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JACKSON RIVERS CO  
Form DEF 14C  
January 10, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 14C

INFORMATION STATEMENT PURSUANT TO SECTION 14(c)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FILED BY THE REGISTRANT

FILED BY PARTY OTHER THAN THE REGISTRANT

CHECK THE APPROPRIATE BOX:

- Preliminary Information Statement  
 Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))  
 Definitive Information Statement

THE JACKSON RIVERS COMPANY  
(Name of Registrant as specified in its charter)

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

- No fee required.  
(1) Title of each class of securities to which transaction applies:  
(2) Aggregate number of securities to which transactions applies:  
(3) Per unit price or other underlying value of transaction computed pursuant to exchange act rule 0-11:  
(4) Proposed maximum aggregate value of transaction:  
(5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by exchange act rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
- (1) Amount previously paid:  
(2) Form, schedule or registration statement no.:  
(3) Filing party:  
(4) Date filed:

THE JACKSON RIVERS COMPANY  
27 RADIO CIRCLE, MOUNT KISCO  
NEW YORK , 10549  
TELEPHONE (619) 615-4242

January 10, 2005

To Our Stockholders:

The purpose of this information statement is to inform the holders of record of shares of our common and preferred stock as of the close of business on the record date, December 21, 2004 that our board of directors has recommended, and that the holder of the majority of votes of our stock intends

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to vote on January 31, 2005 to effect the following corporate actions:

1. Ratify the November 22, 2004 amendment to our articles of incorporation to change the par value of our common and preferred stock from \$0.001 per share to \$0.00001 per share;

2. Ratify the November 22, 2004 reverse split of our common stock on the basis of one post-consolidation share for each one thousand pre-consolidation shares;

3. Approve an amendment to our articles of incorporation to increase the authorized number of shares of our common stock from 1,980,000,000 to 5,000,000,000 shares;

4. Approve an amendment to our articles of incorporation to increase the authorized number of shares of our preferred stock from 200,000,000 to 1,000,000,000 shares;

5. Grant discretionary authority to our board of directors to implement a reverse split of our common stock on the basis of one post-consolidation share for up to each 2,000 pre-consolidation shares to occur at some time within 12 months of the date of this information statement, with the exact time of the reverse split to be determined by the board of directors; and

6. Approve the following Stock Plans of The Jackson Rivers Company (the "Stock Plans"):

(a) Employee Stock Incentive Plan for the Year 2004 No. 3, adopted by the directors on August 9, 2004 with 150,000,000 shares available for issuance under the Plan.

(b) Non-Employee Directors and Consultants Retainer Stock Plan for the Year 2004 No. 3, adopted by the directors on August 9, 2004, with 49,000,000 shares available for issuance under the Plan.

(c) Employee Stock Incentive Plan for the Year 2004 No. 4, adopted by the directors on September 8, 2004 with 400,000,000 shares available for issuance under the Plan.

(d) Non-Employee Directors and Consultants Retainer Stock Plan for the Year 2004 No. 4, adopted by the directors on September 8, 2004, with 99,000,000 shares available for issuance under the Plan.

On December 21, 2004, we had 92,474,495 shares of our common stock issued and outstanding, 980,000 shares of the Series A preferred stock issued and outstanding and no shares of our Series B preferred stock issued and outstanding. We have a consenting stockholder, Dennis N. Lauzon, our president, chief executive officer and director, who holds 22,000,000 shares of our common stock and 980,000 shares of our Series A preferred stock. Each share of our common stock is entitled to one vote on all matters brought before the stockholders and each share of our Series A preferred stock outstanding entitles the holder to 2,000 votes of the common stock on all matters brought before the stockholders. Therefore, Mr. Lauzon will have the power to vote 1,982,000,000 shares of the common stock, which number exceeds the majority of the 92,474,495 issued and outstanding shares of our common stock on the record date.

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Mr. Lauzon will vote to ratify and approve the amendments to our articles of incorporation, to ratify the November 22, 2004 reverse stock split, for the grant of discretionary authority to the board with respect to the reverse stock

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split and for the approval of the Stock Plans. Mr. Lauzon will have the power to pass the proposed corporate actions without the concurrence of any of our other stockholders.

WE ARE NOT ASKING FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

We appreciate your continued interest in The Jackson Rivers Company.

Very truly yours,

/s/ Dennis N. Lauzon

Dennis N. Lauzon  
President

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THE JACKSON RIVERS COMPANY  
27 RADIO CIRCLE, MOUNT KISCO  
NEW YORK , 10549  
TELEPHONE (619) 615-4242

INFORMATION STATEMENT

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY.

This information statement is furnished to the holders of record at the close of business on December 21, 2004, the record date, of the outstanding common and preferred stock of The Jackson Rivers Company, pursuant to Rule 14c-2 promulgated under the Securities Exchange Act of 1934, as amended, in connection with an action by the holder of the majority of the votes of our stock intends to take on January 31, 2005 to effect the following corporate actions:

1. Ratify the November 22, 2004 amendment to our articles of incorporation to change the par value of our common and preferred stock from \$0.001 per share to \$0.00001 per share;

2. Ratify the November 22, 2004 reverse split of our common stock on the basis of one post-consolidation share for each one thousand pre-consolidation shares;

3. Approve an amendment to our articles of incorporation to increase the authorized number of shares of our common stock from 1,980,000,000 to 5,000,000,000 shares;

4. Approve an amendment to our articles of incorporation to increase the authorized number of shares of our preferred stock from 200,000,000 to 1,000,000,000 shares;

5. Grant discretionary authority to our board of directors to implement a reverse stock split of our common stock on the basis of one post-consolidation share for up to each 2,000 pre-consolidation shares to occur at some time within 12 months of the date of this information statement, with the exact time of the reverse split to be determined by the board of directors; and

6. Approve the following Stock Plans of The Jackson Rivers Company:

(a) Employee Stock Incentive Plan for the Year 2004 No. 3, adopted by the directors on August 9, 2004 with 150,000,000 shares available for issuance under the Plan.

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(b) Non-Employee Directors and Consultants Retainer Stock Plan for the Year 2004 No. 3, adopted by the directors on August 9, 2004, with 49,000,000 shares available for issuance under the Plan.

(c) Employee Stock Incentive Plan for the Year 2004 No. 4, adopted by the directors on September 8, 2004 with 400,000,000 shares available for issuance under the Plan.

(d) Non-Employee Directors and Consultants Retainer Stock Plan for the Year 2004 No. 4, adopted by the directors on September 8, 2004, with 99,000,000 shares available for issuance under the Plan.

This information statement will be sent on or about January 10, 2005 to our stockholders of record who do not sign the majority written consent described herein.

### VOTING SECURITIES

In accordance with our bylaws, our board of directors has fixed the close of business on December 21, 2004 as the record date for determining the stockholders entitled to notice of the above noted actions. The

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ratification and approval of the amendments to our articles of incorporation, the ratification of the November 22, 2004 reverse stock split, the approval of the discretionary authority with respect to the reverse stock split and the approval of the Stock Plans require a majority of the votes entitled to be cast on the matter within a separate voting group of stockholders once a quorum is present and voting. The quorum necessary to conduct business of the stockholders consists of one-third of the total shares entitled to be cast at a meeting of the stockholders.

As of the record date, 92,474,495 shares of our common stock were issued and outstanding and 980,000 shares of our Series A preferred stock were issued and outstanding. We have a consenting stockholder, Dennis N. Lauzon, our president, chief executive officer and director, who holds 22,000,000 shares of our common stock and 980,000 shares of our Series A preferred stock. Each share of our common stock is entitled to one vote on all matters brought before the stockholders and each share of our Series A preferred stock entitles the holder to 2,000 votes of the common stock on all matters brought before the stockholders. Therefore, Mr. Lauzon will have the power to vote 1,982,000,000 shares of the common stock, which number exceeds the majority of the 92,474,495 issued and outstanding shares of our common stock on the record date.

Mr. Lauzon will vote to ratify and approve the amendments to our articles of incorporation, to ratify the November 22, 2004 reverse stock split, for the grant of discretionary authority to the board with respect to the reverse stock split and for the approval of the Stock Plans. Mr. Lauzon will have the power to pass the proposed corporate actions without the concurrence of any of our other stockholders.

### DISTRIBUTION AND COSTS

We will pay all costs associated with the distribution of this information statement, including the costs of printing and mailing. In addition, we will only deliver one information statement to multiple security holders sharing an address, unless we have received contrary instructions from one or more of the security holders. Also, we will promptly deliver a separate copy of this information statement and future stockholder communication documents to any

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security holder at a shared address to which a single copy of this information statement was delivered, or deliver a single copy of this information statement and future stockholder communication documents to any security holder or holders sharing an address to which multiple copies are now delivered, upon written request to us at our address noted above.

Security holders may also address future requests regarding delivery of information statements and/or annual reports by contacting us at the address noted above.

### DISSENTERS' RIGHT OF APPRAISAL

No action will be taken in connection with the proposed corporate actions by our board of directors or the voting stockholders for which Florida law, our articles of incorporation or bylaws provide a right of a stockholder to dissent and obtain appraisal of or payment for such stockholder's shares.

### RATIFICATION OF THE NOVEMBER 22, 2004 AMENDMENT TO OUR ARTICLES OF INCORPORATION TO CHANGE THE PAR VALUE OF OUR COMMON AND PREFERRED STOCK FROM \$0.001 PER SHARE TO \$0.00001 PER SHARE (PROPOSAL 1)

Our board of directors has unanimously adopted a resolution to amend our articles of incorporation to change the par value of our common and preferred stock from \$0.001 per share to \$0.00001 per share. The certificate of amendment changing the par value of our common and preferred stock to \$0.00001 per share was filed with the Secretary of State of Florida on November 22, 2004. The amendment will not have any material affect on our business, operations, reporting requirements or stock price. Stockholders will not be required to have new stock certificates reflecting the change in the par value. A copy of the proposed resolution ratifying the amendment to our articles of incorporation to change our par value per share is contained in Attachment A to this information statement. The amendment became effective upon filing of a certificate of amendment of our articles of incorporation with the Secretary of State of Florida effective November 22, 2004.

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We believe that a change from a par value of \$0.001 to a par value of \$0.00001 will provide us with greater flexibility in utilizing our common shares for various corporate purposes. We also believe that a reduction in par value will provide us with greater flexibility with respect to the issuance of stock and stock-based compensation because Florida law requires that we receive at least the par value per share as payment for our common stock.

Par value is used to designate the lowest value for which a corporation can sell its stock, and is used in valuing the common stock on a corporation balance sheet. Historically, the concepts of par value and the stated capital of a corporation were to protect creditors and senior security holders by ensuring that a corporation received at least the par value as consideration for issuance of its shares. Over time, these concepts have lost their significance for the most part. In fact, Florida corporate law permits the issuance of shares without par value. Most newly formed companies, including most of our peers, have no par value or a minimal par value. The proposed change in par value will place us among our peers with respect to our par value.

Furthermore, the reduction in the par value would have no effect on our stockholders' equity as computed according to generally accepted accounting principles and as such equity is shown in our financial statements. The change in the par value would not change the number of authorized shares of our common

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stock. The change in par value will also not affect our outstanding options or employee benefit plans.

The change from par value of \$0.001 per share to \$0.00001 per share will result in a reclassification of charges on our balance sheet, shifting values within the "stockholder's equity" category between the "common stock" line item and the "additional paid in capital" line item. This reclassification will not affect the net value of the "stockholders' equity" line item, and thus will not affect the overall balance sheet values. The change will not affect our profit and loss statement.

### VOTE REQUIRED

Once a quorum is present and voting, a majority of the total votes cast within each of the voting groups is required to ratify the amendment to our articles of incorporation to reduce the par value of our common and preferred stock.

Our board of directors recommends that stockholders vote FOR the approval of the amendment to our articles of incorporation to reduce the par value of our common and preferred stock as described in Attachment A hereto.

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RATIFICATION OF THE NOVEMBER 22, 2004 ONE FOR ONE THOUSAND  
REVERSE STOCK SPLIT  
(PROPOSAL 2)

Effective November 22, 2004, our board of directors implemented a reverse split of our common stock for the purpose of increasing the market price of our common stock. The reverse split exchange ratio that the board of directors approved and deemed advisable was 1,000 pre-consolidation shares for each one post-consolidation share. A copy of the proposed resolution ratifying the November 22, 2004 reverse split is contained in Attachment A to this information statement.

The reverse split became effective by filing of the articles of amendment to our articles of incorporation with the Secretary of State of Florida with the effective date of November 22, 2004.

We believe that the higher share price that might initially result from the reverse stock split could help generate interest in The Jackson Rivers Company among investors and thereby assist us in raising future capital to fund our operations or make acquisitions.

Stockholders should note that the effect of the reverse split upon the market price for our common stock cannot be accurately predicted. In particular, there is no assurance that prices for shares of our common stock after the November 22, 2004 reverse split will be 1,000 times greater than the price for shares of our common stock immediately prior to the reverse split. Furthermore, there can be no assurance that the market price of our common

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stock immediately after a reverse split will be maintained for any period of time. Moreover, because some investors may view the reverse split negatively, there can be no assurance that the reverse split will not adversely impact the market price of our common stock or, alternatively, that the market price following the reverse split will either exceed or remain in excess of the current market price.

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### EFFECT OF THE REVERSE SPLIT

The reverse split will not affect the registration of our common stock under the Securities Exchange Act of 1934, as amended, nor will it change our periodic reporting and other obligations thereunder.

The voting and other rights of the holders of our common stock were not be affected by the reverse split (other than as described below). For example, a holder of 0.5 percent of the voting power of the outstanding shares of our common stock immediately prior to the effective time of the reverse split continued to hold 0.5 percent of the voting power of the outstanding shares of our common stock after the reverse split. The number of stockholders of record was not be affected by the reverse split (except to the extent that any shareholder holds only a fractional share interest and receives cash for such interest).

The authorized number of shares of our common stock and the par value of our common stock under our articles of incorporation remained the same following the effective time of the reverse split. However, when the amendment to our articles of incorporation reducing the par value of our capital stock is ratified, the par value of our common stock will be reduced to \$0.00001 per share effective November 22, 2004.

The number of shares of our common stock issued and outstanding was reduced following November 22, 2004, the effective time of the reverse split, in accordance with the following formula: every 1,000 shares of our common stock owned by a stockholder were automatically changed into and became one new share of our common stock.

Stockholders should recognize that they currently own a fewer number of shares than they owned prior to the November 22, 2004 reverse split (a number equal to the number of shares owned immediately prior to November 22, 2004 divided by the one for 1,000 exchange ratio, subject to adjustment for fractional shares, as described below).

We currently have no intention of going private, and this reverse stock split was not intended to be a first step in a going private transaction and did not have the effect of a going private transaction covered by Rule 13e-3 of the Exchange Act. Moreover, the reverse stock split does not increase the risk of us becoming a private company in the future.

Issuance of Additional Shares. The number of authorized but unissued shares of our common stock effectively was increased significantly by the November 22, 2004 reverse split of our common stock. For example, when we elected to implement a one for 1,000 reverse split, based on the 772,000,000 shares of our common stock outstanding on November 22, 2004, and the 1,980,000,000 shares of our common stock that were authorized under our articles of incorporation, 1,208,000,000 shares of our common stock remained available for issuance prior to the reverse split taking effect. A one for 1,000 reverse split had the effect of decreasing the number of our outstanding shares of our common stock from 772,000,000 to 772,000- shares.

Based on the 1,980,000,000 shares of our common stock that were authorized under our articles of incorporation, when we implemented the November 22, 2004 reverse stock split, the reverse split, when implemented, had the effect of increasing the number of authorized but unissued shares of our common stock from 1,208,000,000 to 1,979,228,000 shares.

The issuance in the future of such additional authorized shares may have the effect of diluting the earnings per share and book value per share, as well as the stock ownership and voting rights, of the currently outstanding shares of our common stock.

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The effective increase in the number of authorized but unissued shares of our common stock may be construed as having an anti-takeover effect by permitting the issuance of shares to purchasers who might oppose a hostile takeover bid or oppose any efforts to amend or repeal certain provisions of our articles of incorporation or bylaws. Such a use of these additional authorized shares could render more difficult, or discourage, an attempt to acquire control of us through a transaction opposed by our board of directors. At this time, our board does not have plans to issue any common shares resulting from the effective increase in our authorized but unissued shares generated by the reverse split.

#### CASH PAYMENT IN LIEU OF FRACTIONAL SHARES

In lieu of any fractional shares to which a holder of our common stock would otherwise have been entitled as a result of the November 22, 2004 reverse split, we paid cash equal to such fraction multiplied by the average of the high and low trading prices of our common stock on the OTCBB during regular trading hours for the five trading days immediately preceding November 22, 2004.

#### FEDERAL INCOME TAX CONSEQUENCES

We did not recognize any gain or loss as a result of the reverse split.

The following description of the material federal income tax consequences of the reverse split to our stockholders is based on the Internal Revenue Code of 1986, as amended, applicable Treasury Regulations promulgated thereunder, judicial authority and current administrative rulings and practices as in effect on the date of this information statement. Changes to the laws could alter the tax consequences described below, possibly with retroactive effect. We have not sought and will not seek an opinion of counsel or a ruling from the Internal Revenue Service regarding the federal income tax consequences of the reverse split. This discussion is for general information only and does not discuss the tax consequences that may apply to special classes of taxpayers (e.g., non-residents of the United States, broker/dealers or insurance companies). The state and local tax consequences of the reverse split may vary significantly as to each stockholder, depending upon the jurisdiction in which such stockholder resides. You are urged to consult your own tax advisors to determine the particular consequences to you.

In general, the federal income tax consequences of the reverse split will vary among stockholders depending upon whether they received cash for fractional shares or solely a reduced number of shares of our common stock in exchange for their old shares of our common stock. We believe that the likely federal income tax effects of the reverse split will be that a stockholder who received solely a reduced number of shares of our common stock will not recognize gain or loss. With respect to a reverse split, such a stockholder's basis in the reduced number of shares of our common stock will equal the stockholder's basis in his old shares of our common stock. A stockholder who receives cash in lieu of a fractional share as a result of the reverse stock split will generally be treated as having received the payment as a distribution in redemption of the fractional share, as provided in Section 302(a) of the Code, which distribution will be taxed as either a distribution under Section 301 of the Code or an exchange to such stockholder, depending on that stockholder's particular facts and circumstances. Generally, a stockholder receiving such a payment should recognize gain or loss equal to the difference, if any, between the amount of cash received and the stockholder's basis in the fractional share. In the aggregate, such a stockholder's basis in the reduced number of shares of our common stock will equal the stockholder's basis in its old shares of our common



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stock decreased by the basis allocated to the fractional share for which such stockholder is entitled to receive cash, and the holding period of the post-effective reverse split shares received will include the holding period of the pre-effective reverse split shares exchanged.

### EFFECTIVE DATE

The reverse split became effective on November 22, 2004. Except as explained herein with respect to fractional shares and stockholders who held fewer than 1,000 shares at the effective time, all shares of our common stock that were issued and outstanding immediately prior thereto were, automatically and without any action on the part of the stockholders, converted into new shares of our common stock in accordance with the one for 1,000 exchange ratio.

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### RISKS ASSOCIATED WITH THE REVERSE SPLIT

This information statement includes forward-looking statements including statements regarding our intent to solicit approval of a reverse split, the timing of the proposed reverse split and the potential benefits of a reverse split, including, but not limited to, increase investor interest and the potential for a higher stock price. The words "believe," "expect," "will," "may" and similar phrases are intended to identify such forward-looking statements. Such statements reflect our current views and assumptions, and are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The risks include that we may not have sufficient resources to continue as a going concern; any significant downturn in our industry or in general business conditions would likely result in a reduction of demand for our products or services and would be detrimental to our business; we will be unable to achieve profitable operations unless we increase quarterly revenues or make further cost reductions; a loss of or decrease in purchases by one of our significant customers could materially and adversely affect our revenues and profitability; the loss of key personnel could have a material adverse effect on our business; the large number of shares available for future sale could adversely affect the price of our common stock; and the volatility of our stock price. For a discussion of these and other risk factors, see our annual report on Form 10-KSB for the year ended December 31, 2003 and other filings with the Securities and Exchange Commission.

The reverse stock split will result in some stockholders owning "odd-lots" of less than 100 common shares of our stock on a post-consolidation basis. Odd lots may be more difficult to sell, or require greater transaction costs per share to sell than shares in "even lots" of even multiples of 100 shares.

### VOTE REQUIRED

Once a quorum is present and voting, a majority of the total votes cast within each of the voting groups is required to ratify the November 22, 2004 reverse stock split.

The board of directors recommends a vote FOR the ratification of the November 22, 2004 reverse stock split as described in Attachment A hereto.

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AMENDMENT TO ARTICLES OF INCORPORATION TO  
INCREASE THE NUMBER OF OUR AUTHORIZED COMMON SHARES  
(PROPOSAL 3)

The board of directors has determined that it is advisable to increase our authorized common stock and has adopted, subject to stockholder approval, an

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amendment to our articles of incorporation to increase our authorized number of shares of common stock from 1,980,000,000 shares to 5,000,000,000 shares, par value \$0.00001 per share. A copy of the proposed resolution amending our articles of incorporation is contained in Attachment A to this information statement.

Authorizing an additional 3,020,000,000 shares of common stock would give our board of directors the express authority, without further action of the stockholders, to issue common stock from time to time as the board deems necessary. The board of directors believes it is necessary to have the ability to issue such additional shares of common stock for general corporate purposes. Potential uses of the additional authorized shares may include equity financings, issuance of options, acquisition transactions, stock dividends or distributions, without further action by the stockholders, unless such action were specifically required by applicable law or rules of any stock exchange or similar system on which our securities may then be listed.

The following is a summary of the material matters relating to our common stock.

Presently, the holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of our stockholders, including the election of directors. Our common stockholders do not have cumulative voting rights. Subject to preferences that may be applicable to any then outstanding series of our preferred stock, holders of our common stock are entitled to receive ratably such dividends, if any, as may be

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declared by our board of directors out of legally available funds. In the event of the liquidation, dissolution, or winding up of The Jackson Rivers Company, the holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to our stockholders after the payment of all our debts and other liabilities, subject to the prior rights of any series of our preferred stock then outstanding.

The holders of our common stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking fund provisions applicable to our common stock. The amendment would not alter or modify any preemptive right of holders of our common stock to acquire our shares, which is denied, or effect any change in our common stock, other than the number of authorized shares.

The issuance of additional shares to certain persons allied with our management could have the effect of making it more difficult to remove our current management by diluting the stock ownership or voting rights of persons seeking to cause such removal. In addition, an issuance of additional shares by us could have an effect on the potential realizable value of a stockholder's investment.

In the absence of a proportionate increase in our earnings and book value, an increase in the aggregate number of our outstanding shares caused by the issuance of the additional shares will dilute the earnings per share and book value per share of all outstanding shares of our common stock. If such factors were reflected in the price per share of common stock, the potential realizable value of a stockholder's investment could be adversely affected.

The additional common stock to be authorized by adoption of the amendment would have rights identical to our currently outstanding common stock. Adoption of the proposed amendment and issuance of the common stock would not affect the

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rights of the holders of our currently outstanding common stock, except for effects incidental to increasing the number of outstanding shares of our common stock, such as dilution of the earnings per share and voting rights of current holders of common stock. If the amendment is adopted, it will become effective upon filing of a certificate of amendment of our articles of incorporation with the Secretary of State of Florida.

Issuance of additional shares. As of the date of this information statement, our board has no plans to issue or use any of our newly authorized shares of common stock. The increase in the number of our authorized common shares is proposed by our management in order to ensure sufficient reserves of our common stock for various capital purposes and to eliminate the need for similar amendments in the near future, which could be costly and time-consuming.

The proposal with respect to our common stock is not being made by us in response to any known accumulation of shares or threatened takeover.

VOTE REQUIRED

Once a quorum is present and voting, a majority of the total votes cast within each of the voting groups is required to approve the amendment to our articles of incorporation increasing the number of our authorized common shares.

The board of directors recommends a vote FOR the amendment to our articles of incorporation increasing the number of our authorized common shares as described in Attachment A hereto.

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AMENDMENT TO ARTICLES OF INCORPORATION TO INCREASE THE  
NUMBER OF AUTHORIZED SHARES OF PREFERRED STOCK  
(PROPOSAL 4)

The board of directors has determined that it is advisable to increase our authorized preferred stock and has adopted, subject to stockholder approval, an amendment to our articles of incorporation to increase our authorized number of shares of preferred stock from 200,000,000 shares to 1,000,000,000 shares of preferred stock, par value \$0.00001 per share. A copy of the proposed resolution amending our articles of incorporation is contained in Attachment A to -----  
this information statement.

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We currently have two series of preferred stock authorized, Series A and Series B. 10,000,000 shares have been designated as our Series A preferred stock and 10,000,000 shares have been designated as our Series B preferred stock. 980,000 shares of the Series A preferred stock are issued and outstanding and no shares of the Series B preferred stock are issued and outstanding.

Pursuant to our certificate of designation establishing Series A preferred stock, each share of our currently issued and outstanding Series A preferred stock may be converted into 1,000 fully paid and nonassessable shares of our common stock. Moreover, on all matters submitted to a vote of the holders of the common stock, including, without limitation, the election of directors, a holder of shares of the Series A preferred stock is entitled to 2,000 votes of the common stock for each share of the Series A preferred stock held by such stockholder.

Pursuant to our certificate of designation establishing Series B preferred stock, each share of our currently issued and outstanding Series B preferred

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stock may be converted into shares of our common stock at the per share conversion price. The per share conversion price of our Series B preferred stock means 80 percent of the OTCBB, (or such other exchange or market on which the common stock is then listed, if the common stock is not listed on the OTCBB) five-day average closing bid price for each share of the common stock for the five days prior to the date of the conversion. The number of underlying shares of the common stock issuable upon any conversion hereunder shall be calculated by dividing the product of the number of shares of the Series B preferred stock to be converted multiplied by the par value of the Series B preferred stock (\$0.00001 per share) by the per share conversion price. Notwithstanding anything contained herein to the contrary, as the result of any such conversion, the holder of the Series B preferred stock may not hold more than 4.99 percent of the issued and outstanding shares of the common stock, in the aggregate, following any such conversion. The holders of shares of the Series B preferred stock do not have voting rights.

The following is a summary of the material matters relating to our preferred stock.

Authorizing the issuance of 300,000,000 additional shares of preferred stock would give our board of directors the express authority, without further action of our stockholders, to issue preferred stock from time to time as the board deems necessary. The board of directors believes it is necessary to have the ability to issue such shares of preferred stock for general corporate purposes. Potential uses of the authorized shares may include equity financings, issuance of options, acquisition transactions, stock dividends or distributions, without further action by the stockholders, unless such action were specifically required by applicable law or rules of any stock exchange or similar system on which our securities may then be listed.

The issuance of the shares of preferred stock could have a number of effects on our stockholders depending upon the exact nature and circumstances of any actual issuance of authorized but unissued shares. The increase could have an anti-takeover effect, in that the additional shares could be issued (within the limits imposed by applicable law) in one or more transactions that could make a change in control or takeover of The Jackson Rivers Company more difficult. For example, additional shares could be issued by us so as to dilute the stock ownership or voting rights of persons seeking to obtain control of The Jackson Rivers Company. In some instances, each share of the preferred stock may be convertible into multiple shares of our common stock. Likewise, shares of our preferred stock could have voting rights equal to their converted status as common stock, with the effect being that the stockholders of the preferred stock would have the ability to control the vote of our stockholders, even though they may own less than a majority of our issued and outstanding common stock.

The proposal with respect to our preferred stock is not being made by us in response to any known accumulation of shares or threatened takeover. The issuance of shares of preferred stock to certain persons allied with our management could have the effect of making it more difficult to remove our current management by diluting the stock ownership or voting rights of persons seeking to cause such removal. In addition, an issuance of shares of preferred stock by us could have an effect on the potential realizable value of a stockholder's investment.

In the absence of a proportionate increase in our earnings and book value, an increase in the aggregate number of our outstanding shares caused by the issuance, upon the conversion of our preferred stock into shares of our common stock, would dilute the earnings per share and book value per share of all outstanding shares of our common stock. If such factors were reflected in the price per share of common stock, the potential realizable value of the stockholder's investment could be adversely affected.

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The proposed preferred stock would not carry with it preemptive rights to acquire our shares of preferred stock.

Issuance of additional shares. As of the date of this information statement, our board has no plans to issue or use any of our newly authorized shares of preferred stock. The increase in the number of our authorized preferred shares is proposed by us in order to ensure sufficient reserves of our preferred stock for various capital purposes and to eliminate the need for similar amendments in the near future, which could be costly and time-consuming.

VOTE REQUIRED

Once a quorum is present and voting, a majority of the total votes cast within each of the voting groups is required to approve the amendment to our articles of incorporation increasing the number of our authorized preferred shares.

The board of directors recommends a vote FOR the amendment to our articles of incorporation increasing the number of our authorized preferred shares as described in Attachment A hereto.

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GRANT OF DISCRETIONARY AUTHORITY TO THE BOARD OF DIRECTORS  
TO IMPLEMENT A ONE FOR UP TO 2,000 REVERSE STOCK SPLIT  
(Proposal 5)

Our board of directors has adopted a resolution to seek stockholder approval of discretionary authority to our board of directors to implement a reverse split for the purpose of increasing the market price of our common stock. The reverse split exchange ratio that the board of directors approved and deemed advisable and for which it is seeking stockholder approval is up to 2,000 pre-consolidation shares for each one post-consolidation share, with the reverse split to occur within 12 months of the date of this information statement, the exact time of the reverse split to be determined by the directors in their discretion. Approval of this proposal would give the board authority to implement the reverse split on the basis of up to 2,000 pre-consolidation shares for each one post-consolidation share at any time it determined within 12 months of the date of this information statement. In addition, approval of this proposal would also give the board authority to decline to implement a reverse split. A copy of the proposed resolution approving the grant of discretionary authority to the directors with respect to the reverse split is contained in Attachment A to this information statement.

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Our board of directors believes that stockholder approval of a range for the exchange ratio of the reverse split (as contrasted with approval of a specified ratio of the split) provides the board of directors with maximum flexibility to achieve the purposes of a stock split, and, therefore, is in the best interests of our stockholders. The actual ratio for implementation of the reverse split would be determined by our board of directors based upon its evaluation as to what ratio of pre-consolidation shares to post-consolidation shares would be most advantageous to us and our stockholders.

Our board of directors also believes that stockholder approval of a twelve-months range for the effectuation of the reverse split (as contrasted with approval of a specified time of the split) provides the board of directors with maximum flexibility to achieve the purposes of a stock split, and, therefore, is in the best interests of our stockholders. The actual timing for

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implementation of the reverse split would be determined by our board of directors based upon its evaluation as to when and whether such action would be most advantageous to us and our stockholders.

If you approve the grant of discretionary authority to our board of directors to implement a reverse split and the board of directors decides to implement the reverse split, we will effect a reverse split of our then issued and outstanding common stock on the basis of up to 2,000 pre-consolidation shares for each one post-consolidation share.

The board of directors believes that the higher share price that might initially result from the reverse stock split could help generate interest in The Jackson Rivers Company among investors and thereby assist us in raising future capital to fund our operations or make acquisitions.

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Stockholders should note that the effect of the reverse split upon the market price for our common stock cannot be accurately predicted. In particular, if we elect to implement a reverse stock split, there is no assurance that prices for shares of our common stock after a reverse split will be up to 2,000 times greater than the price for shares of our common stock immediately prior to the reverse split, depending on the ratio of the split. Furthermore, there can be no assurance that the market price of our common stock immediately after a reverse split will be maintained for any period of time. Moreover, because some investors may view the reverse split negatively, there can be no assurance that the reverse split will not adversely impact the market price of our common stock or, alternatively, that the market price following the reverse split will either exceed or remain in excess of the current market price.

### EFFECT OF THE REVERSE SPLIT

The reverse split would not affect the registration of our common stock under the Securities Exchange Act of 1934, as amended, nor will it change our periodic reporting and other obligations thereunder.

The voting and other rights of the holders of our common stock would not be affected by the reverse split (other than as described below). For example, a holder of 0.5 percent of the voting power of the outstanding shares of our common stock immediately prior to the effective time of the reverse split would continue to hold 0.5 percent of the voting power of the outstanding shares of our common stock after the reverse split. The number of stockholders of record would not be affected by the reverse split (except as described below).

The authorized number of shares of our common stock and the par value of our common stock under our articles of incorporation would remain the same following the effective time of the reverse split. The par value of our common stock was reduced to \$0.00001 per share effective November 22, 2004.

The number of shares of our common stock issued and outstanding would be reduced following the effective time of the reverse split in accordance with the following formula: if our directors decide to implement a one for 2,000 reverse split, every 2,000 shares of our common stock owned by a stockholder will automatically be changed into and become one new share of our common stock, with 2,000 being equal to the exchange ratio of the reverse split, as determined by the directors in their discretion.

Stockholders should recognize that if a reverse split is effected, they will own a fewer number of shares than they presently own (a number equal to the number of shares owned immediately prior to the effective time divided by the

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one for 2,000 exchange ratio, or such lesser exchange ratio as may be determined by our directors, subject to adjustment for fractional shares, as described below).

Fractional shares which would otherwise be held by the stockholders of our common stock after a reverse split will be rounded up to the next whole share. We will issue one new share of our common stock for up to each 2,000 shares of our common stock held as of the record date. All fractional share amounts resulting from the reverse split will be rounded up to the next whole new share. The reverse split may reduce the number of holders of post-reverse split shares as compared to the number of holders of pre-reverse split shares to the extent that there are stockholders presently holding fewer than 2,000 shares (or such lesser number as may be determined by our directors). However, the intention of the reverse split is not to reduce the number of our stockholders. In fact, we do not expect that the reverse split will result in any material reduction in the number of our stockholders.

We currently have no intention of going private, and this proposed reverse stock split is not intended to be a first step in a going private transaction and will not have the effect of a going private transaction covered by Rule 13e-3 of the Exchange Act. Moreover, the proposed reverse stock split does not increase the risk of us becoming a private company in the future.

Issuance of Additional Shares. The number of authorized but unissued shares of our common stock effectively will be increased significantly by the reverse split of our common stock. For example, if we elect to implement a one for 1,000 reverse split, based on the 92,474,495 shares of our common stock outstanding on the record date, and the 1,980,000,000 shares of our common stock that are currently authorized under our articles of incorporation, prior to any increase in our authorized common stock, 1,887,525,505 shares of our common

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stock remain available for issuance prior to the reverse split taking effect. A one for 1,000 reverse split would have the effect of decreasing the number of our outstanding shares of our common stock from 92,474,495 to 92,475 shares.

Based on the 1,980,000,000 shares of our common stock that are currently authorized under our articles of incorporation, and prior to any increase in our authorized common stock, if we elect to implement a one for 1,000 reverse stock split, the reverse split, when implemented, would have the effect of increasing the number of authorized but unissued shares of our common stock from 1,887,525,505 to 1,979,907,525 shares.

If we elect to implement a one for 2,000 reverse split, based on the 92,474,495 shares of our common stock outstanding on the record date, and the 1,980,000,000 shares of our common stock that are currently authorized under our articles of incorporation, prior to any increase in our authorized common stock, 1,887,525,505 shares of our common stock remain available for issuance prior to the reverse split taking effect. A one for 2,000 reverse split would have the effect of decreasing the number of our outstanding shares of our common stock from 92,474,495 to 46,237 shares.

Based on the 1,980,000,000 shares of our common stock that are currently authorized under our articles of incorporation, and prior to any increase in our authorized common stock, if we elect to implement a one for 2,000 reverse stock split, the reverse split, when implemented, would have the effect of increasing the number of authorized but unissued shares of our common stock from 1,887,525,505 to 1,979,953,763 shares.

The issuance in the future of such additional authorized shares may have

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the effect of diluting the earnings per share and book value per share, as well as the stock ownership and voting rights, of the currently outstanding shares of our common stock.

The effective increase in the number of authorized but unissued shares of our common stock may be construed as having an anti-takeover effect by permitting the issuance of shares to purchasers who might oppose a hostile takeover bid or oppose any efforts to amend or repeal certain provisions of our articles of incorporation or bylaws. Such a use of these additional authorized shares could render more difficult, or discourage, an attempt to acquire control of us through a transaction opposed by our board of directors. At this time, our board does not have plans to issue any common shares resulting from the effective increase in our authorized but unissued shares generated by the reverse split.

### FEDERAL INCOME TAX CONSEQUENCES

We will not recognize any gain or loss as a result of the reverse split.

The following description of the material federal income tax consequences of the reverse split to our stockholders is based on the Internal Revenue Code of 1986, as amended, applicable Treasury Regulations promulgated thereunder, judicial authority and current administrative rulings and practices as in effect on the date of this information statement. Changes to the laws could alter the tax consequences described below, possibly with retroactive effect. We have not sought and will not seek an opinion of counsel or a ruling from the Internal Revenue Service regarding the federal income tax consequences of the reverse split. This discussion is for general information only and does not discuss the tax consequences that may apply to special classes of taxpayers (e.g., non-residents of the United States, broker/dealers or insurance companies). The state and local tax consequences of the reverse split may vary significantly as to each stockholder, depending upon the jurisdiction in which such stockholder resides. You are urged to consult your own tax advisors to determine the particular consequences to you.

We believe that the likely federal income tax effects of the reverse split will be that a stockholder who receives solely a reduced number of shares of our common stock will not recognize gain or loss. With respect to a reverse split, such a stockholder's basis in the reduced number of shares of our common stock will equal the stockholder's basis in his old shares of our common stock.

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### Effective Date

If the proposed reverse split is approved and the board of directors elects to proceed with a reverse split, the split would become effective as of 5:00 p.m. Florida time on the date the split is approved by our stockholders, which in any event shall not be later than 12 months from the date of this information statement. Except as explained herein with respect to fractional shares and stockholders who currently hold fewer than 2,000 shares, or such lesser amount as we may determine, on such date, all shares of our common stock that were issued and outstanding immediately prior thereto will be, automatically and without any action on the part of the stockholders, converted into new shares of our common stock in accordance with the one for 2,000 exchange ratio or such other exchange ratio as we determine.

### RISKS ASSOCIATED WITH THE REVERSE SPLIT

This information statement includes forward-looking statements including statements regarding our intent to solicit approval of a reverse split, the



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timing of the proposed reverse split and the potential benefits of a reverse split, including, but not limited to, increase investor interest and the potential for a higher stock price. The words "believe," "expect," "will," "may" and similar phrases are intended to identify such forward-looking statements. Such statements reflect our current views and assumptions, and are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The risks include that we may not have sufficient resources to continue as a going concern; any significant downturn in our industry or in general business conditions would likely result in a reduction of demand for our products or services and would be detrimental to our business; we will be unable to achieve profitable operations unless we increase quarterly revenues or make further cost reductions; a loss of or decrease in purchases by one of our significant customers could materially and adversely affect our revenues and profitability; the loss of key personnel could have a material adverse effect on our business; the large number of shares available for future sale could adversely affect the price of our common stock; and the volatility of our stock price. For a discussion of these and other risk factors, see our annual report on Form 10-KSB for the year ended December 31, 2003 and other filings with the Securities and Exchange Commission.

If approved and implemented, the reverse stock split will result in some stockholders owning "odd-lots" of less than 100 common shares of our stock on a post-consolidation basis. Odd lots may be more difficult to sell, or require greater transaction costs per share to sell than shares in "even lots" of even multiples of 100 shares.

### VOTE REQUIRED

Once a quorum is present and voting, a majority of the total votes cast within each of the voting groups is required to approve the grant of discretionary authority to our directors to implement a reverse stock split.

The board of directors recommends a vote FOR approval of the grant of discretionary authority to our directors to implement a reverse stock split, as described in Attachment A hereto.

### APPROVAL OF STOCK PLANS (PROPOSAL 6)

Our majority stockholder intends to approve the following Stock Plans of The Jackson Rivers Company (the "Stock Plans"):

(a) Employee Stock Incentive Plan for the Year 2004 No. 3, adopted by the directors on August 9, 2004 with 150,000,000 shares available for issuance under the Plan.

(b) Non-Employee Directors and Consultants Retainer Stock Plan for the Year 2004 No. 3, adopted by the directors on August 9, 2004, with 49,000,000 shares available for issuance under the Plan.

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(c) Employee Stock Incentive Plan for the Year 2004 No. 4, adopted by the directors on September 8, 2004 with 400,000,000 shares available for issuance under the Plan.

(d) Non-Employee Directors and Consultants Retainer Stock Plan for the Year 2004 No. 4, adopted by the directors on September 8, 2004, with 99,000,000 shares available for issuance under the Plan.

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As of the record date, 607,350,000 shares of our common stock have been issued under the Stock Plans.

The following is a summary of the principal features of the Stock Plans. A copy of the proposed resolution approving the Stock Plans is contained in Attachment A to this information statement. Copies of the Stock Plans are

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contained in Attachment B to this information statement. Any stockholder who

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wishes to obtain copies of the Stock Plans may also do so upon written request to our corporate secretary at our principal executive offices in Mount Kisco, New York.

### PURPOSE OF THE STOCK PLANS

The purpose of the Stock Plans is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of The Jackson Rivers Company and our subsidiaries, by offering them an opportunity to participate in our future performance through awards of options, restricted stock and stock bonuses.

The Stock Plans were administered by the compensation committee of the board of directors.

Number of Shares Available. Subject to certain provisions of the Stock Plans, before any reverse splits of our common stock, the total aggregate number of shares of our common stock reserved and available for grant and issuance pursuant to the Stock Plans was 698,000,000 plus shares of our common stock that are subject to:

- Issuance upon exercise of an option but cease to be subject to such option for any reason other than exercise of such option;
- An award granted but forfeited or repurchased by The Jackson Rivers Company at the original issue price; and
- An award that otherwise terminates without shares of our common stock being issued. At all times, The Jackson Rivers Company shall reserve and keep available a sufficient number of shares of our common stock as shall be required to satisfy the requirements of all outstanding options granted under the Stock Plans and all other outstanding but unvested awards granted under the Stock Plans.

### ELIGIBILITY

Incentive Stock Options and Awards may be granted only to employees (including, officers and directors who are also employees) of The Jackson Rivers Company or of a parent or subsidiary of The Jackson Rivers Company.

### DISCRETIONARY OPTION GRANT PROGRAM

The committee may grant options to eligible persons and will determine whether such options will be Incentive Stock Options ("ISO") or Nonqualified Stock Options ("NQSOS"), the number of shares of our common stock subject to the option, the exercise price of the option, the period during which the option may be exercised, and all other terms and conditions of the option, subject to the following described conditions.

Form of Option Grant. Each option granted under the Stock Plans is evidenced by an Award Agreement that will expressly identify the option as an ISO or an NQSO (the "Option Agreement"), and will be in such form and contain such provisions (which need not be the same for each participant) as the

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committee may from time to time approve, and which will comply with and be subject to the terms and conditions of the Stock Plans.

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**Date of Grant.** The date of grant of an option is the date on which the committee makes the determination to grant such option, unless otherwise specified by the committee. The Option Agreement and a copy of the applicable Stock Plan shall be delivered to the participant within a reasonable time after the granting of the option.

**Exercise Period.** Options may be exercisable within the times or upon the events determined by the committee as set forth in the Stock Option Agreement governing such option; provided, however, that no option will be exercisable after the expiration of 10 years from the date the option is granted. For further restrictions on the Exercise Periods, please refer to the Stock Plans.

**Exercise Price.** The exercise price of an option is determined by the committee when the option is granted and may be not less than 85 percent of the fair market value of the shares of our common stock on the date of exercise; provided that the exercise price of any ISO granted to a Ten Percent Stockholder as defined in the Stock Plans is not less than 110 percent of the fair market value of the shares of our common stock on the date of grant. Payment for the shares of our common stock purchased may be made in accordance with the Stock Plans.

**Method of Exercise.** Options may be exercised only by delivery to The Jackson Rivers Company of a written stock option exercise agreement (the "Notice and Agreement of Exercise") in a form approved by the committee, together with payment in full of the exercise price for the number of shares of our common stock being purchased.

**Termination.** Notwithstanding the exercise periods set forth in the Stock Option Agreement, exercise of an option is always subject to the following:

- Upon an Employee's Retirement, Disability (as those terms are defined in the Stock Plans) or death, (a) all Stock Options to the extent then presently exercisable shall remain in full force and effect and may be exercised pursuant to the provisions thereof, and (b) unless otherwise provided by the committee, all Stock Options to the extent not then presently exercisable by the Employee shall terminate as of the date of such termination of employment and shall not be exercisable thereafter. Unless employment is terminated for Cause, as defined by applicable law, the right to exercise in the event of termination of employment, to the extent that the optionee is entitled to exercise on the date the employment terminates as follows:
  - At least six months from the date of termination if termination was caused by death or disability.
  - At least 30 days from the date of termination if termination was caused by other than death or disability.
- Upon the termination of the employment of an Employee for any reason other than those specifically set forth in the Stock Plans, (a) all Stock Options to the extent then presently exercisable by the Employee shall remain exercisable only for a period of 90 days after the date of such termination of employment (except that the 90 day period shall be extended to 12 months if the Employee shall die during such 90 day period), and may be exercised pursuant to the provisions thereof, including expiration at the end of the fixed term thereof, and (b) unless otherwise provided by the committee, all

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Stock Options to the extent not then presently exercisable by the Employee shall terminate as of the date of such termination of employment and shall not be exercisable thereafter.

Limitations on Exercise. The committee may specify a reasonable minimum number of shares of our common stock that may be purchased on any exercise of an option, provided that such minimum number will not prevent the participant from exercising the option for the full number of shares of our common stock for which it is then exercisable. Subject to the provisions of the Stock Plans, the Employee has the right to exercise his Stock Options at the rate of at least 33-1/3 percent per year over three years from the date the Stock Option is granted.

Limitations on ISO. The aggregate fair market value (determined as of the date of grant) of shares of our common stock with respect to which ISOs are exercisable for the first time by a participant during any calendar year (under the Stock Plans or under any other ISO plan of The Jackson Rivers Company, or the parent or any subsidiary of The Jackson Rivers Company) will not exceed \$100,000.00. In the event that the Internal Revenue Code or the regulations promulgated thereunder are amended after the effective date of the Stock Plans to provide for a different

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limit on the fair market value of shares of our common stock permitted to be subject to ISO, such different limit will be automatically incorporated in the Stock Plans and will apply to any options granted after the effective date of such amendment.

Modification, Extension or Renewal. The committee may modify or amend any Award under the Stock Plans or waive any restrictions or conditions applicable to the Award; provided, however, that the committee may not undertake any such modifications, amendments or waivers if the effect thereof materially increases the benefits to any Employee, or adversely affects the rights of any Employee without his consent.

### STOCKHOLDER RIGHTS AND OPTION TRANSFERABILITY

Awards granted under the Stock Plans, including any interest, are not transferable or assignable by the participant, and may not be made subject to execution, attachment or similar process, other than by will or by the laws of descent and distribution.

### GENERAL PROVISIONS

Term of Stock Plans/Governing Law. Unless earlier terminated as provided, the Stock Plans will terminate 10 years from the date of adoption, or, if earlier, from the date of stockholder approval. The Stock Plans and all agreements thereunder shall be governed by and construed in accordance with the laws of the State of Florida.

Amendment or Termination of the Stock Plans. Our board of directors may at any time terminate or amend the Stock Plans including to preserve or come within any exemption from liability under Section 16(b) of the Exchange Act, as it may deem proper and in our best interest without further approval of our stockholders, provided that, to the extent required under Florida law or to qualify transactions under the Stock Plans for exemption under Rule 16b-3 promulgated under the Exchange Act, no amendment to the Stock Plans shall be adopted without further approval of our stockholders and, provided, further, that if and to the extent required for the Stock Plans to comply with Rule 16b-3 promulgated under the Exchange Act, no amendment to the Stock Plans shall be

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made more than once in any six month period that would change the amount, price or timing of the grants of our common stock hereunder other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the regulations thereunder. The Board may terminate the Stock Plans at any time by a vote of a majority of the members thereof.

### AWARD OF STOCK BONUSES

Award of Stock Bonuses. A Stock Bonus is an award of shares of our common stock (which may consist of Restricted Stock) for extraordinary services rendered to The Jackson Rivers Company or any parent or subsidiary of The Jackson Rivers Company. Each Award under the Stock Plans consists of a grant of shares of our common stock subject to a restriction period (after which the restrictions shall lapse), which shall be a period commencing on the date the Award is granted and ending on such date as the committee shall determine (the "Restriction Period"). The committee may provide for the lapse of restrictions in installments, for acceleration of the lapse of restrictions upon the satisfaction of such performance or other criteria or upon the occurrence of such events as the committee shall determine, and for the early expiration of the Restriction Period upon an Employee's death, Disability or Retirement as defined in the Stock Plans or, following a Change of Control, upon termination of an Employee's employment by us without "Cause" or by the Employee for "Good Reason," as those terms are defined in the Stock Plans.

Terms of Stock Bonuses. Upon receipt of an Award of shares of our common stock under the Stock Plans, even during the Restriction Period, an Employee is the holder of record of the shares and has all the rights of a stockholder with respect to such shares, subject to the terms and conditions of the Stock Plans and the Award.

### FEDERAL TAX CONSEQUENCES

Option Grants. Options granted under the Stock Plans may be either ISO which satisfy the requirements of Section 422 of the Code or NQSOs which are not intended to meet such requirements. The federal income tax treatment for the two types of options differs as discussed below.

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Incentive Stock Options. The optionee recognizes no taxable income at the time of the option grant, and no taxable income is generally recognized at the time the option is exercised. However, the exercise of an ISO (if the holding period rules set forth below are satisfied) will give rise to income includable by the optionee in his alternative minimum taxable income for purposes of the alternative minimum tax in an amount equal to the excess of the fair market value of the shares acquired on the date of the exercise of the option over the exercise price. The optionee will also recognize taxable income in the year in which the exercised shares are sold or otherwise made the subject of a taxable disposition. For federal tax purposes, dispositions are divided into two categories: (i) qualifying and (ii) disqualifying. A qualifying disposition occurs if the sale or other disposition is made after the optionee has held the shares for more than two years after the option grant date and more than one year after the exercise date. If either of these two holding periods is not satisfied, then a disqualifying disposition will result. In addition, the optionee must be an employee of The Jackson Rivers Company or a qualified subsidiary at all times between the date of grant and the date three months (one year in the case of disability) before exercise of the option (special rules apply in the case of the death of the optionee).

Upon a qualifying disposition, the optionee will recognize long-term capital gain or loss in an amount equal to the difference between (i) the amount

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realized upon the sale or other disposition of the purchased shares over (ii) the exercise price paid for the shares. If there is a disqualifying disposition of the shares, then the excess of (i) the lesser of the fair market value of those shares on the exercise date or the sale date and (ii) the exercise price paid for the shares will be taxable as ordinary income to the optionee. Any additional gain or loss recognized upon the disposition will be recognized as a capital gain or loss by the optionee.

If the optionee makes a disqualifying disposition of the purchased shares, then we will be entitled to an income tax deduction, for the taxable year in which such disposition occurs, equal to the excess of (i) the fair market value of such shares on the option exercise date or the sale date, if less, over (ii) the exercise price paid for the shares. In no other instance will we be allowed a deduction with respect to the optionee's disposition of the purchased shares.

**Nonqualified Stock Options.** No taxable income is recognized by an optionee upon the grant of a NQSO. The optionee will in general recognize ordinary income, in the year in which the option is exercised, equal to the excess of the fair market value of the purchased shares on the exercise date over the exercise price paid for the shares, and the optionee will be required to satisfy the tax withholding requirements applicable to such income.

If the shares acquired upon exercise of the NQSO are unvested and subject to repurchase, at the exercise price paid per share, by us in the event of the optionee's termination of service prior to vesting in those shares, then the optionee will not recognize any taxable income at the time of exercise but will have to report as ordinary income, as and when our repurchase right lapses, an amount equal to the excess of (i) the fair market value of the shares on the date the repurchase right lapses over (ii) the exercise price paid for the shares. The optionee may, however, elect under Section 83(b) of the Code to include as ordinary income in the year of exercise of the option an amount equal to the excess of (i) the fair market value of the purchased shares on the exercise date over (ii) the exercise price paid for such shares. If the Section 83(b) election is made, the optionee will not recognize any additional income as and when the repurchase right lapse and all subsequent appreciation in the shares generally would be eligible for capital gains treatment.

We will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the optionee with respect to the exercised NQSO. The deduction will in general be allowed for our taxable year in which such ordinary income is recognized by the optionee.

**Direct Stock Issuance.** With respect to the receipt of a stock award not subject to restriction, the participant would have ordinary income, at the time of receipt, in an amount equal to the difference between the fair market value of the stock received at such time and the amount, if any, paid by the holder for the stock award.

With respect to the receipt of a stock award that is subject to restrictions, or certain repurchase rights of The Jackson Rivers Company, unless the recipient of such stock award makes an "83(b) election" (as discussed below), there generally will be no tax consequences as a result of such a stock award until the shares are no longer subject to a substantial risk of forfeiture or are transferable (free of such risk). We intend that, generally, when the restrictions are lifted, the holder will recognize ordinary income, and we will be entitled to a deduction, equal to the difference

between the fair market value of the shares at such time and the amount, if any, paid by the holder for the stock. Subsequently realized changes in the value of

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the stock generally will be treated as long-term or short-term capital gain or loss, depending on the length of time the shares are held prior to disposition of such shares. In general terms, if a holder makes an "83(b) election" (under Section 83(b) of the Code) upon the award of a stock award subject to restrictions (or certain repurchase rights of The Jackson Rivers Company), the holder will recognize ordinary income on the date of the award of the stock award, and we will be entitled to a deduction, equal to (i) the fair market value of such stock as though the stock were (A) not subject to a substantial risk of forfeiture or (B) transferable, minus (ii) the amount, if any, paid for the stock award. If an "83(b) election" is made, there will generally be no tax consequences to the holder upon the lifting of restrictions, and all subsequent appreciation in the stock award generally would be eligible for capital gains treatment.

### ACCOUNTING TREATMENT

Option grants or stock issuances with exercise or issue prices less than the fair market value of the shares on the grant or issue date will result in a compensation expense to our earnings equal to the difference between the exercise or issue price and the fair market value of the shares on the grant or issue date. Such expense will be amortized against our earnings over the period that the option shares or issued shares are to vest.

Option grants or stock issuances with exercise or issue prices equal to the fair market value of the shares at the time of issuance or grant generally will not result in any charge to our earnings, but, in accordance with Generally Accepted Accounting Principles, we must disclose in pro-forma statements to our financial statements, the impact those option grants would have upon our reported earnings (losses) were the value of those options treated as compensation expense. Whether or not granted at a discount, the number of outstanding options may be a factor in determining our earnings per share on a fully diluted basis.

Should one or more optionee be granted stock appreciation rights that have no conditions upon exercisability other than a service or employment requirement, then such rights will result in a compensation expense to our earnings. Accordingly, at the end of each fiscal quarter, the amount (if any) by which the fair market value of the shares of common stock subject to such outstanding stock appreciation rights has increased from the prior quarter-end would be accrued as compensation expense, to the extent such fair market value is in excess of the aggregate exercise price in effect for those rights.

### VOTE REQUIRED

Once a quorum is present and voting, a majority of the total votes cast within each of the voting groups is required to approve the Stock Plans.

Our board of directors recommends that stockholders vote FOR the approval of our Stock Plans as described in Attachment A hereto.

Information regarding the beneficial ownership of our common and preferred stock by management and the board of directors is noted below.

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents information regarding the beneficial ownership of all shares of our common stock and preferred stock as of the record date, by:

- Each person who beneficially owns more than five percent of the outstanding shares of our common stock;

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- Each person who beneficially owns outstanding shares of our preferred stock;
- Each of our directors;
- Each named executive officer; and

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- All directors and officers as a group.

NAME AND ADDRESS OF BENEFICIAL OWNER (1)	COMMON STOCK BENEFICIALLY OWNED (2)		PREFERRED STOCK OWNED
	NUMBER	PERCENT	NUMBER
Dennis N. Lauzon (3)	22,000,000	23.8	980,000
Joseph Khan (4)	0	0	0
Nicholas A. Cortese, Jr.	0	0	0
All directors and officers as a group (three persons)	22,000,000	23.8	980,000