned by Alawas Investments, an entity controlled by Mr. Alawas. Mr. Alawas is located at P.O. Box 1191, Everett, Washington, 98206.
- (4) Includes 52,351,682 shares beneficially owned by Kilpatrick Life Insurance Company, a privately-owned company controlled by Ms. Shehee, and an aggregate of 4,090,098 shares held in Ms. Shehee's IRA accounts.
- (5) Includes 211,667 shares owned by Ms. Wine's husband.

Securities Authorized For Issuance Under Equity Compensation Plans

See “MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS – Securities Authorized For Issuance Under Equity Compensation Plans” for information regarding the shares of our common stock authorized for issuance under our 2006 Stock Option Plan.

ITEM CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR
13. INDEPENDENCE

Certain Relationships and Related Transactions

Except for the transactions described below, during 2009 and 2010, none of our directors, officers or principal stockholders, nor any associate or affiliate of the foregoing have any interest, direct or indirect, in any transaction, or in any proposed transactions, which has materially affected or will materially affect us.

On December 1, 2008, we obtained a short-term line of credit of up to \$200,000 from Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. ("KRFH"). Funds advanced to us under the line of credit carry simple interest at the rate of 10% per annum beginning on the date of each advance. All unpaid principal and accrued interest on funds advanced under the line of credit was due on March 31, 2009 (the "Maturity Date"). No payments on this line of credit were required prior to the Maturity Date. For any principal amounts not paid within five days after the Maturity Date, the simple interest rate would increase to 18% per annum effective as of the Maturity Date. We have the right to pay the amounts due, at our election, in the form of cash payment, issuance of shares of our common stock, or any combination thereof. In the event we default, KRFH may institute legal action against us. In such event, KRFH would be entitled to its collection costs, including attorney fees and courts costs. The line of credit is unsecured.

We borrowed \$30,000 under this line of credit during December 2008 and the remaining \$170,000 available under this line of credit during 2009. We have not made any payments of principal or interest toward this line of credit as of December 31, 2010. The total outstanding balance, including principal and interest, on this line of credit as of December 31, 2010, is \$266,950.

Our Chairman of the Board, Ms. Virginia Shehee, may be deemed the beneficial owner of over 50% of the outstanding shares of KRFH due to the voting power she has obtained pursuant to a voting agreement. Due to the voting power she has obtained pursuant to a similar voting agreement, Ms. Shehee may also be deemed the beneficial owner of over 50% of the outstanding shares of Kilpatrick Life Insurance Company ("KLIC"), one of our major shareholders. Ms. Shehee serves as Chairman of the Board of KLIC and until July 1, 2008, served as its President and Chief Executive Officer. KLIC also employs Ms. Jacquelyn Wine as its Corporate Secretary. Ms. Wine is our Secretary, Treasurer/Chief Financial Officer and one of our directors.

Additionally, as of December 31, 2010, we have an outstanding debt balance of \$575,000, including principal and interest, from a \$500,000 line of credit we obtained from KRFH on December 3, 2007. This line of credit carries simple interest at the rate of 6% per annum. All unpaid principal and accrued interest is due on December 3, 2012. Until the maturity date, we are only required to pay interest, with the first such payment due in arrears on June 3, 2007, and then with additional payments every 90 days thereafter. At any time, KRFH can demand immediate repayment of the outstanding balance on the line of credit with ten days notice. Any payments due from us that are not paid within ten days of the due date are subject to late fee of 5%. We have the right to prepay any amounts due KRFH at any time without penalty. We did not make any payments of principal or interest on this debt during 2010.

We believe the terms of these lines of credit are no less favorable to us than we could have obtained from an unaffiliated third party. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION – GENERAL – Financing" for more information regarding the lines of credit.

During 2009, our Chairman of the Board also paid certain corporate filing fees and annual maintenance fees on our mining claims on behalf of the Company in an aggregate amount of \$16,817. In November 2009, our Chairman advanced an additional \$100,000 to the Company to be used as working capital. Our Chairman advanced \$50,000 to the Company in January 2010 and an additional \$33,183 in April 2010 to be used as working capital. As of this Report, we have not made any reimbursement payments to the Chairman for the advanced funds. See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION – GENERAL – Financing.”

During 2010, our Chairman paid a total of \$9,264 in various additional expenses on behalf of the Company, including \$2,520 for the annual maintenance fees on our Black Mountains claims and \$5,000 for fees to our auditors. Our Secretary and Treasurer also paid certain assay costs and other various expenses in 2010 on behalf of the Company totaling \$4,114. As of December 31, 2010, we have reimbursed our Chairman and our Secretary and Treasurer for all of these expenses.

Director Independence

Our Articles of Incorporation allow us to have a Board of Directors consisting of no less than two and no more than five directors. Currently, our Board of Directors consists of three directors. We do not believe that any of our current directors would qualify as “independent” under the listing standards of The Nasdaq Stock Market, which we use to determine whether each of our directors is independent. Under Nasdaq rules, an “independent director” generally means a person other than an officer or employee of the listed company or its subsidiaries, or any other individual having a relationship which, in the opinion of the listed company’s board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Certain categories of persons are deemed not to be independent under the Nasdaq rules, such as: (i) persons employed by the Company within the last three years; (ii) persons who have received (or whose immediate family members have received) payments exceeding a specified amount from the Company within the last three years, excluding payments that are not of a disqualifying nature (such as compensation for board service, compensation paid to a family member who is an employee of the Company, and benefits under a tax-qualified retirement plan); and (iii) persons who are (or whose immediate family members are) a partner, controlling shareholder or executive officer of an organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed \$200,000, other than payments arising solely from investments in the Company’s securities or under non-discretionary charitable contribution matching programs.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

We appointed the accounting firm of Madsen & Associates CPA’s, Inc. (“Madsen”) to serve as our independent auditors for the fiscal years ended December 31, 2010 and 2009. The following table represents aggregate fees billed for professional audit services rendered by Madsen to provide the audit of our annual financial statements for the years ended December 31, 2010 and 2009, respectively:

	2010	2009
Audit fees	\$24,350	\$23,700
Audit-related fees	--	--
Tax fees	--	--
All other fees	--	--

Audit Fees

Audit Fees consist of fees billed for professional services rendered for auditing our annual financial statements, reviews of our interim financial statements included in our quarterly reports and services performed in connection with other filings with the SEC. We incurred audit fees from Madsen of \$24,350 for 2010 and \$23,700 for 2009.

Audit Related Fees

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Audit Related Fees may consist of fees billed for professional services rendered in connection with comfort letters and other services that are normally provided by our independent auditors in connection with statutory and regulatory filings or engagements. We did not incur any audit related fees from Madsen during 2010 or 2009.

Tax Fees

Tax Fees may consist of fees for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions and acquisitions. We did not incur any tax fees from Madsen during 2010 or 2009.

All Other Fees

We did not incur any other fees from Madsen during 2010 or 2009.

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ITEM
15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Index

Exhibit

No.	Description
3.1	Articles of Incorporation of the Company dated October 26, 1993 (incorporated by reference to Exhibit 3.(I) to the Company's registration statement on Form 10-SB filed on January 12, 2000)
3.2	Certificate of Amendment to Articles of Incorporation, as filed with the Nevada Secretary of State on January 22, 1997 (incorporated by reference to Exhibit 3.(i) to the Company's Annual Report on Form 10-KSB, as amended, for the year ended December 31, 2005, filed on August 18, 2006)
3.3	Certificate of Amendment to Articles of Incorporation, as filed with the Nevada Secretary of State on February 18, 1997 (incorporated by reference to Exhibit 3.(i) to the Company's Annual Report on Form 10-KSB, as amended, for the year ended December 31, 2005, filed on August 18, 2006)
3.4	Certificate of Amendment to Articles of Incorporation, as filed with the Nevada Secretary of State on April 30, 1997 (incorporated by reference to Exhibit 3.(i) to the Company's Annual Report on Form 10-KSB, as amended, for the year ended December 31, 2005, filed on August 18, 2006)
3.5	Certificate of Amendment to Articles of Incorporation, as filed with the Nevada Secretary of State on April 30, 1997 (incorporated by reference to Exhibit 3.(i) to the Company's Annual Report on Form 10-KSB, as amended, for the year ended December 31, 2005, filed on August 18, 2006)
3.6	Certificate of Amendment to Articles of Incorporation, as filed with the Nevada Secretary of State on December 21, 2004 (incorporated by reference to Exhibit 3.(i) to the Company's Annual Report on Form 10-KSB, as amended, for the year ended December 31, 2005, filed on August 18, 2006)
3.7	Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.7 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007, filed on March 31, 2008)
4.1	Form of 2006 Stock Option Plan (incorporated by reference to Exhibit A to the Company's Proxy Statement for the Annual Meeting of Shareholders filed on November 13, 2006)
10.1	Corporate Loan Agreement, entered into on December 3, 2007, by Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 26, 2007)
10.2	Corporate Promissory Note, dated December 3, 2007, and issued by the Company to Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 26, 2007)
10.3	Security Agreement, entered into on December 3, 2007, by Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. and the Company (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 26, 2007)
10.4	

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Officer Employment Agreement between International Star, Inc. and Sterling M. Redfern, as amended on August 13, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 14, 2008)

- 10.5 Corporate Loan Agreement, entered into on December 1, 2008, by Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 5, 2008)

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- 10.6 Corporate Promissory Note, dated December 1, 2008, and issued by the Company to Kilpatrick’s Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on December 5, 2008)
- 10.7 Stock Option Agreement between International Star, Inc. and Sterling M. Redfern, dated April 28, 2010 (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on May 3, 2010)
- 10.8 Amendment to Corporate Loan Agreement and Promissory Note, entered into effective May 7, 2010, by and between Kilpatrick’s Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. and International Star, Inc. (incorporated by reference to Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2010, filed on September 10, 2010)
- 10.9 Corporate Promissory Note, dated October 13, 2010, and issued by International Star, Inc. to Beard Operating Companies, LLC (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on October 19, 2010)
- 10.10 Security Agreement, entered into on October 13, 2010, by Beard Operating Companies, LLC and International Star, Inc. (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on October 19, 2010)
- 10.11 Stock Purchase Warrant Agreement, entered into on October 13, 2010, by and between International Star, Inc. and Beard Operating Companies, LLC (incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K filed on October 19, 2010)
- 14.1 Corporate Code of Ethics for Directors and Executive Officers of the Company (incorporated by reference to Exhibit 14.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2009, filed on April 15, 2010)
- 21.1* List of Subsidiaries of the Company
- 31.1* Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2* Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1* Certification of Chief Executive Officer pursuant to pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2* Certification of Chief Financial Officer pursuant to pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith

Financial Statements

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Financial Statement Schedules

The financial statement schedules required by Regulation S-X are omitted because they are not applicable or the required information is shown in the Financial Statements or notes thereto.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERNATIONAL STAR, INC.

Date: April 12, 2011

By: /s/ Sterling M. Redfern
Sterling M. Redfern
President and Director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Sterling M. Redfern Sterling M. Redfern	President and Director (Principal Executive Officer)	April 12, 2011
/s/ Jacquelyn B. Wine Jacquelyn B. Wine	Secretary, Treasurer/Chief Financial Officer and Director (Principal Financial Officer and Principal Accounting Officer)	April 12, 2011

MADSEN & ASSOCIATES CPA's INC.

To the Board of Directors and
Stockholders of International Star Inc. and Subsidiary
(an Exploration Stage Company)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying consolidated balance sheets of International Star Inc. and Subsidiary (an Exploration Stage Company) (The Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2010, and for the period from January 1, 2004 (date of inception of exploration stage) to December 31, 2010. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of International Star Inc. and Subsidiary (an Exploration Stage Company) as of December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2010, and the period from January 1, 2004 (date of inception of exploration stage) to December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company will need additional working capital to service its debt and for its planned activity, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in the notes to the consolidated financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

"Madsen & Associates, CPA's Inc."
Salt Lake City, Utah
March 31, 2011

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INTERNATIONAL STAR, INC.

AND SUBSIDIARY
(Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 2010	December 31, 2009
Current Assets:		
Cash and cash equivalents	\$96,147	\$48,588
Total Current Assets	96,147	48,588
Property and Equipment		
– net of accumulated depreciation of \$1,416 at December 31, 2010	168	451
Total Assets	\$96,315	\$49,039
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable	\$344,340	\$334,995
Accrued expenses	38,894	23,687
Accrued interest on notes payable	146,950	79,463
Note payable – related party	200,000	200,000
Note payable – Beaird loan (net of discount)	152,357	--
Shareholder deposits	--	250
Advances from related party	200,000	116,817
Total Current Liabilities	1,082,541	755,212
Long Term Liabilities:		
Long term note payable – related party	500,000	500,000
Total Long Term Liabilities	500,000	500,000
Total Liabilities	1,582,541	1,255,212
Stockholders' Deficiency:		
Preferred Stock		
20,000,000 shares authorized		
Undesignated par value – none issued	--	--
Common Stock		
780,000,000 shares authorized, at \$.001 par value;		
282,012,274 and 282,012,274 shares issued and		
outstanding at December 31, 2010 and 2009, respectively		
	282,012	282,012
Capital in excess of par value	4,545,009	4,431,009
Deficit accumulated during the exploration stage	(6,313,247)	(5,919,194)
Total Stockholders' Deficiency	(1,486,226)	(1,206,173)
Total Liabilities and Stockholders' Deficiency	\$96,315	\$49,039

See accompanying notes to the consolidated financial statements.

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INTERNATIONAL STAR, INC.

AND SUBSIDIARY
(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		January 1, 2004 (date of inception of exploration stage) to December 31, 2010
	2010	2009	
Revenue:			
Total Revenue	\$--	\$--	\$--
Expenses:			
Mineral exploration costs	105,213	93,579	1,037,430
Professional fees	82,414	75,497	798,119
Compensation & management fees	98,000	44,966	1,554,701
Depreciation & amortization	283	284	15,240
General & administrative	29,534	32,842	521,224
Total Operating Expenses	312,587	247,168	3,926,714
Net (Loss) from Operations	\$(315,444)	\$(247,168)	\$(3,926,714)
Other Income and Expenses			
Interest income	--	--	2,939
Other income	--	3,535	3,535
Interest expense	(78,282)	(61,063)	(218,747)
Other expense	(327)	(50)	(377)
Loss on disposal of assets	--	(7,902)	(20,531)
Loss on divestiture of subsidiary	--	--	(99,472)
Total Other Expenses	(78,609)	(65,480)	(332,653)
Net (Loss)	\$(394,053)	\$(312,648)	\$(4,259,367)
Weighted Average Shares			
Common Stock Outstanding (Basic and diluted)	282,012,274	281,685,191	
Net Loss Per Common Share			
(Basic and diluted)	\$(0.00)	\$(0.00)	

See the accompanying notes to the consolidated financial statements.

INTERNATIONAL STAR, INC.

AND SUBSIDIARY
(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		January 1, 2004 (date of inception of exploration stage) to December 31, 2010
	2010	2009	2010
Cash flows from operating activities:			
Net (loss)	\$(394,053)	\$(312,648)	\$(4,259,367)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation & amortization	10,640	284	25,598
Loss on disposal of assets	--	7,902	20,531
Loss on divestiture of subsidiary	--	--	99,472
Stock based compensation expense	56,000	--	56,000
Common stock issued for services	--	--	211,500
Changes in operating assets and liabilities:			
Accounts receivable and prepaid expenses	--	11,388	79,795
Inventories	--	--	63,812
Other assets	--	--	95,474
Accounts payables and accrued expenses	24,552	(12,356)	353,066
Accrued interest on notes payable	67,487	61,063	128,550
Net cash used in operating activities	(235,374)	(244,367)	(3,125,569)
Cash flows from investing activities:			
Proceeds from disposal of assets	--	499	499
Purchase of fixed assets	--	--	(29,355)
Net cash provided by investing activities	--	499	(28,856)
Cash flows from financing activities:			
Repayments of long term borrowings	--	--	(25,000)
Proceeds from exercise of warrants	--	250	4,000
Shareholder deposits	(250)	(3,500)	--
Proceeds from advances from shareholder	83,183	116,817	200,000
Proceeds from notes payable – related party	--	170,000	725,000
Proceeds from note payable	200,000	--	200,000
Proceeds from sale of common stock	--	--	1,782,426
Net cash provided by financing activities	282,933	283,567	2,886,426
Net increase (decrease) in cash and cash equivalents	47,559	39,699	(267,999)
Cash and cash equivalents, beginning of period	48,588	8,889	364,146

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Cash and cash equivalents, end of period	\$96,147	\$48,588	\$96,147
Supplemental non-cash financing activities:			
Common stock issued for deposits	\$--	\$3,750	\$3,750

See the accompanying notes to the consolidated financial statements.

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INTERNATIONAL STAR, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Inception of Exploration Stage (January 1, 2004) through December 31, 2010

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Accumulated Deficit	Total Equity
Balances at December 31, 2003	180,126,681	\$ 180,127	\$ 2,183,198	\$ (2,053,882)	\$ 309,443
Shares cancelled from divestiture of Pita King Bakeries, Int'l, Inc.	(12,000,000)	\$ (12,000)	\$ 4,000		\$ (8,000)
Shares retained to Company and cancelled	(105,000)	\$ (105)	\$ (2,895)		\$ (3,000)
Common stock issued for cash, February 20, 2004 Valued at \$.05 per share	90,000	\$ 90	\$ 1,410		\$ 1,500
Common stock issued for cash, February 20, 2004 Valued at \$.06 per share	300,000	\$ 300	\$ 5,700		\$ 6,000
Common stock issued for cash, April 27, 2004 Valued at \$.11 per share	409,092	\$ 409	\$ 14,591		\$ 15,000
Common stock issued for cash, May 28, 2004 Valued at \$.07 per share	454,545	\$ 455	\$ 9,545		\$ 10,000
Common stock issued for cash, June 7, 2004 Valued at \$.07 per share	4,090,908	\$ 4,091	\$ 85,909		\$ 90,000
Capital contributed for interest expenses, June 30, 2004			\$ 7,500		\$ 7,500
Common stock issued for services, September 30, 2004 Valued at \$.03 per share	6,000,000	\$ 6,000	\$ 54,000		\$ 60,000
	2,250,000	\$ 2,250	\$ 72,750		\$ 75,000

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Common stock issued for cash, October 6, 2004					
Valued at \$.10 per share					
Common stock issued for cash, November 29, 2004					
Valued at \$.10 per share	1,500,000	\$ 1,500	\$ 48,500		\$ 50,000
Common stock issued for cash, December 8, 2004					
Valued at \$.10 per share	9,750,000	\$ 9,750	\$ 315,250		\$ 325,000
Common stock issued for services, December 31, 2004					
Valued at \$.10 per share	420,000	\$ 420	\$ 13,580		\$ 14,000
Capital contributed for services and accrued expenses					
			\$ 73,892		\$ 73,892
Net (loss) for year ended December 31, 2004					
				\$ (799,281)	\$ (799,281)
Balances at December 31, 2004					
	193,286,226	\$ 193,286	\$ 2,886,930	\$ (3,043,648)	\$ 36,569

(continued below)

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INTERNATIONAL STAR, INC.

AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(CONTINUED)

Inception of Exploration Stage (January 1, 2004) through December 31, 2010

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Accumulated Deficit	Total Equity
1 for 3 forward stock split, February 22, 2005					
Common stock issued for cash, February 4, 2005 Valued at \$.05 per share	199,500	\$ 200	\$ 9,776		\$ 9,975
Common stock issued for cash, February 4, 2005 Valued at \$.05 per share	1,151,013	\$ 1,151	\$ 56,400		\$ 57,551
Common stock issued for cash, March 3, 2005 Valued at \$.049	509,036	\$ 509	\$ 24,447		\$ 24,956
Common stock and warrants issued for cash, March 3, 2005 Valued at \$.03	1,666,667	\$ 1,667	\$ 48,313		\$ 49,980
Common stock and warrants issued for cash, March 3, 2005 Valued at \$.02	4,500,000	\$ 4,500	\$ 85,477		\$ 89,977
Common stock issued for cash, March 31, 2005 Valued at \$.10	500,000	\$ 500	\$ 49,500		\$ 50,000
Common stock and warrants issued for cash, April 26, 2005 Valued at \$.12	833,334	\$ 833	\$ 99,137		\$ 99,970
Common stock issued for cash, June 1, 2005 Valued at \$.066	150,000	\$ 150	\$ 9,850		\$ 10,000
Common stock and warrants issued for cash, June 8, 2005 Valued at \$.06	975,000	\$ 975	\$ 57,495		\$ 58,470

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Common stock and warrants issued for cash, August 22, 2005					
Valued at \$.02	6,300,000	\$ 6,300	\$ 119,700		\$ 126,000
Common stock and warrants issued for cash, August 22, 2005					
Valued at \$.12	166,667	\$ 167	\$ 19,833		\$ 20,000
Common stock issued for cash, December 16, 2005					
Valued at \$.02	2,500,000	\$ 2,500	\$ 47,450		\$ 49,950
Common stock issued for cash, December 30, 2005					
Valued at \$.04	250,000	\$ 250	\$ 9,750		\$ 10,000
Net (loss) for year ended December 31, 2005				(799,281)	\$ (799,281)
Balances at December 31, 2005	212,987,443	\$ 212,987	\$ 3,524,059	\$(3,842,929)	\$ (105,883)

(continued below)

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INTERNATIONAL STAR, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(CONTINUED)

Inception of Exploration Stage (January 1, 2004) through December 31, 2010

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Accumulated Deficit	Total Equity
Common stock issued for services, January 6, 2006 Valued at \$.04	1,437,500	\$ 1,438	\$ 56,062		\$ 57,500
Common stock issued for cash, March 14, 2006 Valued at \$.015	1,666,667	\$ 1,667	\$ 23,333		\$ 25,000
Common stock and warrants issued for cash, March 18, 2006 Valued at \$.015	2,500,000	\$ 2,500	\$ 35,000		\$ 37,500
Common stock issued for cash, March 20, 2006 Valued at \$.01	9,100,000	\$ 9,100	\$ 81,900		\$ 91,000
Common stock issued for cash, June 12, 2006 Valued at \$.027	731,261	\$ 731	\$ 19,269		\$ 20,000
Common stock issued for services, June 15, 2006 Valued at \$.038	2,000,000	\$ 2,000	\$ 74,000		\$ 76,000
Common stock issued for cash, July 31, 2006 Valued at \$.01	235,000	\$ 235	\$ 2,115		\$ 2,350
Common stock issued for cash, August 2, 2006 Valued at \$.01	3,575,000	\$ 3,575	\$ 32,175		\$ 35,750
Common stock issued for cash, August 7, 2006 Valued at \$.0125	1,600,000	\$ 1,600	\$ 18,400		\$ 20,000

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Common stock issued for cash, August 11, 2006					
Valued at \$.015	1,000,000	\$ 1,000	\$ 14,000		\$ 15,000
Common stock issued for cash, August 22, 2006					
Valued at \$.015	1,000,000	\$ 1,000	\$ 14,000		\$ 15,000
Common stock issued for cash, September 29, 2006					
Valued at \$.01 per share	1,000,000	\$ 1,000	\$ 9,000		\$ 10,000
Common stock issued for note payable and accrued interest, October 30, 2006					
Valued at \$.015 per share	18,591,682	\$ 18,592	\$ 260,283		\$ 278,875
Net (loss) for year ended December 31, 2006				\$ (822,059)	\$ (822,059)
	257,693,292	\$ 257,694	\$ 4,162,327	\$ (4,664,988)	\$ (244,967)
Common stock issued for deposit, January 13, 2007					
Valued at \$.018 per share	1,064,595	\$ 1,064	\$ 18,936		\$ 20,000

(continued below)

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INTERNATIONAL STAR, INC.

AND SUBSIDIARY
 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
 (CONTINUED)

Inception of Exploration Stage (January 1, 2004) through December 31, 2010

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Accumulated Deficit	Total Equity
Common stock issued for cash, January 15, 2007 Valued at \$.015 per share	4,166,666	\$ 4,167	\$ 45,833		\$ 50,000
Common stock issued for cash, January 18, 2007 Valued at \$.012 per share	833,334	\$ 833	\$ 9,167		\$ 10,000
Common stock issued for cash, January 24, 2007 Valued at \$.013 per share	7,692,308	\$ 7,692	\$ 92,308		\$ 100,000
Common stock issued for cash, April 9, 2007 Valued at \$.013 per share	769,232	\$ 769	\$ 9,231		\$ 10,000
Common stock issued for cash, April 17, 2007 Valued at \$.035 per share	1,142,847	\$ 1,142	\$ 38,857		\$ 40,000
Net (loss) for year ended December 31, 2007				\$ (400,340)	\$ (400,340)
Balances at December 31, 2007	273,362,274	\$ 273,362	\$ 4,376,659	\$ (5,065,328)	\$ (415,307)
Common stock issued for services, April 30, 2008 Valued at \$.01 per share	400,000	\$ 400	\$ 3,600		\$ 4,000
Common stock issued for cash, August 22, 2008 Valued at \$.01 per share	3,500,000	\$ 3,500	\$ 31,500		\$ 35,000
Common stock issued for cash, September 30, 2008 Valued at \$.01 per share	1,500,000	\$ 1,500	\$ 13,500		\$ 15,000

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Common stock issued for cash, October 10, 2008					
Valued at \$.01 per share	500,000	\$ 500	\$ 4,500		\$ 5,000
Net (loss) for year ended December 31, 2008				\$ (541,218)	\$ (541,218)
Balances at December 31, 2008	279,262,274	\$ 279,262	\$ 4,429,659	\$ (5,606,546)	\$ (897,525)
Common stock issued in January 2009 for deposits made in 2008					
Valued at \$.0015 per share	2,250,000	\$ 2,250	\$ 1,125		\$ 3,375
Common stock issued in June 2009 for deposits made in 2008					
Valued at \$.0015 per share	250,000	\$ 250	\$ 125		\$ 375
Common stock issued in November 2009 for warrants exercised					
Valued at \$.001 per share	250,000	\$ 250	\$ --		\$ 250
Net (loss) for year ended December 31, 2009				\$ (312,648)	\$ (312,648)
Balances at December 31, 2009	282,012,274	\$ 282,012	\$ 4,431,009	\$ (5,919,194)	\$ (1,206,173)

(continued below)

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INTERNATIONAL STAR, INC.

AND SUBSIDIARY
 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
 (CONTINUED)

Inception of Exploration Stage (January 1, 2004) through December 31, 2010

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Accumulated Deficit	Total Equity
Stock options issued in April 2010 for services rendered			\$ 56,000		\$ 56,000
Warrants issued with debt			\$ 58,000		\$ 58,000
Net (loss) for year ended December 31, 2010				\$ (394,053)	\$ (394,053)
Balances at December 31, 2010	282,012,274	\$ 282,012	\$ 4,545,009	\$ (6,313,247)	\$ (1,486,226)

See the accompanying notes to the consolidated financial statements.

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INTERNATIONAL STAR, INC.
AND SUBSIDIARY
(Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

A. ORGANIZATION AND HISTORY

International Star, Inc. (the “Company”) was incorporated October 28, 1993 as a Nevada corporation. On November 5, 1993, the Company issued 2,500 shares, no par value, for cash consideration of \$5,000 in a 504 intrastate offering. The Company amended its Articles of Incorporation on January 22, 1997, increasing its authorized common stock from 2,500 shares to 100,000,000 shares and modifying its par value to \$.001 per share.

In January 1997, the Company forward split its common stock to 6,000,000 shares in a 2400:1 exchange. In April 1997, the Company again forward split its stock 5:1, increasing the total outstanding shares to 30,000,000 and, in a reorganization of outstanding shares, canceled 17,400,000 shares, forward split the balance of the shares 8:1 for an additional issuance of 10,080,000 shares to the 12,600,000 shares outstanding, and then issued 300,000 shares to the shareholders who canceled the 17,400,000 shares, resulting in 22,980,000 shares issued and outstanding. Also, in April 1997, the Company issued 4,500,000 shares (valued at \$10,000) in consideration of services performed by various individuals and corporations. The 4,500,000-share transaction, which predates the 5:1 and 8:1 transactions, were apparently not impacted by either of the two aforementioned forward splits, but resulted in a total of 27,480,000 shares of common stock issued and outstanding.

In April 1997, the Company entered the waste management business. The Company and an affiliated entity, American Holding Group entered into an oral agreement under which American Holding Group loaned the Company \$50,000 at an interest rate of 3%. A portion of the loan was used to open a Company office in Idaho Falls, Idaho.

Due to a lack of capital, the Company sold its waste management business to Asia Kingtec Co., Ltd. in December 1997 in a small instrumentation sale for \$17,444. The Company closed its office in January 1998 and abandoned the computers and office equipment, purchased at \$6,981, to the three individuals who led the Company into the waste management business.

The three officers and directors who were appointed at the time of the Company’s connection with the foray into the waste management business, resigned in August 1999. The Company accepted the resignations on September 8, 1999.

On July 17, 1998, the Company entered into an extraction agreement with AuRic Metallurgical Laboratories, Inc., a Utah limited liability corporation, with the requirement that the Company pay a 1% net smelter return to AuRic for utilization of its technology.

On October 12, 1998, the Company entered into a letter of intent with North American Industrial Development Authority, Inc. (NAIDA) of Kingman, Arizona. The original proposal involved constructing an investment in a mineral processing plant in order to process ores from the Company’s mineral property. In exchange, NAIDA would receive 15% of the total ore produced. However, because of NAIDA’s inability to

perform, the proposal was never set into motion.

On October 15, 2001, the Company formed a wholly owned subsidiary called Qwik Track, Inc. (Qwik Track). Qwik Track operated as an internet web-based business that provides handicapping, analytical data and statistical information for wagering on thoroughbred horse races. Qwik Track also offered wagering enthusiasts the opportunity to participate in multiple racetracks wagering via the internet.

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On October 1, 2002, the Company acquired all of the outstanding shares of common stock of Pita King Bakeries International, Inc. (Pita King) making Pita King a wholly owned subsidiary of the Company. Pita King operated a retail bakery outlet in Everett, Washington which commenced operations in September of 2001.

On January 1, 2004, the original shareholders of Pita King and the management of the Company mutually agreed to dissolve their business relationship (see Note C).

The Company's main focus of business, commencing January 1, 2004, is the exploration of mining claims and mining properties. The Company has, in accordance with guidelines of the Securities and Exchange Commission (SEC), appropriately disclosed that the company is considered an exploration stage company.

During 2006 the Company relocated its principal offices from Henderson, Nevada to Mount Pleasant, Texas and then to Shreveport, Louisiana.

B. SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation and Accounting Methods

These consolidated financial statements include the accounts of International Star, Inc., and Qwik Track, Inc. (a wholly owned subsidiary) for the fiscal year ended December 31, 2010. Qwik Track, Inc. has no assets and has not had any operations during the previous three years. The Company uses the accrual method of accounting.

2. Use of Estimates

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

3. Dividend Policy

The Company did not declare or pay any dividends during the years ended December 31, 2010 and 2009. There are no legal, contractual or other restrictions, which limit the Company's ability to pay dividends. Payment of future dividends, if any, on the Company's common stock, will be dependent upon the amounts of its future after-tax earnings, if any, and will be subject to the discretion of its Board of Directors. The Company's Board of Directors is not legally obligated to declare dividends, even if the Company is profitable. The Company has never paid any dividends on its common stock and has no plans to do so in the near future. Instead, the Company plans to retain any earnings to finance the development of its business and for general corporate purposes.

4. Mineral Properties and Exploration Costs

Mineral property acquisition costs are initially capitalized when incurred. These costs are then assessed for impairment when factors are present to indicate the carrying costs may not be recoverable. Mineral exploration costs are expensed when incurred.

5. Earnings (Loss) Per Share

Basic earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share is computed by dividing net earnings by the weighted average number of common shares and potential common shares outstanding during the period, unless the calculation is anti-dilutive. At December 31, 2010, the Company had no dilutive potential common shares.

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6. Stock Based Compensation

The Company accounts for its stock based compensation and stock options using the fair value method. Under this method, share-based awards are fair valued and the related stock compensation expense, when applicable, is reported in the current financial statements.

7. Income Taxes

The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, all expected future events, other than enactment of changes in the tax laws or rates, are considered.

Due to the uncertainty regarding the Company's future profitability, the future tax benefits of its net operating losses have been fully offset by a valuation allowance.

8. Fair Value of Financial Instruments

The respective carrying value of the Company's financial instruments approximated their fair values.

9. Recent Accounting Pronouncements

The Company does not expect that the adoption of other recent account pronouncements will have a material effect on its financial statements.

10. Revenue Recognition

Revenue will be recognized on the sale and delivery of a product or the completion of a service provided.

11. Statement of Cash Flows

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of nine months or less to be cash equivalents.

12. Financial and Concentration Risk

The Company does not have any concentration or related financial credit risk.

13. Reclassifications

Certain prior period amounts have been reclassified to conform to current period presentation.

C. DIVESTITURE OF PITA KING BAKERIES INTERNATIONAL, INC.

Effective January 1, 2004, the original shareholders of Pita King Bakeries International, Inc. and the management of International Star, Inc. (the Company) mutually agreed to dissolve their business relationship. Under terms of this dissolution, the original shareholders of Pita King Bakeries International, Inc. returned 4,000,000 shares of common stock to the Company and the Company agreed to forgive a \$35,000 loan made to Pita King Bakeries International, Inc. The original shareholders of Pita King Bakeries

International, Inc. were allowed to retain 139,500 shares of the Company's common stock which they had received as part of the original purchase of Pita King Bakeries International, Inc. by the Company. The Company has recognized a loss of \$99,472 on the divestiture of Pita King Bakeries International, Inc.

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D. COMMON STOCK

The Company did not issue any shares of common stock during the year ended December 31, 2010.

E. NOTES PAYABLE – RELATED PARTY

The Company entered into a loan agreement with Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. on December 3, 2007. This company is controlled through ownership by a shareholder/director of International Star, Inc. Under terms of the agreement, the Company has an available credit line balance of \$500,000 with interest accruing at 6% per annum. The interest is due and payable on a quarterly basis (every three months). The loan is collateralized by a security interest to the above mentioned lender in the amount of 51% interest in the mineral rights of all mining claims owned by the Company or in which the Company has an interest in its properties located in Mohave County, Arizona, along with any future claims acquired by the Company. At December 31, 2010, the Company had borrowed \$500,000 under the terms of this loan agreement and had accrued interest of \$75,000. This note has a maturity date of December 3, 2012.

The Company entered into another loan agreement with Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. on December 1, 2008. Under terms of the agreement, the Company has an available credit line of \$200,000 with interest accruing at 10% per annum. The interest rate increased from 10% to 18% per annum as of March 31, 2009, which was the maturity date of the Note. At December 31, 2010, the Company had borrowed \$200,000 under the terms of this loan agreement, and had accrued interest of \$66,950.

F. ADVANCES FROM RELATED PARTY

The Chairman of the Board of Directors advanced \$50,000 to the Company in January 2010 and an additional \$33,183 in April 2010 to be used as working capital. The Chairman also paid \$9,264 for expenses on behalf of the Company during 2010. Total amounts advanced to the Company by its Chairman, as of December 31, 2010, were \$200,000. These advances are non-interest bearing and payable on demand.

G. NOTE PAYABLE – BEAIRD

The Company entered into a loan agreement with Beaird Operating Companies on October 13, 2010. Under the terms of the loan agreement the Company received \$200,000 and in correlation with the note the Company issued 20,000,000 warrants. This note is due on December 13, 2011. All principal and interest at the rate of 10%, per annum, is due at that time. Accrued interest for this loan was \$5,000 at December 31, 2010. The loan is collateralized by a security interest to the above mentioned lender in the amount of 49% interest in the mineral rights of all mining claims owned by the Company or in which the Company has an interest in its properties located in Mohave County, Arizona, along with any future claims acquired by the Company. The related stock warrants were valued at \$58,000 using the Black-Scholes model. Inputs to this model for the fair value calculation were as follows: exercise price, \$.01; stock price on date of issuance, \$.0095; expected term, 2 years; expected volatility, 59%; dividend rate, 0%; and, risk-free rate, .22%. This amount is recorded as a discount on the note payable and will be amortized over the term of the note. As of December 31, 2010, \$10,357 of the discount had been amortized to interest expense.

As of December 31, 2010, all 20,000,000 warrants were still outstanding.

H. COMMITMENTS AND CONTINGENCIES

Under the terms of the Beaird loan explained in Footnote G above, any unpaid principal on the maturity date of December 13, 2011, will increase by 1.5 times and will continue to accrue interest at a rate of 12% per annum. No amounts have been recorded for this contingency in these consolidated financial statements.

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I. STOCK OPTIONS

The Company entered into an employment agreement effective April 1, 2008 whereby the Company would issue two separate option agreements to the Company president. The first option agreement would have allowed the Company president to purchase up to 5,000,000 shares of the Company common stock at \$.01 per share and the second option agreement would have allowed the Company president to purchase up to 5,000,000 shares of the Company common stock at \$.03 per share. The vesting of the option agreements were to be based upon performance incentives to be determined by the Board of Directors. The employment agreement was amended on August 13, 2008, to allow the Company to issue stock options for an aggregate of 10,000,000 shares of common stock of the Company on such dates and according to such terms as designated by the Board of Directors of the Company.

On April 28, 2010, the Company issued 10,000,000 stock options to its President. These options are fully vested as of the grant date, have a contractual term of 5 years, and are exercisable at \$0.01 per share. The Company uses the Black-Scholes model to estimate the fair value of its options. Assumptions used in calculating the fair value for these options were as follows: exercise price of stock option – \$0.01; stock price on date of issuance – \$0.01; expected term – 5 years; expected volatility – 69%; dividend rate – \$0.00; risk-free interest rate – 0.43%. Using these assumptions, we estimated the grant date fair value of these options to be \$0.0056 per option, or \$56,000. This amount was recorded as compensation expense in our financial statements for the year ended December 31, 2010. As no options were exercised subsequent to grant date, all 10,000,000 options are still outstanding. Other information regarding the number of options outstanding and exercisable at December 31, 2010 is as follows:

	Outstanding	Exercisable
Number of options	10,000,000	10,000,000
Weighted average remaining contractual term (years)	4.3	4.3
Weighted average exercise price	\$0.01	\$0.01
Aggregate intrinsic value	\$0	\$0

J. GOING CONCERN

The Company will need additional working capital for its future planned activity and to service its debt, which raises substantial doubt about its ability to continue as a going concern. Continuation of the Company as a going concern is dependent upon obtaining sufficient working capital to be successful in that effort. The management of the Company has developed a strategy, which it believes will accomplish this objective, through additional loans, and equity funding, which will enable the Company to operate for the coming year.

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