

Edgar Filing: LandBank Group Inc - Form 10SB12G/A

LandBank Group Inc  
Form 10SB12G/A  
January 24, 2007

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

FORM 10-SB/A

GENERAL FORM FOR REGISTRATION OF SECURITIES  
OF SMALL BUSINESS ISSUERS

Under Section 12(b) or (g) of The Securities Exchange Act of 1934

Landbank Group, Inc.

(Name of Small Business Issuer in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

20-1915083  
(I.R.S. Employer  
Identification No.)

7030 Hayvenhurst Avenue, Van Nuys, CA  
(Address of principal executive offices)

91406-3801  
(Zip Code)

Issuer's telephone number (818) 464-1640

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

Title of each class  
to be so registered

Name of each exchange on which  
each class is to be registered

N/A

N/A

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

Common Stock, \$0.0001 Par Value

(Title of class)

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SEC 2336 (05-06)

FORM 10-SB

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## NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This registration statement contains forward-looking statements. These forward-looking statements are not historical facts but rather are based upon our current expectations, estimates, and projections about our industry, our beliefs and our assumptions. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks" and "estimates", and variations of these words and similar expressions, are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control, are difficult to predict, and could cause actual results to differ materially from those expressed, implied or forecasted in the forward-looking statements. In addition, the forward-looking events discussed in this registration statement

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might not occur. These risks and uncertainties include, among others, those described in "Risk Factors" and elsewhere in this registration statement. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this registration statement.

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### PART I

#### Item 1. Description of Business

##### Business Development:

Landbank Group, Inc., ("Landbank" or the "Company") was incorporated in the State of Delaware as Camryn Information Services, Inc., on May 13, 1997. The Company operated for a brief period of time before it ceased operations on February 25, 1999 when it forfeited its charter for failure to designate a registered agent. The Company remained dormant until 2004 when it renewed its operations with the filing of a Certificate of Renewal and Revival of Charter with the State of Delaware on October 29, 2004. On November 3, 2004, the Company filed a Certificate of Amendment and the Company's name was formally changed from Camryn Information Services, Inc. to iStorage Networks, Inc. Such change became effective on November 8, 2004. The Company subsequently changed its name to Landbank Group, Inc., on January 27, 2006, following the acquisition of Landbank, LLC (see below).

##### Acquisition of Landbank, LLC and Divestiture of Prior Operations

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On January 26, 2006, the Company acquired 100% of the membership interests in Landbank, LLC, a California limited liability company, in exchange for shares of common stock of the Company. The exchange of shares for membership interests was treated as a reverse acquisition under the purchase method of accounting. The shares delivered in connection with the acquisition were transferred by the four former principal stockholders of the Company to the members of Landbank, LLC in exchange for the Company receiving all of the ownership interests in Landbank, LLC and \$140,000 in cash. Concurrently with the acquisition of Landbank, LLC, the Company divested itself of its wholly owned operating subsidiary, iStorage Networks Group, Inc. ("iSNG") to Thomas Makmann, the Company's former CEO and one of the four former principal stockholders. The \$140,000 in cash accompanied the divestiture of iSNG. For further description of this transaction, see Item 7 "Certain Relationships and Related Party Transactions." The former members of Landbank, LLC acquired approximately a 90% ownership interest in the Company. Landbank, LLC, was formed in December 2004 but did not commence operations until the second quarter of 2005. It currently

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operates as a wholly owned subsidiary of the Company. With the divestiture of iSNG and the acquisition of Landbank, LLC, the Company now operates exclusively in the real estate marketplace. It no longer operates its former iStorage business. Future references in this registration statement to the Company shall include Landbank and its operating subsidiary, Landbank, LLC, unless the text specifically rejects such an inclusive reference.

On March 3, 2006, the Company by majority vote of its stockholders approved a 10:1 reverse split of its outstanding common stock. Taking into account the preservation of round lot ownership, the split resulted in 9,829,647 outstanding shares. As of September 30, 2006, such number was adjusted to 9,835,331 outstanding shares due to rounding. As of said date, the number of restricted shares of common stock issued and outstanding is 8,829,447, 8,200,002 which are owned and controlled by the three (3) principal stockholders set forth in Item 4 herein. All historical references to shares and per share prices in this registration statement have been adjusted to reflect the 10:1 reverse split.

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The Company and/or any predecessor has not been and is not as of the date of this filing in the process of seeking a petition in bankruptcy, in receivership or in any similar proceeding.

### Business of Issuer:

From November 2004 until December 2005, the Company as iStorage Networks, Inc. was engaged in the development of network storage solutions/Internet security through its wholly owned operating subsidiary, iSNG. Unable to achieve projected revenues from its operations, the Company consummated the acquisition of Landbank, LLC, in exchange for stock of the Company. Since December 2005, the Company has not operated its former iStorage business. Since January 2006, the Company's sole operations have consisted of the operations of Landbank, LLC.

Landbank makes bulk acquisitions of parcels of land, primarily through the real property tax lien foreclosure process. Such bulk acquisitions are divided into smaller parcels for resale. The real property tax lien foreclosure process may take the form of either local government tax sales or sales by owners of tax-defaulted parcels prior to a tax sale. Local government agencies responsible for collecting real property taxes have the authority to force their collection through tax sales. To collect their unpaid and overdue real property taxes, some government agencies conduct tax lien foreclosure auctions. At these foreclosure auctions, the real property is sold and the high bidder receives a deed to the property. The opening bid amounts are usually equal to delinquent taxes, interest and other costs. The process differs from state to state and even county to county. Generally, however, properties acquired in this manner are deeded to the purchaser by the relevant government entity, without any warranties of title. The Company therefore undertakes appropriate due diligence prior to bidding, including obtaining title reports and/or conducting title searches depending on the value of the property. In some counties, properties sold in this manner are subject to a right of redemption, whereby the defaulting owner has a certain number of days to redeem the property. In instances where the Company acquires properties subject to such a right, we hold the property in inventory until the right has lapsed. If the right is exercised, the property reverts to the defaulting owner, and we receive a return of our purchase price plus interest. In addition, in most counties, the purchaser is responsible for any eviction proceedings. The Company seeks to acquire unimproved land, however, and to date has not had any exposure in this regard. Landbank considers various

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criteria in terms of its land acquisitions, which include but are not limited to, location, availability of utilities, proximity to water, geographic desirability, and proximity of significant population centers. The current focus of Landbank is in the Western, Southwestern, and East Coast regions of the United States.

Landbank acquires properties "in-bulk" for resale purposes only and not with a view toward long-term investment. Typically, the lead-time from date of acquisition to date placed in Landbank channels of distribution is from three (3) to seven (7) months as surveys are made of the redefined parcels.

Landbank resells the land it acquires through multiple distribution channels, some more traditional than others. They include the Internet, through eBay and Bid4Assets, and leads developed by Landbank, its affiliates, and third-party wholesalers. Landbank has found that use of the Internet allows it to market its inventory at a cost significantly lower than that of mainstream

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advertising. Landbank employs acquisition teams that research and buy acreage, lots, and houses in a number of states and in Mexico. To date, Landbank has acquired properties in Colorado, Florida, Nevada, Oklahoma, New York, Pennsylvania, Texas, and Chihuahua, Mexico. The real property inventory of Landbank as of September 30, 2006 was comprised of 37 different pre-unbundled tracts of land.

The Company has entered into royalty agreements with several marketing companies, namely, John Beck's Amazing Profits, LLC ("JBAP"), John Alexander LLC, and Jeff Paul LLC. These companies are affiliates of the Company. Family Products, LLC ("FPLLC") is the sole member of each of these marketing companies. FPLLC is in turn owned and controlled by two of the Company's principal stockholders, Doug Gravink and Gary Hewitt, who are directors and officers of the Company. These marketing companies provide customer leads for Landbank's property sales in return for a royalty of 35% of the gross profit less acquisition costs realized on the sale of any property. The term of each of these agreements is ten years, with the right of the Company to terminate after five years.

The real estate industry is a highly fragmented and regional business. There are approximately 30,000 municipalities in the United States, each with its own set of property valuation criteria and regional regulations. As a result, the majority of the Company's competitors that are engaged in acquiring properties through the real property tax lien foreclosure process focus on specific regions. One of the Company's strategies in differentiating itself has been to attempt to cross these regional boundaries and offer properties in as many jurisdictions as possible. In time, as the Company becomes more familiar with state and local rules and regulations, it hopes to develop a nationwide inventory of properties.

A majority of the Company's competitors also rely primarily on the Internet and live auctions to resell their parcels. The Company devotes significant time and effort in the development of a distribution database as a strategy for further differentiating itself from its competitors. This database has become a primary source of buyers for the Company's properties.

The Company believes that its principal challenge will be in identification and acquisition of suitable properties. Since the bulk of the competition is region-specific, the Company feels that by pursuing a broad based national

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approach; it will continue to maintain a competitive advantage. Competitors engaged in acquiring similar properties include National Recreational Properties, LandAuction.com, Landwatch.com, and a number of smaller companies.

Certain of the Company's property acquisitions are subject to the requirements of the Interstate Land Sales Full Disclosure Act of 1968, depending upon the specific characteristics of the transaction. This Act mandates certain registration and disclosure requirements in connection with the development and sale of certain subdivisions where the number of non-exempt lots exceeds a predetermined threshold and development satisfies several pre-established criteria. The applicability of this Act to a particular project can increase costs of doing business and cause a delay in the Company's ability to market the subject properties and/or to provide potential purchasers with a wider window in which to rescind offers to purchase. This could result in a surplus of properties in inventory, which could adversely affect the Company's business and results of operation.

The total number of Company employees is fifteen, all of whom are full-time employees.

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### Reports to Security Holders:

The Company is filing Form 10-SB in order to become a reporting company with the Securities and Exchange Commission ("SEC") and thereby have the ability to present quotes on the Over-the-Counter ("OTC") Bulletin Board. The Company is presently listed for trading in the "Other" OTC or "Grey Market" and accordingly has a limited ability for fund-raising. The Company believes that listing on the OTC Bulletin Board will enable the Company to have greater access to the public markets. This will benefit the Company in terms of its ability to raise additional capital if and when needed. The Company believes that the anticipated increase in liquidity that should result from listing on the OTC Bulletin Board will benefit its stockholders.

Following the effective date of this registration statement, the Company will be required to file annual reports in accordance with the Securities Exchange Act of 1934 ("34 Act"). The Company has a December 31 year-end. The Company will not furnish its stockholders with annual reports containing audited financial statements, but will make them available upon request. Additionally, the Company is evaluating making such reports available on its website.

The Company may from time to time, as applicable, furnish its stockholders with such additional information, as it deems appropriate, relative to the business operations of the Company. Such information may include news of a change in management, purpose and/or control of the Company or any material condition that may impact the Company's operations.

The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room located at 100 F Street, NE, Washington, D.C. 20549. Information as to the operation of the Public Reference Room can be obtained by calling 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. The Company's website domain is: <http://www.landbankgroupinc.com>.

### Risk Factors:

The Company's operations and its securities are subject to a number of substantial risks, including those described below. If any of these or other yet

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unforeseen risks actually occur, the Company's business, financial condition, and operating results, as well as the trading price or value of its securities could be materially adversely affected. No attempt has been made to rank these risks in the order of their likelihood or potential harm. In addition to those general risks enumerated elsewhere, any purchaser of the Company's common stock should also consider the following risk factors:

### Risks Related to the Company's Operations:

We have a limited operating history and cannot guarantee profitability.

The Company acquired its current operations in January of 2006 through the purchase of Landbank LLC. Landbank, LLC itself commenced operations during the second quarter of 2005. At this stage, the Company has only a limited operating history upon which an evaluation of performance and future prospects can be

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made. There can be no assurance that the Company will be able to continue to generate revenues in the future.

The Company is subject to all of the business risks associated with a new enterprise, including, but not limited to, the risk of unforeseen capital requirements, lack of fully-developed products, failure of market acceptance, failure to establish time proven business relationships, and a competitive disadvantage vis-a-vis larger and more established companies.

We may need to raise capital in the future, and if such capital is not available on acceptable terms, we may have to curtail or cease operations.

The Company's business is dependent in part on being able to acquire and make available a broad selection of properties. Acquisition of these properties requires significant capital expenditure. While the Company intends to generate sufficient revenues in the future to fund our acquisitions, it is possible that we may need to raise additional capital. Consequently, we may be unable to raise sufficient additional capital on terms deemed acceptable. In that event, the Company may have to curtail or cease operations and/or limit the number of properties maintained in inventory. This could have an adverse impact on the Company's ability to effectively compete with other companies, which are able to offer customers a broader range of properties. If additional funds are raised through the issuance of debt securities or preferred stock, these securities could have rights that are senior to the holders of the common stock, and any debt securities could contain covenants that would restrict the Company's operations. In addition, if the Company raises funds by selling common stock or convertible securities, existing stockholders could face dilution of their shares.

We may be unable to identify or acquire suitable properties at a low cost, which could affect our ability to generate revenues.

The Company's ability to generate revenues is highly dependent on its ability to maintain low acquisition costs while offering a wide range of suitable properties. There can be no assurance that the Company's acquisition teams will be successful in locating suitable properties on financially attractive terms.

Competition for properties may increase costs and reduce returns.

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The Company competes to acquire real property with individuals and other entities engaged in similar activities. Many of our competitors have greater financial resources, and thus, a greater ability to borrow funds and to acquire properties. Competition for properties may reduce the number of suitable acquisition opportunities available and may have the effect of increasing acquisition costs thereby adversely impacting Company profits.

We acquire a substantial number of our properties through the tax-lien foreclosure process, and may therefore be subject to additional costs for eviction and/or clearing title.

When acquiring properties through the tax-lien foreclosure process, the property is deeded to the buyer by the relevant government entity without any warranties as to title, and in some instances, subject to a right of the original owner to redeem the property within a certain number of days. In addition, the buyer of the property remains responsible for any eviction of a prior owner who remains in possession of the property. The majority of parcels that we acquire are unimproved lots with no owner in possession, and we attempt to perform adequate due diligence in connection with the purchase of each piece of property to ensure that there are no material liens or encumbrances affecting title to the property. We cannot however guarantee that we will not be required to undertake eviction or other proceedings in connection with properties purchased in this process, or that we will not encounter undisclosed encumbrances. In the event such a situation arises, we may incur significant

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additional acquisition costs which may adversely affect our net revenues and/or results of operations. In counties where there is a right of redemption, we hold the property in inventory until the right has lapsed. The Company does not currently acquire significant amounts of properties in counties where such rights exist, however, if we do, any exercise of these rights could delay our ability to generate revenues from these properties.

We may be unable to sell a property, if or when we decide to do so, which could delay revenues needed to fund operations.

The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates, and other factors, including supply and demand, that are beyond the Company's control. The Company cannot predict whether it will be able to sell any property for the price or on the terms that it sets or whether any price or other terms offered by a prospective purchaser would be acceptable. The Company cannot predict the length of time needed to find a willing purchaser and to close the sale of a property.

The Company may be required to expend funds to correct defects or to make improvements before a property can be sold. The Company cannot make any assurance that it will have funds available to correct such defects or to make such improvements.

Our principal stockholders have broad control over our operations.

The Company's principal stockholders beneficially own approximately 83% of the issued and outstanding share capital of the Company. As a result, these stockholders are able to exercise significant influence over the Company, including the election of directors, amendments to the articles of incorporation or by-laws of the Company, the approval of mergers or other business



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combinations, and the sale or purchase of material assets. The interests of these stockholders in deciding these matters and the factors they consider in making such decisions could be different from the interests of the Company's other stockholders.

We may lose key personnel and/or be unable to maintain current relationships with affiliates upon which we depend.

The Company's success depends to a significant degree upon the continued relationship with certain of its affiliates and the contribution of its executive management team. If any of the Company's executives decide to leave the Company, we could lose access to important affiliate services and/or acquisition or sales channels, which could adversely affect our operations and/or financial condition.

We are subject to general real estate risks.

The Company is subject to risks generally associated with the ownership of real estate, including:

- o changes in general or local economic conditions;
- o changes in supply of or demand for similar or competing properties in the area;
- o bankruptcies, financial difficulties or lease defaults by customers;
- o changes in interest rates and availability of permanent mortgage financing that may render the sale of a property difficult or unattractive or otherwise reduce the returns to stockholders;
- o changes in governmental rules, regulations, and fiscal policies, including changes in tax, real estate, environmental, and zoning laws;
- o periods of high interest rates and tight money supply.

The Company's operations can be negatively affected by the occurrence of any of these or other factors beyond the Company's control.

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We may be subject to litigation, which could divert substantial time and money from our business.

The Company may be subject to claims from customers or other third parties. If such parties are successful, they may be able to obtain injunctive or other equitable relief, which could effectively diminish the Company's ability to further acquire, subdivide, and sell properties, and could result in the award of substantial damages. Management may be required to devote substantial time and energy in defending any such claims.

Risks Related to the Ownership of the Company's Stock:

There is a limited market for the Company's common stock. If a substantial and sustained market for the Company's common stock does not develop, the Company's stockholders may have difficulty selling, or be unable to sell, their shares.

The Company's common stock is presently traded in the "Other" Over-the-Counter or "Grey Market" market on an unsolicited quote basis wherein trades are reported by broker-dealers to their Self-Regulatory Organization ("SRO") which distributes the trade data to market data vendors and financial websites. Since bids and offers are not collected in a central location, market

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transparency and best execution are more elusive. There is only a limited market for the Company's common stock and there can be no assurance that this market will be maintained or broadened. If a substantial and sustained market for the Company's common stock does not develop, the Company's stockholders may have difficulty selling, or be unable to sell, their shares.

The Company has filed this registration statement to register its common stock under the '34 Act in order to meet the current requirements for quotation on the OTC Bulletin Board. The Company's stock can be quoted on the OTC Bulletin Board if, and only if:

- o the Securities and Exchange Commission ("SEC") has no further substantive comments on the Company's registration statement, and
- o a broker-dealer files a Form 15c-211 with the NASD to permit the Company's common stock to be quoted on the OTC Bulletin Board and the broker is granted the right to quote the Company's stock.

Accordingly, we cannot provide any assurance that we will achieve quotation of our stock on the OTC Bulletin Board.

Substantial sales of the Company's common stock could cause stock price to fall.

As of September 30, 2006, the Company had 9,835,331 shares of common stock outstanding of which approximately 8,829,447 shares are considered "restricted securities" as that term is defined under Rule 144 promulgated under the Securities Act of 1933 ("'33 Act"). These restricted shares are eligible for sale under Rule 144 at various times. No prediction can be made as to the affect, if any, that the sales of shares of common stock or the availability of such shares for sale will have on the market prices prevailing from time to time. Nevertheless, the possibility that substantial amounts of the Company's common stock may be sold in the public market may adversely affect prevailing market prices for the common stock and could impair the Company's ability to raise capital through the sale of its equity securities.

The Company has a significant number of shares authorized but unissued. These shares may be issued without stockholder approval. Significant issuances of stock would dilute the percentage ownership of the Company's current stockholders and could likely have an adverse impact on the market price of the common stock.

As of September 30, 2006, the Company had an aggregate of 90,164,669 shares of common stock authorized, but unissued. 3,000,000 shares have been reserved

for issuance under the Company's 2006 Stock Incentive Plan, approved on November 2, 2006, and an additional 10% has been reserved for issuances to consultants. All remaining shares of common stock may be issued without any action or approval by the Company's stockholders. Any such shares issued would further dilute the percentage ownership of the Company's current stockholders and would likely have an adverse impact on the market price of the common stock.

The Company does not intend to pay dividends in the near future.

The Company's board of directors determines whether to pay dividends on the Company's issued and outstanding shares. The declaration of dividends will depend upon the Company's future earnings, its capital requirements, its financial condition, and other relevant factors. The Company's Board of Directors does not intend to declare any dividends on the Company's shares for the foreseeable future. The Company anticipates that it will retain any earnings

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to finance the growth of its business and for general corporate purposes.

Our securities are currently classified as a "Penny Stock" which may limit our stockholders' ability to sell their securities.

The price of our common stock is currently below \$5.00 per share, and is therefore considered "penny stock" under Rule 3a51-1 of the '34 Act. As such, additional sales practice requirements are imposed on broker-dealers who sell to persons other than established customers and "accredited investors" as defined in Rule 501 of Regulation D as promulgated under the '33 Act. The prerequisites required by broker-dealers engaged in transactions involving "penny stocks" have discouraged, or even barred, many brokerage firms from soliciting orders for certain low priced stocks.

With respect to the trading of penny stocks, broker-dealers have an obligation to satisfy certain special sales practice requirements pursuant to Rule 15c-9 of the '34 Act, including a requirement that they make an individualized written suitability determination for the purchase and receive the purchaser's written consent prior to the transaction.

Broker-dealers have additional disclosure requirements as set forth in the Securities Enforcement Act Remedies and Penny Stock Reform Act of 1990. These disclosure requirements include the requirement for a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks of the penny stock market.

Additionally, broker-dealers must provide customers with current bid and offer quotations for penny stocks, the compensation payable to the broker-dealer and its salesperson in the transaction, and the monthly account statements showing the market value of each penny stock held in a customer's account.

Accordingly, the market liquidity of the Company's common stock and the ability of any present and prospective stockholder-investors to sell their securities in the secondary market is limited due to the above penny stock regulations and the associated broker-dealer requirements.

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### Item 2. Management's Discussion and Analysis or Plan of Operation

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the notes to those statements included elsewhere in this registration statement. In addition to the historical financial information, the following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" and elsewhere in this registration statement.

#### Overview

The Company acquired Landbank, LLC and its real property operations in January 2006. Concurrent with this acquisition, there was also a change in management and principal ownership of the Company. Prior to its acquisition of Landbank, LLC, the Company was engaged, through its former operating subsidiary, iSNG, in the development of computer network storage solutions. From 1999 through November 2004, the Company was dormant, with no operations. It was only

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during the period from November 2004 to December 2005 that the Company, as iStorage Networks, Inc., was operational. Landbank, LLC had only a limited operating history prior to being acquired by the Company, commencing operations in the second quarter of 2005 and had no operations, assets or liabilities as of December 31, 2004. Accordingly, we have not included below any discussion of changes in the Company's financial condition or results of operations for the fiscal year ended December 31, 2005 compared to 2004 or for any prior years, as we believe such discussion would not be meaningful. See Operating Results below.

Since January 2006, the Company has been engaged solely in the business of acquiring parcels of land in bulk, primarily through the real property tax lien foreclosure process, and then reselling the land as individual parcels. The Company's business is asset intensive. Since the business is predicated on identifying, repackaging, and selling properties, long-term investment decisions do not play a significant role. Interest rate trends do not necessarily impact the Company's business; as such rates tend to produce a canceling effect in terms of both the purchase and the resale prices.

We currently have operations in nine states, and have also acquired properties in Mexico. We are not dependent on any single customer and no customer represents over 10% of our total revenues.

The objective of the Company is to achieve and sustain a manageable growth rate that will enable it to become a market leader in its field. Management believes that this objective can be achieved by expanding the Company's "direct to consumer" marketing efforts, developing networking responsiveness to assess buyer satisfaction, and dedicating additional resources to acquisition efforts. To date, marketing efforts have confirmed that customers who buy have a recurring need to buy for investment and/or resale purposes. Consequently, each customer represents the potential for multiple sales. The fact that the Company operates in several geographical regions tends to mitigate any seasonal or regional factors that might impact its business operations.

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The Company finances its operations by loans from affiliated companies and revenues generated from operations. From the commencement of operations in the second quarter of 2005 through September 30, 2006, the Company has net borrowings from its affiliates of \$2,285,683 and net revenues totaling \$4,598,293, of which \$1,254,542 was gross profit, which is defined as revenue less the cost of the land, processing fees, merchant fees, dues and taxes, and royalties. We derive revenue solely from the sale of the properties we acquire.

We incur the following costs of revenue:

### Operating Expenses

**Sales and Marketing Expenses.** Our sales and marketing expenses, excluding royalty agreements, consist primarily of personnel costs for our sales and marketing staff, in addition to commissions, travel and lodging, marketing programs, and allocated facilities, and other related overhead. We pay commissions as we recognize revenue and collect receivables.

**Acquisition Team.** We have a team of seven acquisition specialists responsible for identifying and acquiring suitable properties. Expenses consist primarily of personnel costs for team members, in addition to commissions,

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travel and lodging, and other related overhead. We pay commissions only upon completion of the purchase transaction, including transfer of the deed. Due to the hiring of additional acquisition specialists in February 2006, expenses in this category increased significantly in 2006.

**General and Administrative Expenses.** Our general and administrative expenses consist of personnel costs for executives, finance/accounting, and human resources as well as costs relating to travel and lodging, accounting/audit services, legal, and other professional services.

**Acquisition Costs.** We have acquired all of our properties to date, with the exception of certain parcels in Nevada, for cash. The average cost of properties that we acquire varies depending on the size, location and other specific characteristics of each property.

**Income Taxes.** Our income tax expense includes the tax obligations for the multiple tax jurisdictions in which we operate. The income tax expense is affected by the profitability of our operations in the jurisdictions in which we operate, the applicable tax rate for these jurisdictions, and our tax policies. We make significant estimates in determining our consolidated income tax expense. If our actual amounts differ from these estimates, our provision for income taxes could be materially impacted.

**Royalty payments.** We derive a significant number of customers from databases developed by certain of our affiliates. Pursuant to royalty agreements, we pay a royalty to these affiliates equal to 35% of gross profits (less acquisition costs) earned by us on any cash sale of a property to a customer referred to us under these royalty agreements. Our ability to draw on these customer databases significantly reduces our direct sales and marketing expenses.

In the future, the Company intends to continue to make use of its affiliate databases, but also hopes to develop other distribution methods, particularly where the Company acquires a significant number of lots in one area. The Company intends to continue to expand into new states for the purchase of suitable properties.

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### Operating Results

Provided below is a discussion of the financial condition and results of operations relating to the Company's current operations, which commenced in January 2006 with the Company's acquisition of Landbank, LLC. Since that time the Company has had no other operations. The consolidated financial results for the nine-month period ended September 30, 2006 and the audited financial results for the year ended December 31, 2005 presented in Part F/S of the registration statement and discussed below therefore represent the results of operations of Landbank, LLC. Accordingly, we have not included any discussion of the results of the Company's former operations, as we do not believe such discussion would be meaningful.

Nine months ended September 30, 2006 compared to the nine-month period ended September 30, 2005.

For purposes of meaningful discussion, the consolidated financial results for the nine-month period ended September 30, 2006 have been compared with the results of operations for Landbank, LLC for the same period in 2005. Note that significant changes are primarily a result of the fact that Landbank, LLC did not commence operations until the second quarter of 2005, and had only limited

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operations during such period.

Net revenue for the first nine months of 2006 was \$3,333,980, compared to \$516,689 for the same period in 2005. The significant increase in net revenues, on a year-to-year basis, is due to the Company's limited business operations during the nine-month period ending September 30, 2005. The Company generated revenue during the entire nine-month period ending September 30, 2006.

Cost of goods sold during the period ending September 30, 2006 was \$2,409,783, which consisted of land costs (\$1,534,952), royalties to an affiliate (\$485,426), processing fees (\$142,467), sales commissions (\$134,641), dues and taxes (\$35,817), and merchant fees (\$76,480). During the same period in fiscal year 2005, cost of goods sold totaled \$413,054, which consisted of land costs (\$310,827), royalties to an affiliate (\$55,804), sales commissions (\$16,984), merchant fees (\$10,189), dues and taxes (\$7,658), and processing fees (\$11,592). The significant increase is due to the fact that the Company had limited operations during the nine-month period ending June 30, 2005, with the result being far less properties sold as compared to the same period in fiscal year 2006.

Gross profit for the nine months ending September 30, 2006 was \$924,197, as compared to \$103,635 in the same period ending September 30, 2005.

Operating expenses for the first nine months of 2006 were \$1,440,724, compared to \$74,669 for the same period in 2005. Operating expenses for the nine months ending September 30, 2006 consisted primarily of salaries and related taxes (\$388,883), legal/professional/accounting fees (\$850,378), and travel expenses (\$114,782). Salaries and related taxes increased as the Company increased headcount from one (1) employee as of September 30, 2005 to fifteen (15) as of September 30, 2006. Professional fees increased as the result of (1) the transaction involving the acquisition of LandBank, LLC by the Company, (2) audit fees for fiscal year 2005, (3) consulting fees incurred in relation to

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fundraising and public relations (the Company expensed \$374,667 in relation to stock issued to consultants), and (4) fees incurred in connection with the preparation and filing of this Registration Statement.

The Company incurred a one-time charge during the period ending September 30, 2006 of \$140,000 relating to its acquisition of LandBank, LLC. This non-recurring charge represents a cash payment made by Landbank, LLC per the terms of the acquisition agreement.

Interest expense for the nine months ending June 30, 2006 totaled \$131,599, of which \$90,442 was interest accrued on funds owed to affiliates and the remaining \$41,157 being interest paid on the loan for the Pershing County, Nevada properties. During the nine months ending September 30, 2005, interest expense totaled \$22,421, of which \$17,536 was accrued on funds owed to affiliates and \$4,885 was paid on the bank loan.

For the nine-month period ended September 30, 2006, the Company had a net loss, before taxes, of \$788,126. The comparable result for the same period in 2005 was net income of \$6,545. The Company's operating results during the nine month period ending September 30, 2006 were adversely impacted by (1) the one-time charge of \$140,000 to acquire Landbank, LLC, (2) the legal and professional fees incurred in the acquisition of Landbank, LLC, (3) the \$374,667 one-time charge for stock issued to consultants, and (4) the preparation and filing of this registration statement.

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Fiscal Year ended December 31, 2005

The discussion below refers to the results of operations of the Company's wholly-owned operating subsidiary, Landbank, LLC prior to its acquisition by the Company in January 2006. Landbank, LLC's first year of operation was 2005.

Revenue for the twelve-month period ended December 31, 2005 was \$1,264,313, with cost of goods sold totaling \$933,968. Cost of goods sold consisted of the following:

Land costs	\$640,529
Royalties to affiliate	177,878
Sales commissions	41,570
Processing fees	40,334
Merchant fees	24,942
Dues and taxes	8,715
	-----
	\$933,968
	=====

Gross profit for fiscal year 2005 was \$330,345.

Fiscal year 2005 operating expenses totaled \$182,420, which consisted primarily of legal and professional fees of \$119,406, travel expenses of \$46,045, salaries and related taxes of \$36,400, and office rent to an affiliate of \$12,570. These expenses were partially offset by other income totaling \$36,266.

Income from operations for the twelve month period in 2005 was \$147,925, which was offset by interest expense of \$59,552, of which \$19,118 was paid on the loan for the Nevada property with the remaining \$40,434 of interest expense being accrued on funds borrowed from affiliates.

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Income before taxes was \$88,373 for fiscal year 2005, while net income was \$82,373 after a \$6,000 provision for income taxes.

### Assets and Liabilities

As stated above under "Operating Results," for meaningful comparison purposes, the assets and liabilities of the Company as of September 30, 2006 based on its consolidated financial statements for the nine-month period then-ended, have been compared with the assets and liabilities as of December 31, 2005 (the end of our most recent fiscal year) as set forth in the 2005 audited financial statements for its operating subsidiary, Landbank, LLC, as opposed to the assets and liabilities of the Company's former operations.

The Company had a cash balance of \$219,569 as of September 30, 2006, a decrease of \$411,856 from the \$631,425 on hand as of December 31, 2005. Cash decreased as the result of (1) the Company's net loss during the nine-month period ending September 30, 2006, and (2) the purchase of additional properties.

Inventory was \$3,445,640 as of September 30, 2006, an increase of \$1,009,162 from the \$2,436,478 that was held as of December 31, 2005. The Company purchased significant new holdings in Pennsylvania, Texas, and Colorado during the first nine months of fiscal year 2006.

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Prepaid expenses totaled \$266,030 as of September 30, 2006, which consisted of accrued royalties to an affiliate (\$144,847), sales commissions (\$41,318), processing fees (\$46,300), merchant fees (\$23,770) and other prepaid expenses totaling \$9,795. Prepaid expenses were \$324,627 as of December 31, 2005, which consisted of accrued royalties to an affiliate (\$202,882), processing fees (\$51,600), sales commissions (\$43,841), and merchant fees (\$26,304).

As of September 30, 2006, the Company owed \$2,459,535 to affiliates, an increase of \$966,247 from the \$1,493,288 owed to affiliates as of December 31, 2005. The increase in the amounts owed to affiliates is primarily the result of the Company borrowing cash to purchase additional properties. As of September 30, 2006, the amount owed to affiliates consisted of principal in the amount of \$2,328,659 and accrued interest of \$130,876.

As of September 30, 2006, the Company owed \$522,085 to a third party who financed the Company's purchase of properties in Pershing County, Nevada. The properties were purchased in August 2005, and the amount owed as of December 31, 2005 was \$572,709. The Company is required to make monthly payments of principal and interest, with total principal payments of \$50,624 and interest payments of \$41,157 having been made by the Company during the nine months ending September 30, 2006.

### Liquidity and Capital Resources

To date, the Company has funded the cost of the acquisition of new properties primarily from net revenues received from sales of properties in inventory and from funds borrowed from affiliates. The Company has not incurred any debt in order to finance its operations, with the exception of amounts due to affiliates and mortgages taken out for 19 sections of land acquired in Pershing County, Nevada in 2005. These mortgages bear interest at 10% per annum

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and mature September 1, 2015. The Company anticipates selling these properties by December 31, 2007 and repaying these mortgages in full.

While the Company believes that it can achieve its current objectives without raising additional capital, additional capital would allow the Company to benefit from economies of scale in the real estate market and to shorten the lead-time required to acquire new properties. Toward that end, the Company has engaged consultants to advise it with respect to raising capital in the public and/or the private marketplaces in the short and medium term. The Company believes, however, that based upon current plans, it will be able to fund its current operations from existing cash flows from operations for the next 12 months without raising any additional capital. To the extent that our cash flow from operations is insufficient to fund our future activities, we may need to raise additional funds through equity or debt financing. There can be no assurance that such financings can be obtained on favorable terms, if at all.

Since the Company had revenues in fiscal year 2005 and for the first nine months of 2006, the Company plans to continue its current model, namely, an emphasis on carefully selecting investment opportunities while at the same time broadening its resale base. The Company has no plans to make any significant changes in the number of its employees, although we do anticipate possibly increasing the number of acquisition specialists as we expand into new states.



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The Company has no material commitments for capital expenditures as the Company lets marketplace conditions serve as its guide in terms of acquisition exposure. There are no significant elements of income or loss that arise from other than the Company's continuing operations.

### Critical Accounting Estimates

The Company's consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles, which require the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The Company's estimates are based on the facts and circumstances available at the time; different reasonable estimates could have been used in the current period, and changes in the accounting estimates used are likely to occur from period to period, which may have a material impact on the presentation of the Company's financial condition and results of operations. Actual results reported by the Company may differ from such estimates. The Company reviews these estimates periodically and reflects the effect of revisions in the period that they are determined. Note 1 of the Notes to our Consolidated Financial Statements includes a summary of the accounting policies and methods used in the preparation of our consolidated accounts. Set forth below is a brief discussion of what the Company believes to be the more critical judgment areas in the application of the Company's accounting policies.

### Impairment of Inventory

The Company's inventory consists of land parcels that are purchased for resale purposes, and, except for special circumstances, do not normally remain in inventory for a prolonged period of time.

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The Company records its inventory at the lower of cost or fair market value at the relevant balance sheet date. The Company reviews its inventory on a quarterly basis in an attempt to identify "problem" properties that may become impaired (difficult or impossible to sell). The impairment analysis focuses on recent trends in selling prices (Ebay, Bid4Assets, real estate agent listings, and the Company's sales records), problems with the property (failed perc tests, right of way issues, zoning issues, etc.), and the Company's return rates (the number of similar properties sold by the Company that have been returned to the Company by the buyer). After reviewing all of the relevant information, the Company determines which properties, if any, have become impaired. In the event that such properties are deemed to exist, the Company assesses that particular property's marketability, and, depending on the results of that assessment, records the appropriate impairment charge at that time. As of this time, the Company has not yet experienced any impairment, which can primarily be attributed to (1) the Company's acquisition strategy, which allows us to acquire properties at a cost below fair market value, and (2) the Company's ability to resell its properties at a price in excess of their cost.

In the event that there is a significant downturn in the market for undeveloped properties, our acquisition costs increase significantly, or to the extent that other circumstances change or assumptions used in our calculations change, we could experience inventory impairment in the future.

### Off-balance Sheet Arrangements

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We do not have any off-balance sheet arrangements, as defined in Item 303 of Regulation S-B.

### Item 3. Description of Property

The Company's principal office is located in Van Nuys, California. The Company shares this address, with its approximately 21,000 square feet of office space at no charge with its affiliate Family Products, LLC ("FPLLC"). The Company estimates that it uses approximately 300 square feet of office space at this facility, with the estimated monthly rent value being approximately \$207, which the Company does not deem as material. Doug Gravink and Gary Hewitt, Directors and CEO and President respectively of the Company jointly own FPLLC. FPLLC leases this space from 7030 Hayvenhurst, LLC ("7030"), under a five-year lease, which expires in 2008. 7030 is owned by H.G.I. Investments, LLC ("HGI"). HGI is affiliated with the Company through common ownership. Doug Gravink and Gary Hewitt own a 41% interest in HGI.

The Company also operates a satellite office in American Fork, Utah, a processing and acquisition facility in Alameda, California, and a sales office in Phoenix, Arizona. Space at the sales office is jointly leased with Mentoring of America, LLC ("Mentoring"), an affiliated company through common ownership. Mentoring is jointly owned by Doug Gravink and Gary Hewitt, Directors and CEO and President respectively of the Company. The lease term is thirty-two months and expires in 2008. The Company pays a pro rata share of the lease payments based upon the percentage of space it occupies. Mentoring, at its discretion, can instruct the Company not to remit cash payment for the monthly rent and instead apply the monthly rent fee to any outstanding inter-company balance between the companies. During fiscal year 2005, the Company recorded monthly rent fees totaling \$12,570, which included June 2005 through December 2005. Rent expense totaled \$16,663 for the nine months ended September 30, 2006. The Company does not pay rent at either the American Fork or Alameda offices. The American Fork space is shared with Mentoring, with estimated usage of approximately 200 square feet and an estimated cost, if the Company were required to pay rent, of approximately \$360/month, which amount the Company

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believes immaterial. The Alameda office space is provided by John Beck, with an estimated usage of approximately 200 square feet and an estimated cost, if the Company were required to pay rent, of approximately \$200/month, which amount the Company believes immaterial. The Company recently entered into a lease for its own space in Alameda, commencing January 1, 2007. The term of this lease is twenty-five months with an annual base rent of \$27,542 for the first twelve months, and \$28,389 thereafter.

Investments in real estate or interests in real estate. The Company does not hold any investments in real estate or interests in real estate. The Company acquires real property for immediate resale only, and not for investment purposes. The Company purchases the properties for cash and does not operate or mortgage any of the properties with the sole exception of land in Pershing County, Nevada. This property is the only property in inventory for which the book value amounts to ten percent (10%) or more of the total assets of the Company and its consolidated subsidiary for the last fiscal year. The details of the mortgage on this property are set forth in Note 10 to the Notes to Unaudited Consolidated Financial Statements for Landbank Group, Inc. and Subsidiary. Acquired properties are recorded at cost and treated as inventory until sold.

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Properties appear in inventory as lots or bulk tracts depending upon the stage of development. Set forth below are the inventories (rounded to the nearest dollar) as of December 31, 2005, and September 30, 2006:

Period Ended	Inventory	Inventory Value
Year Ended 12/31/05	Individual Lots	\$1,137,625
(audited)	Bulk Tracts	1,298,853
		\$2,436,478
		=====
Period Ended 09/30/06	Individual Lots	\$2,243,043
(unaudited)	Bulk Tracts	1,202,597
		\$3,445,640
		=====

Following is a summary of our inventories by geographic region and value as of September 30, 2006:

State	Actively Marketed	Being Prepared for Marketing	Total
Colorado	\$ 349,200	\$ -	\$ 349,200
Florida	46,800	-	46,800
Mexico	-	298,348	298,348
Michigan	14,481	-	14,481
Nevada	-	851,880	851,880
New Mexico	73,125	-	73,125
New York	-	52,369	52,369
Oklahoma	37,946	2,522	40,468
Pennsylvania	595,885	-	595,885
Texas	1,087,084	36,000	1,123,084
	\$2,204,521	\$1,241,119	\$3,445,640
	=====	=====	=====

Investment in real estate mortgages. The Company does not invest in real estate mortgages.

Securities of or interests in persons primarily engaged in real estate

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activities. The Company does not have any investments in securities or interests in persons primarily engaged in real estate activities.

### Item 4. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information relating to the beneficial ownership of the Company's common stock by those persons beneficially holding more than 5% of the Company's common stock, by the Company's directors and executive officers, and by all of the Company's directors and executive officers as a group as of September 30, 2006.

(1) Title of Class -----	(2) Name and Address of Beneficial Owner -----	(3) Amount and Nature of Beneficial Ownership (1) -----	Percent -----
1. Common	Doug Gravink (5) 7030 Hayvenhurst Ave. Van Nuys, CA 91406	2,733,334	2
2. Common	Gary Hewitt (5) 7030 Hayvenhurst Ave. Van Nuys, CA 91406	2,733,334	2
3. Common	John Beck (3) 7030 Hayvenhurst Ave. Van Nuys, CA 91406	2,733,334	2
4. Common	John Genesi 7030 Hayvenhurst Ave. Van Nuys, CA 91406	-0-	
5. Common	Ray Gaytan (5) 11400 Olympic Blvd. Los Angeles, CA 90064	4,680	