

Edgar Filing: M GAB DEVELOPMENT CORP - Form 10KSB

M GAB DEVELOPMENT CORP  
Form 10KSB  
March 31, 2006

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

COMMISSION FILE NUMBER: 000-49687

M-GAB DEVELOPMENT CORPORATION  
(Exact name of registrant as specified in its charter)

FLORIDA  
(State or other jurisdiction of  
incorporation or organization)

33-0961490  
(I.R.S. Employer  
Identification No.)

9900 RESEARCH DR.  
IRVINE, CA  
(Address of principal executive offices)

92618  
(Zip Code)

ISSUER'S TELEPHONE NUMBER (949) 635-1240

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered under Section 12(g) of the Exchange Act:

COMMON STOCK, PAR VALUE \$0.001  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this

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Form 10-K or any amendment to this Form 10-K. |X|

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer |X|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No |X|.

State the aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. There was no market for our common stock.

## APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐.

## (APPLICABLE ONLY TO CORPORATE REGISTRANTS)

Indicate the number of shares outstanding of each of registrant's classes of common stock, as of the latest practicable date. As of March 30, 2006, there were 6,550,512 shares of common stock, par value \$0.001, issued and outstanding.

## DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to rule 424(b) or (c) of the Securities Act of 1933 ("Securities Act"). The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). None.

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M-GAB DEVELOPMENT CORPORATION

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### PART I

This Annual Report includes forward-looking statements within the meaning of the Securities Exchange Act of 1934 (the "Exchange Act"). These statements are based on management's beliefs and assumptions, and on information currently available to management. Forward-looking statements include the information concerning possible or assumed future results of operations of the Company set forth under the heading "Management's Discussion and Analysis of Financial Condition or Plan of Operation." Forward-looking statements also include statements in which words such as "expect," "anticipate," "intend," "plan," "believe," "estimate," "consider" or similar expressions are used.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. The Company's future results and shareholder values may differ materially from those expressed in these forward-looking statements. Readers are cautioned not to put undue reliance on any forward-looking statements.

#### ITEM 1 - BUSINESS

##### GENERAL

M-GAB Development Corporation, a Florida corporation (the "Company") was incorporated in March 2001. From inception through early 2003, our business was the development, marketing, and distribution of an interactive travel brochure. On May 16, 2003, we filed an election to be treated as a business development

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company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"), which became effective on the date of filing.

Subsequent to the BDC election our principal business is to make venture capital investments in early-stage and/or developing enterprises that are principally engaged in the development or exploitation of inventions, technological improvements, and new or unique products and services. Our principal objective is long-term capital appreciation. We may invest in debt securities of these companies, or may acquire an equity interest in the form of common or preferred stock, warrants or options to acquire stock or the right to convert the debt securities into stock. We may invest alone, or as part of a larger investment group. Consistent with our status as a BDC and the purposes of the regulatory framework for BDC's under the 1940 Act, we will provide managerial assistance, potentially in the form of a consulting agreement or in the form of a board of director's seat, to the developing companies in which we invest.

In addition, we may acquire either a minority or controlling interest in mature companies in a roll-up strategy. It is anticipated that any acquisitions will be primarily for our stock, or a combination of cash and stock. The principal objective of acquisitions pursuant to a roll-up strategy would be to consolidate an industry and either sell the acquired entities as a larger unit, or take the unit public through an initial public offering, spin-off to our shareholders, or reverse merger into a publicly traded shell corporation.

We operate as an internally managed investment company whereby our officers and employees conduct our operations under the general supervision of our Board of Directors. We have not elected to qualify to be taxed as a regulated investment company as defined under Subchapter M of the Internal Revenue Code, we do not have any intellectual property protections nor does our management feel that any is necessary, and we have not spent any funds on research and development or compliance with environmental laws during the last two fiscal years.

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During the quarter ended March 31, 2005, a market maker filed an application to list our securities on the OTC Bulletin Board. On October 10, 2005, we were informed by the NASD that our common stock was approved by the NASD for trading on the OTC Bulletin Board. Our trading symbol is MGBD.

### REGULATION AS A BDC

Although the 1940 Act exempts a BDC from registration under that Act, it contains significant limitations on the operations of BDC's. Among other things, the 1940 Act contains prohibitions and restrictions relating to transactions between a BDC and its affiliates, principal underwriters and affiliates of its affiliates or underwriters, and it requires that a majority of the BDC's directors be persons other than "interested persons," as defined under the 1940 Act. The 1940 Act also prohibits a BDC from changing the nature of its business so as to cease to be, or to withdraw its election as, a BDC unless so authorized by the vote of the holders of a majority of its outstanding voting securities. BDC's are not required to maintain fundamental investment policies relating to diversification and concentration of investments within a single industry.

Generally, a BDC must be primarily engaged in the business of furnishing capital and providing managerial expertise to companies that do not have ready access to capital through conventional financial channels. Such portfolio companies are termed "eligible portfolio companies." More specifically, in order to qualify as a BDC, a company must (1) be a domestic company; (2) have registered a class of its equity securities or have filed a registration

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statement with the Securities and Exchange Commission pursuant to Section 12 of the Securities Exchange Act of 1934; (3) operate for the purpose of investing in the securities of certain types of portfolio companies, namely immature or emerging companies and businesses suffering or just recovering from financial distress; (4) extend significant managerial assistance to such portfolio companies; and (5) have a majority of "disinterested" directors (as defined in the 1940 Act).

An eligible portfolio company is, generally, a U.S. company that is not an investment company and that (1) does not have a class of securities registered on an exchange or included in the Federal Reserve Board's over-the-counter margin list; or (2) is actively controlled by a BDC and has an affiliate of a BDC on its board of directors; or (3) meets such other criteria as may be established by the Securities and Exchange Commission. Control under the 1940 Act is generally presumed to exist where a BDC owns 25% of the outstanding voting securities of the company.

The 1940 Act prohibits or restricts companies subject to the 1940 Act from investing in certain types of companies, such as brokerage firms, insurance companies, investment banking firms and investment companies. Moreover, the 1940 Act limits the type of assets that BDC's may acquire to "qualifying assets" and certain assets necessary for its operations (such as office furniture, equipment and facilities) if, at the time of acquisition, less than 70% of the value of the BDC's assets consist of qualifying assets. Qualifying assets include: (1) securities of companies that were eligible portfolio companies at the time the BDC acquired their securities; (2) securities of bankrupt or insolvent companies that were eligible at the time of the BDC's initial acquisition of their securities but are no longer eligible, provided that the BDC has maintained a substantial portion of its initial investment in those companies; (3) securities received in exchange for or distributed in or with respect to any of the foregoing; and (4) cash items, government securities and high-quality short-term debt. The 1940 Act also places restrictions on the nature of the transactions in which, and the persons from whom, securities can be purchased in order for the securities to be considered qualifying assets. These restrictions include limiting purchases to transactions not involving a public offering and acquiring securities from either the portfolio company or its officers, directors, or affiliates.

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A BDC is permitted to invest in the securities of public companies and other investments that are not qualifying assets, but those kinds of investments may not exceed 30% of the BDC's total asset value at the time of the investment.

A BDC must make significant managerial assistance available to the issuers of eligible portfolio securities in which it invests. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted does provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. The portfolio company does not have to accept the BDC's offer of managerial assistance, and if they do accept may be required to pay prevailing market rates for the services.

We do not currently have any investments in eligible portfolio companies.

### EMPLOYEES

Other than our current sole officer, we do not have any employees, and do not anticipate having any other employees other than administrative personnel in the future.

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### ITEM 1A - RISK FACTORS

On at least an annual basis, we are required to provide our shareholders with a statement of risk factors and other considerations for their review. These risk factors and other considerations include:

WE HAVE NOT MADE ANY INVESTMENTS INTO OTHER COMPANIES. We have not yet made any investments into other companies, and thus we have virtually no assets. We need to raise capital before we can make investments into, and offer managerial assistance to, other companies. We may not be successful in raising capital. If we are successful in raising capital, we may make investments that turn out to be worthless.

WE HAVE NEVER GENERATED ANY REVENUE, AND WE ARE NOT PROFITABLE. We were incorporated in March 2001 and have generated no revenue to date. Our primary activity to date has been development of our business plan, which has changed since our inception. Our success is dependent upon the successful development of our business model as a business development company, as to which there is no assurance. Unanticipated problems, expenses and delays are frequently encountered in establishing a new business. These include, but are not limited to, inadequate funding, competition, and investment development. Our failure to meet any of these conditions would have a materially adverse effect upon us and may force us to reduce or curtail operations. We may not ever be profitable.

WE NEED TO RAISE CAPITAL IN ORDER TO FULFILL OUR BUSINESS PLAN. To date we have relied on private funding from our founders and directors, short-term borrowing, and capital raised from the sale of our common stock to fund operations. We have generated no revenues and have extremely limited cash liquidity and capital resources. Any equity financings could result in dilution to our stockholders. Debt financing may result in high interest expense. Any financing, if available, may be on unfavorable terms. If adequate funds are not obtained, we may be required to reduce or curtail operations.

INVESTING IN OUR STOCK IS HIGHLY SPECULATIVE AND YOU COULD LOSE SOME OR ALL OF YOUR INVESTMENT. The value of our common stock may decline and may be affected by numerous market conditions, which could result in the loss of some or the entire amount invested in our stock. The securities markets frequently experience extreme price and volume fluctuations that affect market prices for securities of companies generally, and very small capitalization companies in particular.

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INVESTING IN OUR STOCK MAY BE INAPPROPRIATE FOR YOUR RISK TOLERANCE. Our planned investments into other companies, in accordance with our investment objective and principal strategies, result in a far above average amount of risk and volatility and may well result in loss of principal.

WE WILL FACE A LOT OF COMPETITION, MOST OF WHICH IS BETTER CAPITALIZED AND MORE EXPERIENCED THAN US. We will face competition in our investing activities from private venture capital funds, investment affiliates of large industrial, technology, service and financial companies, small business investment companies, wealthy individuals and foreign investors. As a regulated business development company ("BDC"), we are required to disclose quarterly the name and business description of portfolio companies and value of any portfolio securities. Most of our competitors are not subject to this disclosure requirement. Our obligation to disclose this information could hinder our ability to invest in certain portfolio companies. Additionally, other regulations, current and future, may make us less attractive as a potential investor to a given portfolio company than a private venture capital fund.

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WE ARE SUBJECT TO REGULATORY RISKS AS A BUSINESS DEVELOPMENT COMPANY. We are subject to regulation as a BDC. The loans and other investments that we expect to make in small business concerns are extremely speculative. Many of these concerns will be privately held. Even if a public market for their securities later develops, the securities we purchase are likely to be restricted from sale or other transfer for significant periods of time. These securities will be very illiquid.

THE SERVICES OF OUR DIRECTORS AND OFFICER ARE KEY TO OUR FUTURE SUCCESS. We are dependent for the selection, structuring, closing and monitoring of its investments on the diligence and skill of our officer, Carl M. Berg, and each of our directors. Our future success depends to a significant extent on the continued service and coordination of its senior management team.

WE PLAN TO INVEST PRIMARILY IN SMALL, PRIVATE COMPANIES. There are significant risks inherent in our planned venture capital business. We intend to invest a substantial portion of our assets in early stage or start-up companies. These private businesses tend to be thinly capitalized, unproven small companies with risky technologies that lack management depth and have not attained profitability or have no history of operations. Because of the speculative nature and the lack of a public market for these investments, there is significantly greater risk of loss than is the case with traditional investment securities. We expect that some of our investments will be a complete loss or will be unprofitable and that some will appear to be likely to become successful but never realize their potential. We intend to be risk seeking rather than risk averse in our approach to venture capital and other investments. Neither our investments nor an investment in our stock is intended to constitute a balanced investment program. We intend to rely to a large extent upon proceeds from sales of investments rather than investment income to defray a significant portion of our operating expenses. Such sales are unpredictable and may not occur. The terrorist acts in the United States of September 11, 2001 are the type of events that could severely impact a small company that does not have as many resources to ride out market downturns and would need immediate investment capital that might be temporarily unavailable.

THERE WILL BE NO LIQUID MARKET FOR OUR PORTFOLIO INVESTMENTS. Most of our intended investments will be either equity securities acquired directly from small companies or below investment grade subordinated debt securities. Our portfolio of equity securities will usually be subject to restrictions on resale or otherwise have no established trading market. The illiquidity of most of our portfolio may adversely affect our ability to dispose of such securities at times when it may be advantageous for us.

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Even if our portfolio companies are able to develop commercially viable products, the market for new products and services is highly competitive and rapidly changing. Commercial success is difficult to predict and the marketing efforts of our expected portfolio companies may not be successful.

OUR BOARD OF DIRECTORS WILL VALUE OUR PORTFOLIO INVESTMENTS. There is typically no public market of equity securities of the small privately held companies in which we intend to invest. As a result, the valuation of the equity securities in our portfolio are likely to be stated at fair value as determined by the good faith estimate of our Board of Directors. In the absence of a readily ascertainable market value, the estimated value of our portfolio of securities may differ significantly, favorably or unfavorably, from the values that would be placed on the portfolio if a ready market for the equity securities existed.

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OUR QUARTERLY RESULTS WILL FLUCTUATE. Our quarterly operating results could fluctuate as a result of a number of factors. These factors include, among other things, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which portfolio companies encounter competition in their markets and general economic conditions. As a result of these factors, results for any one quarter should not be relied upon as being indicative of performance in future quarters.

### ITEM 1B - UNRESOLVED STAFF COMMENTS

This Item is not applicable to us as we are not an accelerated filer, a large accelerated filer, or a well-seasoned issuer; however, we have not received written comments from the Commission staff regarding our periodic or current reports under the Securities Exchange Act of 1934 within the last 180 days before the end of our last fiscal year.

### ITEM 2 - PROPERTIES

We utilize the office of our legal counsel, The Lebrecht Group, APLC, under a verbal agreement where we do not pay rent or reimburse him for the minimal expenses incurred.

### ITEM 3 - LEGAL PROCEEDINGS

We are not a party to or otherwise involved in any legal proceedings.

### ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the security holders during the three month period ended December 31, 2005.

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## PART II

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

During the quarter ended March 31, 2005, a market maker filed an application to list our securities on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. On October 10, 2005, we were informed by the NASD that our common stock was approved by the NASD for trading on the OTC Bulletin Board. Our trading symbol is MGBD. Our common stock has not traded since we were listed on the OTC Bulletin Board and there is no assurance that there will be liquidity in the common stock.

The following table sets forth the high and low bid information for each quarter within the two most recent fiscal years, as provided by the Nasdaq Stock Markets, Inc. The information reflects prices between dealers, and does not include retail markup, markdown, or commission, and may not represent actual transactions.

#### BID PRICES

FISCAL YEAR ENDED		-----	
DECEMBER 31,	PERIOD	HIGH	LOW
-----	-----	-----	-----



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2003	First Quarter	N/A	N/A
	Second Quarter	N/A	N/A
	Third Quarter	N/A	N/A
	Fourth Quarter	N/A	N/A
2004	First Quarter	N/A	N/A
	Second Quarter	N/A	N/A
	Third Quarter	N/A	N/A
	Fourth Quarter	N/A	N/A
2005	First Quarter	N/A	N/A
	Second Quarter	N/A	N/A
	Third Quarter	N/A	N/A
	Fourth Quarter	\$ -	\$ -
2006	First Quarter (through March 30, 2006)	\$ -	\$ -

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure relating to the market for penny stocks in connection with trades in any stock defined as a penny stock. The Commission has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to a few exceptions which we do not meet. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

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There are currently warrants outstanding to acquire 333,334 shares of our common stock at \$0.15 per share. Other than these warrants, there are no outstanding options or warrants to purchase, or securities convertible into, shares of our common stock. If we are successful in getting our common stock traded, of the 6,550,512 shares of common stock outstanding, (i) 10,000 shares held by 20 shareholders of record were sold pursuant to an effective registration statement and may be sold without restriction, (ii) 13,000 shares held by 12 shareholders of record were sold in a private placement over two years ago and the resale of those shares was subsequently registered, and thus the shares may be sold either pursuant to the effective registration statement or pursuant to Rule 144(k), (iii) 450,000 shares are held by one shareholder who may sell all of them pursuant to Rule 144(k), and (iv) 360,845 shares held by 42 shareholders were acquired pursuant to an exemption from registration under Regulation E, promulgated under the Securities Act, and may be sold without restriction. In addition to the above, Mr. Carl Berg, our sole officer and director, is the holder of 5,550,000 shares and may sell up to 63,838 shares every 90 days pursuant to Rule 144.

The number of holders of record of shares of our common stock is one hundred thirty three (133).

There have been no cash dividends declared on our common stock. Dividends are declared at the sole discretion of our Board of Directors.

### ITEM 6 - SELECTED FINANCIAL DATA

M-GAB DEVELOPMENT CORP.

For the Years Ended December 31,

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	2005	2004	2003	2002
	-----	-----	-----	-----
Statement of Operations Data:				
-----				
Total revenues	\$ -	-	-	-
Income (loss) from continuing operations	(30,026)	57,059	(63,253)	(37,376)
Net income (loss)	(30,026)	57,059	(63,253)	(37,376)
Net income (loss) per common share from continuing operations	(0.01)	0.01	(0.01)	(0.01)
Balance Sheet Data:				
-----				
Current assets	\$ -	17,403	-	6,437
Total assets	25,000	17,403	-	6,437
Current liabilities	21,947	9,324	93,105	46,289
Total liabilities	21,947	9,324	103,105	46,289
Total stockholders' equity (deficit)	3,053	8,079	(103,105)	(39,852)
Total dividends per common share	-	-	-	-

(1) Statement of Operations Data is from inception (March 2001) through December 31, 2001.

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## ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Our Management's Discussion and Analysis contains not only statements that are historical facts, but also statements that are forward-looking (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national and local general economic and market conditions; demographic changes; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other risks that might be detailed from time to time in our filings with the Securities and Exchange Commission.

Although the forward-looking statements in this Annual Report reflect the good faith judgment of our management, such statements can only be based on

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facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

### PLAN OF OPERATION

We were incorporated in March 2001. On May 16, 2003, we filed an election to be treated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"), which became effective on the date of filing.

Subsequent to the BDC election our principal business is to make venture capital investments in early-stage and/or developing enterprises that are principally engaged in the development or exploitation of inventions, technological improvements, and new or unique products and services. Our principal objective is long-term capital appreciation. We may invest in debt securities of these companies, or may acquire an equity interest in the form of common or preferred stock, warrants or options to acquire stock or the right to convert the debt securities into stock. We may invest alone, or as part of a larger investment group. Consistent with our status as a BDC and the purposes of the regulatory framework for BDC's under the 1940 Act, we will provide managerial assistance, potentially in the form of a consulting agreement or in the form of a board of director's seat, to the developing companies in which we invest.

In addition, we may acquire either a minority or controlling interest in mature companies in a roll-up strategy. It is anticipated that any acquisitions will be primarily in exchange for our common stock, or a combination of cash and stock. The principal objective of acquisitions pursuant to a roll-up strategy would be to consolidate an industry and either sell the acquired entities as a larger unit, or take the unit public through an initial public offering, spin-off to our shareholders, or reverse merger into a publicly traded shell corporation.

We operate as an internally managed investment company whereby our officers and employees conduct our operations under the general supervision of our Board of Directors. We have not elected to qualify to be taxed as a regulated investment company as defined under Subchapter M of the Internal Revenue Code.

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During the quarter ended March 31, 2005, a market maker filed an application to list our securities on the OTC Bulletin Board. On October 10, 2005, we were informed by the NASD that our common stock was approved by the NASD for trading on the OTC Bulletin Board. Our trading symbol is MGBD.

Management does not anticipate that we will engage in any material product research and development, nor do we anticipate that we will purchase a plant or significant equipment.

Our financial statements have been prepared assuming we will continue as a going concern. Because we have not generated any revenues to date and have minimal capital resources, our Certified Public Accountants included an explanatory paragraph in their report raising substantial doubt about our ability to continue as a going concern.

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Subsequent to our fiscal year end, on March 15, 2006, we entered into an Agreement and Plan of Merger with China Agro Sciences Corp., a Florida corporation ("China Agro") whereby, at the closing, China Agro will merge with DaLian Acquisition Corp., a Florida corporation that is our wholly-owned subsidiary. As a result of the merger, China Agro will become a wholly-owned subsidiary of M-GAB, and we will issue 13,349,488 shares of M-GAB common stock to the former owners of China Agro. At the same time, certain of the China Agro shareholders will acquire 5,500,000 M-GAB shares directly from our majority shareholder, director, and sole officer, Carl M. Berg, and his holding company. Following the closing, the China Agro shareholders will own 18,849,488 shares of our common stock, or 94.2% of our then-outstanding 20,000,000 shares. As a condition precedent to the closing, we are required to take certain steps that will require shareholder approval, including terminating our status as a Business Development Company under the Investment Company Act of 1940. We anticipate that a closing will take place in late April 2006.

### REGULATION AS A BDC

Although the 1940 Act exempts a BDC from registration under that Act, it contains significant limitations on the operations of BDC's. Among other things, the 1940 Act contains prohibitions and restrictions relating to transactions between a BDC and its affiliates, principal underwriters and affiliates of its affiliates or underwriters, and it requires that a majority of the BDC's directors be persons other than "interested persons," as defined under the 1940 Act. The 1940 Act also prohibits a BDC from changing the nature of its business so as to cease to be, or to withdraw its election as, a BDC unless so authorized by the vote of the holders of a majority of its outstanding voting securities. BDC's are not required to maintain fundamental investment policies relating to diversification and concentration of investments within a single industry.

Generally, a BDC must be primarily engaged in the business of furnishing capital and providing managerial expertise to companies that do not have ready access to capital through conventional financial channels. Such portfolio companies are termed "eligible portfolio companies." More specifically, in order to qualify as a BDC, a company must (1) be a domestic company; (2) have registered a class of its equity securities or have filed a registration statement with the Securities and Exchange Commission pursuant to Section 12 of the Securities Exchange Act of 1934; (3) operate for the purpose of investing in the securities of certain types of portfolio companies, namely immature or emerging companies and businesses suffering or just recovering from financial distress; (4) extend significant managerial assistance to such portfolio companies; and (5) have a majority of "disinterested" directors (as defined in the 1940 Act).

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An eligible portfolio company is, generally, a U.S. company that is not an investment company and that (1) does not have a class of securities registered on an exchange or included in the Federal Reserve Board's over-the-counter margin list; or (2) is actively controlled by a BDC and has an affiliate of a BDC on its board of directors; or (3) meets such other criteria as may be established by the Securities and Exchange Commission. Control under the 1940 Act is generally presumed to exist where a BDC owns 25% of the outstanding voting securities of the company.

The 1940 Act prohibits or restricts companies subject to the 1940 Act from investing in certain types of companies, such as brokerage firms, insurance companies, investment banking firms and investment companies. Moreover, the 1940 Act limits the type of assets that BDC's may acquire to "qualifying assets" and certain assets necessary for its operations (such as office furniture, equipment

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and facilities) if, at the time of acquisition, less than 70% of the value of the BDC's assets consist of qualifying assets. Qualifying assets include: (1) securities of companies that were eligible portfolio companies at the time the BDC acquired their securities; (2) securities of bankrupt or insolvent companies that were eligible at the time of the BDC's initial acquisition of their securities but are no longer eligible, provided that the BDC has maintained a substantial portion of its initial investment in those companies; (3) securities received in exchange for or distributed in or with respect to any of the foregoing; and (4) cash items, government securities and high-quality short-term debt. The 1940 Act also places restrictions on the nature of the transactions in which, and the persons from whom, securities can be purchased in order for the securities to be considered qualifying assets. These restrictions include limiting purchases to transactions not involving a public offering and acquiring securities from either the portfolio company or its officers, directors, or affiliates.

A BDC is permitted to invest in the securities of public companies and other investments that are not qualifying assets, but those kinds of investments may not exceed 30% of the BDC's total asset value at the time of the investment.

A BDC must make significant managerial assistance available to the issuers of eligible portfolio securities in which it invests. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted does provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. The portfolio company does not have to accept the BDC's offer of managerial assistance, and if they do accept may be required to pay prevailing market rates for the services.

The Company does not currently have any investments in eligible portfolio companies. However, we are actively seeking quality eligible portfolio companies in which to make an investment and provide managerial assistance.

YEAR ENDED DECEMBER 31, 2005 COMPARED TO THE YEAR ENDED DECEMBER 31, 2004

### RESULTS OF OPERATIONS

#### Introduction

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We did not have any revenues for either period presented. We do not anticipate having revenue from our BDC activities until we begin making investments in eligible portfolio companies and subsequently liquidate those investments. If the China Agro transaction described above closes it will have an unknown impact on our ability to generate revenues in the future. Because we are actively seeking eligible portfolio companies and may close the China Agro transaction we anticipate that our revenues from quarter-to-quarter may differ significantly depending on whether we realize a return on future investments or the impact of the China Agro transaction. Our operating expenses increased slightly when compared to the prior year. We did not record any other income in the year ended December 31, 2005, which differed from the previous year when we recorded other income of \$83,355 related entirely to forgiveness of debt by two of our shareholders, one of which was Carl Berg, our sole officer and a director. A breakdown of our operating expenses and other expenses, as well as management's explanation of each, is outlined below.

#### Revenues and Income (Loss) from Operations

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As stated above, because we do not have any investments in eligible portfolio companies, we did not have any revenues for the either period. We generated a net loss of (\$30,026) for the year ended December 31, 2005, compared to net income of \$57,059 for the year ended December 31, 2004. Our net income for the year ended December 31, 2004 was primarily attributed to forgiveness of debt in the amount of \$83,355 which was recorded as other income in the accompanying financial statements for the twelve months ended December 31, 2004. Our expenses for the year's ended December 31, 2005 and 2004 were made up entirely of general and administrative expenses. Our general and administrative expenses for 2005 consisted of \$25,237 in accounting and other professional fees, and \$4,789 in transfer agent fees and miscellaneous expenses, such as postage, facsimiles, and copies. Our general and administrative expenses for 2004 consisted of \$23,480 in accounting and other professional fees, \$1,375 in transfer agent fees, and \$1,441 in miscellaneous expenses, such as postage, facsimiles, and copies.

### Net Income (Loss)

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We had a net loss of (\$30,026) for the year ended December 31, 2005, compared to net income for the year ended December 31, 2004 of \$57,059. The net loss in the current year is due to the fact we did not have any revenues and incurred general and administrative expenses related to the reporting obligations necessary to keep the company current in our reporting obligations. Our net income for the year ended December 31, 2004 is a direct result of the forgiveness of debt in the amount of \$83,355 which was recorded as other income in the accompanying financial statements for the twelve months ended December 31, 2004. Because we do not have any investments in eligible portfolio companies, and we have not closed the China Agro transaction, we anticipate that our net income (loss) could differ significantly from period to period.

### LIQUIDITY AND CAPITAL RESOURCES

#### Introduction

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As of December 31, 2005, we had no cash and our only asset was an investment in NuQuest, Inc. common stock valued at \$25,000. Our total current liabilities as of December 31, 2005 were \$21,947 consisting entirely of accrued liabilities. Although our assets exceeded our liabilities on December 31, 2005, given our lack of investments in eligible portfolio companies and the potential closing of the China Agro transaction, our financial results at the end of future quarters could differ significantly. Until we begin to realize a return from our investment in eligible portfolio companies, we will have to fund operations from the sale of our stock and from loans. We have been successful in obtaining the necessary funding in the past, and anticipate that we will be able to continue to do so in the future.

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Our cash, total current assets, total assets, total current liabilities, and total liabilities as of December 31, 2005 and September 30, 2005 are as follows:

	December 31, 2005	September 30, 2005	Change
	-----	-----	-----
Cash	\$ -	\$ -	\$ -
Total current assets	-	-	-

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Total current assets	25,000	25,000	-
Total current liabilities	21,947	13,062	8,885
Total liabilities	21,947	13,062	8,885

### Cash Requirements

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Currently, our cash requirements are minimal, related only to the cost of maintaining the Company in good standing. Last year we raised a small amount of capital through an offering under Regulation E, which covered our expenses for approximately next twelve (12) months. If necessary, we anticipate raising additional funds through another offering under Regulation E to fund our operations until we begin making investments into eligible portfolio companies or for the next twelve (12) months. Additionally, our two primary shareholders, Mr. Berg and Mr. Lebrecht, have verbally agreed to advance funds to us to fund our minimal cash requirements that cannot otherwise be covered by the proceeds from the offering. For the year ended December 31, 2005 our net cash used in operating activities was (\$34,604). Due to our lack of substantial operations to date we do not believe this is necessarily indicative of our cash flow needs for future years when we may be actively providing managerial assistance to eligible portfolio companies, or we close the transaction with China Agro.

### Sources and Uses of Cash

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#### Operations

We did not receive any cash from operations for the year ended December 31, 2005. As noted above, we used \$34,604 in cash for operating activities during this period. We anticipate that both our cash generated from operations and used for operations will increase as soon as we have investments in eligible portfolio companies or we close the transaction with China Agro. Until that time we believe this figure will be fairly indicative our cash generation and cash used for operations in a twelve month period.

#### Financing

During the year ended December 31, 2005 we paid our operating expenses primarily from an advance from a shareholder totaling \$17,201. We anticipate that we will have to continue to pay our operating expenses out of the proceeds from financing activities or from advances from our shareholders until we begin to realize a return from our investments in eligible portfolio companies or we close the China Agro transaction.

### Debt Instruments, Guarantees, and Related Covenants

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Currently, we do not have any debt instruments, guarantees or related covenants.

### CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the Company's financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses.

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### OFF-BALANCE SHEET ARRANGEMENTS

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

### ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Since we have very few assets and do not have any investments in eligible portfolio companies there is no quantitative information, as of the end of December 31, 2005, about market risk that has any impact on our present business. Once we begin making investments in eligible portfolio companies we there will be market risk sensitive instruments and we will disclose the applicable market risk information at that time.

Our primary financial instruments are cash in banks and money market instruments. We do not believe that these instruments are subject to material potential near-term losses in future earnings from reasonably possible near-term changes in market rates or prices. We do not have derivative financial instruments for speculative or trading purposes. We are not currently exposed to any material currency exchange risk.

### ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Statement of Stockholders Equity F-3

Statement of Cash Flows F-4

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

There have been no events required to be reported by this Item 9.

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### ITEM 9A - CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer (or those persons performing similar functions), after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of a date within 90 days of the filing of this annual report (the "Evaluation Date"), have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective to ensure the timely collection, evaluation and disclosure of information relating to the Company that would potentially be subject to disclosure under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. There were no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the Evaluation



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Date.

### ITEM 9B - OTHER INFORMATION

All information required to be filed on a Form 8-K during the three months ended December 31, 2005 was filed with the Commission on a Form 8-K.

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### PART III

#### ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the names and ages of the current directors and executive officers of the Company, the principal offices and positions with the Company held by each person and the date such person became a director or executive officer of the Company. The executive officers of the Company are elected annually by the Board of Directors. The directors serve one-year terms until their successors are elected. The executive officers serve terms of one year or until their death, resignation or removal by the Board of Directors. Unless described below, there are no family relationships among any of the directors and officers.

Name	Age	Position(s)
-----	-----	-----
Carl M. Berg	36	Chairman of the Board, President, Secretary, and Treasurer (2001)
Kevin J. Gadawski	38	Director (2003)
Mark Stewart	38	Director (2003)

CARL M. BERG has served as our director and officer since our inception. He also currently serves as a company executive with STSN, Inc., a provider of wired and wireless broadband communications for business travelers, where he has served since 2003. Prior to STSN, from 1999 to 2003, he was a company executive with Sandlot Corporation, a startup subscription management software company. Sandlot is involved in managing subscription-based e-commerce. Mr. Berg directed business initiatives as the Business Development Manager, which resulted in growth of the company from 10 to 75 employees worldwide with offices in the U.S. and Windsor, United Kingdom. Prior to Sandlot Corporation, from 1992 to 1999, Mr. Berg served in various management positions in the technology division of Ameritech Corporation. His roles varied from the overall management of library automation implementation projects to directing the implementation division of roughly 75 technical staff. Job titles included Project Coordinator, Project Manager and Director of Implementation.

KEVIN J. GADAWSKI joined our Board of Directors in May 2003. He also serves as the President of Worldwide Medical in Lake Forest, California, where he previously served as the Chief Operating Officer and Chief Financial Officer for Worldwide Medical Corporation from May of 2002. From May of 2001 to May of 2002, Mr. Gadawski served as the Chief Financial Officer of California Software Corporation in Irvine, California. From June of 2000 through May of 2001, Mr. Gadawski was the Chief Financial Officer for e-net Financial.com in Costa Mesa, California. His primary duties included financial reporting and financial management. For the five years prior to that, Mr. Gadawski served in various capacities including Director of Internal Audit and Divisional Controller with Huffy Corporation in Miamisburg, Ohio. Mr. Gadawski began his career in the

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audit department of KMPG Peat Marwick, LLP.

MARK STEWART joined our Board of Directors in November 2003. Mr. Stewart has been a principal with Mark Stewart Securities, Inc., a NASD broker-dealer, since 1996. Mr. Stewart started his career with American Express Financial Advisors (IDS) in 1991, and served as head trader at numerous firms from 1991 to 1996.

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### Audit Committee

On May 16, 2003, an Audit Committee of the Board of Directors, established in accordance with section 3(a)(58)(A) of the Exchange Act, was formed. The directors who are members of the Audit Committee are Kevin J. Gadawski and Mark Stewart, with Mr. Gadawski considered an audit committee financial expert and an independent director.

### Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who own more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, none of the required parties are delinquent in their 16(a) filings.

### Code of Ethics

We have not adopted a written code of ethics, primarily because we believe and understand that our officers and directors adhere to and follow ethical standards without the necessity of a written policy.

### ITEM 11 - EXECUTIVE COMPENSATION

None of our employees are subject to a written employment agreement. Our president elected to forego a salary during the early developmental stages, and also provided office space. We estimate the value of these services to be \$6,000 for each year for the years ended December 31, 2005 and 2003. As of December 31, 2004 we did not have any amounts owed to our president as he elected to forgive any outstanding amounts he was owed and to forego a salary until further notice.

On May 15, 2001, our directors and shareholders approved the M-GAB, Inc. 2001 Stock Option Plan, effective June 1, 2001. The plan offers selected employees, directors, and consultants an opportunity to acquire our common stock, and serves to encourage such persons to remain employed by us and to attract new employees. The plan allows for the award of stock and options, up to 600,000 shares of our common stock. In November 2003, we agreed to issue options to acquire 600,000 shares under the Plan to our two independent directors; however, these options will not be issued until such time as approved by the Commission in accordance with rules and regulations applicable to BDC's. Our Application For an Order Pursuant to Section 61(a)(3)(B) of The Investment Company Act of 1940 to Permit the Issuance of Stock Options to Non-Interested Directors is currently pending before the Commission. We hope to receive

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approval to issue the options to our non-interested directors during the second quarter of our fiscal year ended December 31, 2005.

The Summary Compensation Table shows certain compensation information for services rendered in all capacities for the fiscal years ended December 31, 2004 and 2003. Other than as set forth herein, no executive officer's salary and bonus exceeded \$100,000 in any of the applicable years. The following information includes the dollar value of base salaries, bonus awards, the number of stock options granted and certain other compensation, if any, whether paid or deferred.

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NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG TERM INCENTIVES	
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$)	AWARDS	
					RESTRICTED STOCK AWARDS (\$)	SECURITIES UNDERLYING OPTIONS (\$)
Carl M. Berg Chairman, President, Secretary, Treasurer	2005	-0-	-0-	\$-0-	-0-	-0-
	2004	-0-	-0-	\$-0-	-0-	-0-
Kevin J. Gadawski Director	2005	-0-	-0-	\$5,000 (2)	-0-	-0-
	2004	-0-	-0-	\$5,000 (3)	-0-	-0-
Mark Stewart Director	2005	-0-	-0-	\$-0-	-0-	-0-
	2004	-0-	-0-	\$-0-	-0-	-0-

(1) This amount was accrued until March 26, 2004, when Mr. Berg elected for forgive all amounts owed to him, as well as any future salary until further notice.

(2) As of December 31, 2005, Mr. Gadawski received \$3,750 of this amount. The other \$1,250 has been accrued. (3) Mr. Gadawski received \$2,500 of this amount in the year end December 31, 2004. The other \$2,500 was paid in the year ended December 31, 2005.

## OPTION/SAR GRANTS IN LAST FISCAL YEAR (INDIVIDUAL GRANTS)

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED (#)	PERCENT OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SH)	EXPIRATION DATE
Carl M. Berg	-0-	N/A	N/A	
Kevin J. Gadawski	-0-	N/A	N/A	
Mark Stewart	-0-	N/A	N/A	

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## AGGREGATED OPTIONS/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF UNEXERCISED SECURITIES UNDERLYING OPTIONS/SARS AT FY-END (#) EXERCISABLE/UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTION/AT FY-END (\$) EXERCISABLE/UNEXERCISABLE
Carl M. Berg	N/A	N/A	N/A	N/A
Kevin J. Gadawski	N/A	N/A	N/A	N/A
Mark Stewart	N/A	N/A	N/A	N/A

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## COMPENSATION OF DIRECTORS

In November 2003, we agreed to issue to each of Mr. Gadawski and Mr. Stewart options to acquire 300,000 shares of our common stock for serving as directors of the Corporation. The issuance of the options is subject to approval of the SEC pursuant to provisions of the Investment Company Act of 1940, and will not be issued until the issuance is approved by the SEC. The options are to be exercisable for a period of ten years from their grant date, at an exercise price equal to the fair market value on the grant date, and will expire upon their resignation from the Board. Our Application For an Order Pursuant to Section 61(a)(3)(B) of The Investment Company Act of 1940 to Permit the Issuance of Stock Options to Non-Interested Directors is currently pending before the Commission. We hope to receive approval to issue the options to our non-interested directors during the second quarter of our fiscal year ended December 31, 2006.

In addition, we have agreed to pay Mr. Gadawski \$1,250 per quarter for additional consulting services.

Mr. Berg has not received any compensation for serving as a director. Other than as set forth herein, no compensation has been given to any of the directors, although they may be reimbursed for any pre-approved out-of-pocket expenses.

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

The following table sets forth, as of March 30, 2006, certain information with respect to the Company's equity securities owned of record or beneficially by (i) each Officer and Director of the Company; (ii) each person who owns beneficially more than 5% of each class of the Company's outstanding equity securities; and (iii) all Directors and Executive Officers as a group.

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Name and Address (1) -----	Nature of Affiliation -----	Common Stock Ownership -----	Percentage of Common Stock Ownership (2) -----
Carl M. Berg	Chairman of the Board, President, Secretary and Treasurer	5,550,000 (3)	84.7%
Brian A. Lebrecht (4)	5% Shareholder	450,000	6.8%
Kevin J. Gadawski	Independent Director	300,500 (5) (6)	4.6% (5)
Mark Stewart	Independent Director	300,000 (5)	4.6% (5)
All Officers and Directors as a Group (3 Persons)		6,150,500 (3) (5) (6)	93.9% (5)

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(1) Unless stated otherwise, the address of each affiliate is c/o M-GAB Development Corporation, 9900 Research Drive, Irvine, CA 92618.

(2) Unless otherwise indicated, based on 6,550,512 shares of common stock issued and outstanding. Shares of common stock subject to options or warrants currently exercisable, or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage of the person holding such options or warrants, but are not deemed outstanding for purposes of computing the percentage of any other person.

(3) Includes 3,000,000 shares held of record by Sadie, LLC, an entity wholly-owned and controlled by Mr. Berg. Mr. Berg is our sole officer.

(4) Mr. Lebrecht is President of The Lebrecht Group, APLC, which serves as our securities counsel.

(5) Includes options to acquire 300,000 shares of common stock which will be granted to each of Mr. Gadawski and Mr. Stewart upon approval by the Commission in compliance with the Investment Company Act of 1940.

(6) Includes 500 shares held by Mr. Gadawski's spouse.

The issuer is not aware of any person who owns of record, or is known to own beneficially, five percent or more of the outstanding securities of any class of the issuer, other than as set forth above. The issuer is not aware of any person who controls the issuer as specified in section 2(a)(1) of the Investment Company Act of 1940. There are no classes of stock other than common stock issued or outstanding. There are currently warrants outstanding to acquire 333,334 shares of our common stock at \$0.15 per share, and other than as set

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forth herein, there are no options, warrants, or other rights to acquire common stock outstanding. The Company does not have an investment advisor.

Subsequent to our fiscal year end, on March 15, 2006, we entered into an Agreement and Plan of Merger with China Agro Sciences Corp., a Florida corporation ("China Agro") whereby, at the closing, China Agro will merge with DaLian Acquisition Corp., a Florida corporation that is our wholly-owned subsidiary. As a result of the merger, China Agro will become a wholly-owned subsidiary of M-GAB, and we will issue 13,349,488 shares of M-GAB common stock to the former owners of China Agro. At the same time, certain of the China Agro shareholders will acquire 5,500,000 M-GAB shares directly from our majority shareholder, director, and sole officer, Carl M. Berg, and his holding company. Following the closing, the China Agro shareholders will own 18,849,488 shares of our common stock, or 94.2% of our then-outstanding 20,000,000 shares. As a condition precedent to the closing, we are required to take certain steps that will require shareholder approval, including terminating our status as a Business Development Company under the Investment Company Act of 1940. We anticipate that a closing will take place in late April 2006. If this transaction closes it will result in a change of control.

### ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On April 20, 2001, our founder, Carl M. Berg, purchased 2,550,000 shares of common stock for \$255.00. On April 20, 2001, Sadie, LLC, an entity wholly-owned and controlled by Mr. Berg, purchased 3,000,000 shares of common stock for \$300.00. Also on April 20, 2001, Brian A. Lebrecht, our legal counsel, purchased 450,000 shares of common stock for \$45.00. The total purchase price from these transactions was \$600.00.

We have engaged one of our shareholders, Mr. Lebrecht, as our corporate counsel. For the twelve months ended December 31, 2005, we did not incur any legal fees to Mr. Lebrecht's law firm since he has agreed to forego all fees for legal services related to our Company until further notice. Mr. Lebrecht also agreed to forgive amounts due to his law firm in 2004.

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Our President, Mr. Berg, has elected to forego a salary during our early development stages. He also provided office space for us. We estimate the value of these services to be \$6,000 per year for the twelve months ended December 31, 2005 and 2003. As of December 31, 2004, we did not have any amounts owed to Mr. Berg as he has agreed to forgive all amounts we owed to him until further notice. In addition, one of our directors, Mr. Gadawski, provides consulting services to us

In November 2003, we agreed to issue to each of Mr. Gadawski and Mr. Stewart options to acquire 300,000 shares of our common stock for serving as directors of the Corporation. The issuance of the options is subject to approval of the SEC pursuant to provisions of the Investment Company Act of 1940. The options are to be exercisable for a period of ten years from their grant date, at an exercise price of \$0.15 per share, and will expire upon their resignation from the Board. In addition, we have agreed to pay Mr. Gadawski \$1,250 per quarter for consulting services.

### ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

#### AUDIT FEES

During the fiscal years ended December 31, 2005 and 2004, Ramirez International billed us \$19,000 and \$18,860, respectively, in fees for professional services for the audit of our annual financial statements and

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review of financial statements included in our Forms 10-KSB and 10-QSB.

### AUDIT - RELATED FEES

During the fiscal years ended December 31, 2005 and 2004, Ramirez International billed us \$19,000 and \$18,860, respectively, in fees for assurance and related services related to the performance of the audit and review of the Company's financial statements.

### TAX FEES

During the fiscal years ended December 31, 2005 and 2004, Ramirez International billed us \$1,020 and \$800, respectively, in fees for professional services for tax planning and preparation.

### ALL OTHER FEES

During the fiscal years ended December 31, 2005 and 2004, Ramirez International did not bill the Company for any other fees.

Of the fees described above for the fiscal year ended December 31, 2005, 100% were approved by the Audit Committee of the Board of Directors of the Company. Of the fees described above for the fiscal year ended December 31, 2004, 100% were either approved in advance by the Audit Committee if it was in existence at the time of approval, or subsequently ratified by the Audit Committee.

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## PART IV

### ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES

#### (A) EXHIBITS

- 3.1(1) Articles of Incorporation of M-GAB Development Corporation
- 3.2(1) Bylaws of M-GAB Development Corporation
- 10.1(2) M-GAB Development Corporation Amended and Restated 2001 Omnibus Securities Plan
- 10.2(2) M-GAB Development Corporation 2004 Omnibus Securities Plan
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
- 32.1 Chief Executive Officer Certification Pursuant to 18 USC, Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Chief Financial Officer Certification Pursuant to 18 USC, Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- (1) Incorporated by reference from our Registration Statement on Form

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SB-2 filed with the Commission on August 31, 2001.

- (2) Incorporated by reference from our annual Form 10-KSB dated December 31, 2005, as filed with the Commission on March 25, 2005.

(B) REPORTS ON FORM 8-K

We made no 8-K filings during the quarter ended December 31, 2005.

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### 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.

M-GAB Development Corporation

Dated: March 30, 2006

/s/ Carl M. Berg

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By: Carl M. Berg  
Its: President, Chief Executive Officer,  
Chief Financial Officer

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.

Dated: March 30, 2006

/s/ Carl M. Berg

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By: Carl M. Berg, Director

Dated: March 30, 2006

/s/ Kevin J. Gadawski

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By: Kevin J. Gadawski, Director

Dated: March 30, 2006

/s/ Mark Stewart

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By: Mark Stewart, Director

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M-GAB DEVELOPMENT CORPORATION  
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

DECEMBER 31, 2005 AND 2004

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM  
-----

To:           The Board of Directors of  
              M-GAB DEVELOPMENT CORPORATION

We have audited the accompanying balance sheets of M-GAB DEVELOPMENT CORPORATION (the "Company") (a Development Stage Company) as of December 31, 2005 and 2004 and the related statements of operations, stockholders' equity and cash flows for each of the years then ended and the period from inception (March 27, 2001) through December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and 2004 and the results of its operations and its cash flows for each of the years then ended and the period from inception (March 27, 2001) through December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has no established source of revenue and is dependent on its ability to raise substantial amounts of capital. Management's plans in regard to these matters are also described in Note 2. These matters raise substantial doubt about the Company's ability to continue as a going concern.

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The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

RAMIREZ INTERNATIONAL  
FINANCIAL & ACCOUNTING SERVICES, INC.

March 30, 2006  
Irvine, CA

## M-GAB DEVELOPMENT CORPORATION (A DEVELOPMENT STAGE COMPANY) BALANCE SHEET DECEMBER 31,

	2005	
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ASSETS		
Current assets:		
Cash	\$ --	\$
Non current assets:		
Investment in stock	25,000	
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Total assets	\$ 25,000	\$
	<hr/>	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,746	\$
Payable to stockholder	17,201	
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Total current liabilities	21,947	
Commitments and contingencies	--	
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; No shares issued or outstanding	--	
Common stock, \$0.001 par value; 100,000,000 shares authorized; 6,550,512 and 6,383,845 shares issued and outstanding	6,550	
Additional paid in capital	89,674	
Deficit accumulated during the development stage	(93,171)	
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Total stockholders' equity	3,053	
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Total liabilities and stockholders' equity	\$ 25,000	\$
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The accompanying notes are an integral part of these financial statements.

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## M-GAB DEVELOPMENT CORPORATION (A DEVELOPMENT STAGE COMPANY) STATEMENT OF OPERATIONS

	Cumulative from inception (March 27, 2001) through December 31, 2005	Year Ended December 31, 2005	D
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Revenue	\$ --	\$ --	
General and administrative expenses	176,526	30,026	
Other income	83,355	--	
	-----		
Net income (loss)	\$ (93,171)	\$ (30,026)	\$
	=====		
Basic and diluted net income (loss) per share		\$ (0.01)	\$
Weighted average shares outstanding		6,507,130	

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

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## M-GAB DEVELOPMENT CORPORATION (A DEVELOPMENT STAGE COMPANY) STATEMENT OF STOCKHOLDERS' EQUITY

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	Common Stock		Additional	Accumulated
	Shares	Par Value	Paid-in Capital	the Devel Stag
Issuance of common stock to founders on April 20, 2001	6,000,000	\$ 6,000	\$ (5,400)	\$
Issuance of common stock for cash in August 2001	13,000	13	1,287	
Contributed capital-services			14,199	
Net loss				(19,
Balance, December 31, 2001	6,013,000	6,013	10,086	(19,
Issuance of common stock for cash in September 2002	10,000	10	990	
Net loss				(37,
Balance, December 31, 2002	6,023,000	\$ 6,023	\$ 11,076	\$ (56,
Net loss				(\$ 63,
Balance, December 31, 2003	6,023,000	\$ 6,023	\$ 11,076	\$ (120,
Issuance of common stock for cash in March 2004	360,385	361	46,547	
Issuance of common stock for cash in March 2004			7,217	
Net income				57,
Balance, December 31, 2004	6,383,385	\$ 6,384	\$ 64,840	\$ (63,
Shares issued in stock exchange	166,667	166	24,834	
Net loss				(30,
Balance, December 31, 2005	6,550,052	\$ 6,550	\$ 89,674	\$ (93,

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

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## M-GAB DEVELOPMENT CORPORATION (A DEVELOPMENT STAGE COMPANY) STATEMENT OF CASH FLOWS

	Cumulative from inception (March 27, 2001) to December 31, 2005	Year Ended December 31, 2005	Ye De
Cash flows from operating activities:			
Net income (loss)	(93,171)	\$ (30,026)	
Adjustments to reconcile net loss to cash used in operating activities:			
Contributed capital for services rendered	14,199	--	
Forgiveness of accounts payable and payable to stockholder	(83,355)	--	
Increase (decrease) in accounts payable and accrued liabilities	78,101	(4,578)	
Net cash used by operating activities	(84,226)	(34,604)	
Cash flows from financing activities:			
Proceeds from issuance of stock	57,025	--	
Advance from shareholder	27,201	17,201	
Net cash provided by financing activities	84,226	--	
Net increase (decrease) in cash	--	(17,403)	
Cash and cash equivalents, beginning of period	--	17,403	
Cash and cash equivalents, end of period	\$ --	\$ --	

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

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### 1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES

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**Nature of Operations.** The Company incorporated in Florida on March 27, 2001. The fiscal year end of the Company is December 31. Planned principal operations of the Company have not yet commenced; activities to date have been limited to forming the Company, developing its business plan, and obtaining initial capitalization. On May 16, 2003, the Company filed an election to be treated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"), which became effective on the date of filing. Subsequent to the BDC election the Company's principal business is to make venture capital investments in early-stage and/or developing enterprises that are principally engaged in the development or exploitation of inventions, technological improvements, and new or unique products and services.

**Principles of Accounting.** The accompanying financial statements have been prepared in conformity with generally accepted accounting principles.

**Accounting Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures 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 may differ from those estimates.

**Shares Issued in Exchange for Services.** The fair value of shares issued in exchange for services rendered to the Company is determined by the Company's officers and directors, as there is currently no market for the Company's stock.

**Cash and Cash Equivalents.** The Company includes cash on deposit and short-term investments with original maturities less than ninety days as cash and cash equivalents in the accompanying financial statements.

**General and Administrative Expenses.** The Company's general and administrative expenses consisted primarily of legal and accounting fees for the years ended December 31, 2005 and 2004.

**Research and Development.** Research and development costs are expensed as incurred as required by Statement of Financial Accounting Standards No. 2, "Accounting for Research and Development Costs." As of December 31, 2005, no research and development costs have been incurred.

**Advertising.** Advertising costs are charged to operations when incurred. The Company has not incurred any advertising costs.

**Stock-Based Compensation.** Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation, encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in previously issued standards. Accordingly, compensation cost for stock options issued to employees is measured as the excess, if any, of the fair market value of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. Compensation is charged to expense over the shorter of the service or vesting period. Stock options issued to non-employees are recorded at the fair value of the services received or the fair value of the options issued, whichever is more reliably measurable, and charged to expense over the service period.

**Income Taxes.** The Company has not made a provision for income taxes because of its financial statement and tax losses since its inception on March 27, 2001. A valuation allowance has been used to offset the recognition of any deferred tax assets related to net operating loss carryforwards due to the uncertainty of future realization. The use of any tax loss carry-forward benefits may also be limited as a result of changes in Company ownership.

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Fair Value of Financial Instruments. The Company considers all liquid interest-earning investments with a maturity of three months or less at the date of purchase to be cash equivalents. Short-term investments generally mature between three months and six months from the purchase date. All cash and short-term investments are classified as available for sale and are recorded at market using the specific identification method; unrealized gains and losses are reflected in other comprehensive income. Cost approximates market for all classifications of cash and short-term investments.

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Net Income (Loss) per Common Share. Net loss per share is calculated in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that options are included in the calculation of diluted earnings per share, except when their effect would be anti-dilutive. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Recently Enacted Accounting Standards. Statement of Financial Accounting Standards ("SFAS") No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", SFAS No. 147, "Acquisitions of Certain Financial Institutions - an Amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9", SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123", SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", and SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", were recently issued. SFAS No. 146, 147, 148, 149 and 150 have no current applicability to the Company or their effect on the financial statements would not have been significant.

### 2 GOING CONCERN

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The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company has no established source of revenue, and as of December 31, 2005, the Company had limited working capital. In addition, the Company has been in the development stage since its inception in 2001 and is dependent on outside financing to fund its operations. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

Management's plans in regard to these matters are to continue to raise additional capital from selling the Company's stock. However, there is no assurance that the Company will be able to obtain such financing. Management believes actions currently being taken provide the opportunity for the Company to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### 3. STOCKHOLDERS' EQUITY

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Founders' Stock. The Company issued 6,000,000 shares of common stock on April 20, 2001 for cash totaling \$600.

2001 Private Placement Memorandum. On June 1, 2001, the Company began an offering to sell up to 100,000 shares of common stock at \$0.10 per share

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pursuant to a Private Placement Memorandum. In August 2001, the Company sold 13,000 shares of its common stock at \$0.10 under this private placement. All proceeds from this offering were used for pre-incorporation expenditures, consulting fees and working capital.

Registered Stock Offering. During the quarter ended December 31, 2002, the Company sold 10,000 shares of its common stock at \$0.10 per share for total proceeds of \$1,000. The stock offering was pursuant to the Company's effective Form SB-2/A registration statement dated November 15, 2001. The Company used the proceeds to repay advances and general and administrative expenses. The Company's registered offering expired on October 30, 2002.

2004 Private Placement Memorandum. On March 2, 2004, the Company sold 360,845 stock units at \$0.15 each for net proceeds of \$54,125. Each stock unit consists of one share of common stock and a warrant to purchase one share of common stock. The stock warrants are exercisable at any time before March 8, 2007 at \$0.15 per share of common stock. The Company's net proceeds of \$54,125 from this stock sale will be used to fund Company operations.

The Company has computed the fair value of the stock warrants issued to be \$0.02 per warrant. The Company recorded the total fair value of the warrants of \$7,217 as an increase to its additional paid in capital in the accompanying financial statements. The Company used the Black-Sholes option pricing model to value the warrants with the following assumptions: risk-free interest rate of 6.0%, expected dividend yield of 0, expected life of 3 years, and expected volatility of 1.0.

Stock Exchange Agreement. On April 1, 2005, the Company entered into a Stock Exchange Agreement with NuQuest, Inc. ("NuQuest"). Pursuant to the agreement, the Company agreed to issue a total of 166,667 shares of its common stock to NuQuest in exchange for a total of 20,000 shares of restricted NuQuest common stock. The value of the stock to be exchanged by both parties was agreed to be \$25,000. NuQuest further agreed to declare a dividend and distribute the shares of the Company's exchanged common stock pro-rata to all of their shareholders except for three, who agreed to forego the dividend. The Company has recorded the NuQuest shares as a long term asset on the enclosed balance sheet as of December 31, 2005. As of December 31, 2005, the Company has not established a valuation allowance relative to the NuQuest shares.

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Amended and Restated 2001 Stock Option Plan. The Company's Board and shareholders approved a Stock Option Plan, effective June 1, 2001. The plan was amended by the Board and shareholders to the Company's Amended and Restated 2001 Omnibus Securities Plan, effective May 27, 2004 ("2001 Plan"). The 2001 Plan limits the aggregate number of shares available to 600,000. Each award under the 2001 Plan will be evidenced by a Stock Purchase Agreement; each agreement will establish the vesting requirements and the maximum term of the options granted. On November 4, 2003, the Company agreed to issue 600,000 stock options to two directors under the 2001 Plan. In accordance with the Company's status as a business development company, the stock options will not be issued until the Securities and Exchange Commission ("SEC") approves the issuances, which the Company believes will occur during the next quarter. If approved by the SEC, the exercise price of the stock options will be at or above the fair market value of the Company's common stock on the issuance date.

2004 Omnibus Securities Plan. The Company's Board and shareholders approved the Company's 2004 Omnibus Securities Plan, effective May 27, 2004 ("2004 Plan"). The 2004 Plan limits the aggregate number of shares that can issue under the plan to 650,000 shares. Each award under the 2004 Plan will be evidenced by a Stock Purchase Agreement; each agreement will establish the vesting requirements



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and the maximum term of the options granted. The Company has not issued, or agreed to issue, any stock or options under the 2004 Plan. In accordance with the Company's status as a business development company, no stock or options will be issued under the Plan until the SEC approves the 2004 Plan. If approved by the SEC, any stock or option issuances under the 2004 Plan will be at or above the fair market value of the Company's common stock on the date of issuance.

### 4. INCOME (LOSS) PER SHARE

The following data show the amounts used in computing net income (loss) per share for the periods presented:

	For the Years Ended December 31,	
	2005	2004
Income (loss) from continuing operations available to common shareholders (numerator)	\$ (30,026)	\$ 57,059
Weighted average number of common shares outstanding used in loss per share during the period (denominator)	6,507,130	6,321,699

Dilutive loss per share was not presented, as the Company had no common equivalent shares for all periods presented that would effect the computation of diluted loss per share.

### 5. INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" which requires the liability approach for the effect of income taxes.

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The Company has available at December 31, 2005, unused operating loss carryforwards of approximately \$93,000, which may be applied against future taxable income and which expire in various years through 2025. If certain substantial changes in the Company's ownership should occur, there could be an annual limitation on the amount of net operating loss carryforward which can be utilized. The amount of and ultimate realization of the benefits from the operating loss carryforwards for income tax purposes is dependent, in part, upon the tax laws in effect, the future earnings of the Company and other future events, the effects of which cannot be determined. Because of the uncertainty surrounding the realization of the loss carryforwards, the Company has established a valuation allowance equal to the tax effect of the loss carryforwards, therefore, no deferred tax asset has been recognized for the loss carryforwards. The net deferred tax assets were approximately \$32,000 and \$21,000 at December 31, 2005 and 2004, respectively, with an offsetting valuation allowance of the same amount resulting in a change in the valuation allowance of approximately \$11,000 during the year ended December 31, 2005.

### 6. RELATED PARTY TRANSACTIONS

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The Company has engaged one of its shareholders, Mr. Lebrecht, as its corporate counsel. For the years ended December 31, 2005 and 2004, the Company incurred total legal services and out of pocket costs to Mr. Lebrecht's firm of \$1,567 and \$324, respectively. As of December 31, 2005 and 2004, the Company had amounts due to Mr. Lebrecht of approximately \$17,000 and \$24, respectively, which are recorded in accounts payable and accrued liabilities in the accompanying financial statements. In addition, the Company received an advance of \$10,000 from Mr. Lebrecht for organizational costs. The Company recorded this advance as a payable to stockholder as of December 31, 2003. On March 26, 2004, The Lebrecht Group, APLC, agreed to forgive amounts owed to them of \$73,955, including the \$10,000 advance. The forgiveness of these amounts was recorded as other income in the accompanying financial statements for the year ended December 31, 2004.

The Company's President, Mr. Berg, has elected to forego a salary during its early development stages. Mr. Berg has also provided office space to the Company. In prior years, the Company estimated the value of these services to be \$6,000 for the year ended December 31, 2004. As of December 31, 2003, the Company had amounts due to Mr. Berg of \$9,400, which were recorded in accounts payable and accrued liabilities in the accompanying financial statements. On March 26, 2004, the Company's director and officer agreed to forgive \$9,400 of the Company's debt owed to him. As of December 31, 2005, there were no amounts due Mr. Berg. The forgiveness of debt was recorded as other income in the accompanying financial statements for the year ended December 31, 2004.

In addition, one of the Company's directors, Mr. Gadawski, provided consulting services to the Company in 2005 and 2004. As of December 31, 2005, the Company had \$1,250 due to Mr. Gadawski for services rendered during the year ended December 31, 2005.

In November 2003, the Company agreed to issue to each of Mr. Gadawski and Mr. Stewart options to acquire 300,000 shares of our common stock for serving as directors of the Corporation. As of December 31, 2005, the Company has not issued these options, as this issuance of options is subject to approval of the SEC pursuant to provisions of the Investment Company Act of 1940.

#### 7. SUBSEQUENT EVENTS

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On February 10, 2006, the Company entered into a letter of intent with the shareholders of DaLian RunZe Chemurgy Co., Ltd (the "Purchasers.") The Purchasers agreed to pay a total of \$515,000 to The Lebrecht Group, APLC ("TLG," ) legal counsel for the Company, the Company and its controlling shareholders. Upon signing the letter of intent, the Purchasers paid \$300,000 as a deposit and the remaining amount will be paid at the closing of the Transaction. Subsequent to entering into this letter of intent, the Purchasers were replaced with China Agro Sciences Corp., a Florida corporation, and the terms of the letter of intent remained the same.

On March 15, 2006, the Company entered into an Agreement and Plan of Merger (the "Agreement") with China Agro Sciences Corp., a Florida corporation ("China Agro") whereby, at the closing, China Agro will merge with DaLian Acquisition Corp, a Florida corporation that is a wholly-owned subsidiary created by the Company in 2006 for this merger. As a result of the merger, China Agro will become a wholly-owned subsidiary of the Company, and the Company will issue 13,349,488 shares of its common stock to the former owners of China Agro. At the same time, certain of the China Agro shareholders will acquire 5,500,000 shares of the Company's common stock directly from the Company's majority shareholder, director, and sole officer, Carl M. Berg, and his holding company. Following the closing, the China Agro shareholders will own 18,849,488 shares of the Company's

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common stock, or 94.2% of the Company's then-outstanding 20,000,000 shares. As a condition precedent to the closing, the Company is required to take certain steps that will require shareholder approval, including terminating its status as a Business Development Company under the Investment Company Act of 1940. The closing of the Agreement shall take place no later than May 31, 2006, unless extended by a written agreement.

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