DOCUCON INC
Form 10KSB
November 07, 2007

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-KSB**

**x** ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

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

**FOR THE TRANSITION PERIOD FROM __________ TO __________**

**DOCUCON, INCORPORATED**
(Exact name of registrant as specified in charter)

| **Delaware** | **1-10185** | **74-2418590** |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

**8 Airport Park Boulevard Latham, New York 12110**
(Address of principal executive offices)

**(518) 786-7733**
(Registrant s Telephone Number, including Area Code)

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

| Title of each class | Name of exchange on which registered |
| --- | --- |
| Common Stock, par value $0.01 per share | None |

Securities registered under Section 12(g) of the Exchange Act: None

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. o Yes **x** No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. o

The issuer s revenues for its most recent fiscal year, i.e., its fiscal year ended December 31, 2006, were --$0--. The issuer s revenues for its previous fiscal year ended December 31, 2005 covered by this report were also --$0--.

After giving effect to a 1:15 reverse split of the issuer s common stock which reverse split became effective on February 7, 2005, the issuer s had 243,918 shares of its common stock issued and outstanding as of September 30, 2007.

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**DOCUCON, INCORPORATED**

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## CAUTIONARY NOTE REGARDING LATE FILING OF THIS REPORT

This report is being filed substantially later than the date it was due to be filed as required by law. The due date of the filing of this report as required by law was March 31, 2007. Unless otherwise specifically identified, this comprehensive report herein contains information for the Company s fiscal year ended December 31, 2005 and December 31 2006, which is the most recent fiscal year as of October 31, 2007. Therefore, the information contained in this report should be read with extreme caution. We anticipate that the Company s quarterly reports on Form 10-QSB for the periods ended March 31, 2007, June 30, 2007 and September 30, 2007 will be filed with the United States Securities and Exchange Commission ( SEC ) on or about November 15, 2007.

## CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This report and the information incorporated by reference may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act ) and Section 21E of the Securities and Exchange Act of 1934 (the Exchange Act ). In particular, we direct your attention to Item 1. Description of Business; Item 6. Management s Discussion and Analysis of Financial Condition and Results of Operations, and Item 7. Financial Statements.

**PART I**

**ITEM 1.**

**DESCRIPTION OF BUSINESS**

*Business development history*

Docucon, Incorporated (the Company[1]) was incorporated under the laws of the State of Delaware on October 11, 1988 and is the successor by merger to a Texas corporation organized in 1986. In May 2000, the Company sold substantially all of its operating assets to TAB Products Co. ( TAB ). Before it sold substantially all of its operating assets to TAB, the Company was in the business of converting paper documents into electronic files for storage and archive purposes.

After it sold substantially all of its operating assets to TAB, the Company discontinued its document conversion business operations. The Company has not generated any revenue from any continued or new business operations since the TAB sale. The Company has incurred and continues to incur general and administrative expenses in order to maintain its existence and pursue the business plan management adopted as a result of the TAB sale. At all times since the TAB sale, that business plan has been to engage in a merger or acquisition transaction with a suitable candidate for the benefit of the Company s stockholders and other constituents.

*Abandoned merger with Digital Vision Systems, Inc.*

Effective December 28, 2001, the Company, DocuconMerger, L.P., a Texas Limited Partnership and then intended to-be wholly-owned subsidiary of the Company, Digital Vision Systems, Inc., a Nevada corporation ( DVS ), and the stockholders of DVS entered into a (definitive) Agreement and Plan of Merger (the DVS Merger Agreement ). If the merger had occurred as agreed, DVS, a then on-going business engaged in the manufacture and distribution of video surveillance systems, would have merged into the Company s then wholly-owned subsidiary, which in turn would have then owned and operated DVS s video surveillance business as a going concern. Also if the merger had occurred, in consideration of, among other things, their agreement to merge DVS into the Company s then wholly-owned subsidiary, DVS s pre-merger common stockholders would have received shares of the Company s common stock that would have represented 92.5% of the post-merger issued and outstanding shares of that class of stock. Correspondingly, the Company s pre-merger common stockholders would have retained 7.5% of the post-merger issued and outstanding shares of that class of stock. The Company s preferred and common stockholders approved and adopted the DVS Merger Agreement at a special meeting of stockholders on

June 18, 2002.

The proposed merger was subject to many conditions. Importantly among them, DVS was to obtain $2.5 million additional operating capital before the merger was consummated. Between September 30, 2002 and December 31, 2002, it became clear that DVS would not obtain the required operating capital. As a result, the Company terminated the DVS Merger Agreement and the merger contemplated by it was abandoned. Subsequently, the Company will no longer disclose or refer to the DVS transaction in its quarterly or annual reports as it has previously disclosed it in its annual reports for the periods ended December 31, 2002, December 31, 2003 and December 31, 2004 as well as in this comprehensive report for the periods ended December 31, 2005 and December 31, 2006.

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[1] When the words we, us, and, possessively, our are used in this report, they refer to the Company s management. As mentioned throughout this report, and disclosed in detail in Item 13 of this report under the heading *Subsequent events,* effective when the market opened for trading on February 7, 2005, the Company implemented a 1:15 reverse split of its issued and outstanding common stock. As a result of this reverse split, holders of record of the Company s issued and outstanding common stock on January 31, 2005 were entitled to receive one (1) share of the Company s previously authorized but un-issued common stock (each a post-split common share), in exchange for every fifteen (15) shares of the Company s issued and outstanding common stock (each a pre-split common share) held by them. When necessary in this report, the Company has used the terms pre-split and post-split to distinguish between shareholdings before and after this 1:15 reverse split, and the term split-adjusted basis to reflect the adjustment of any numeric data to reflect its implementation. When the Company s common stock is referred to without modification by the terms pre-split or post-split, reference is being made to the Company s pre-split common stock.



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*Business plan post-abandoned merger with Digital Vision Systems, Inc.*

When the DVS merger was abandoned, the Company resumed its efforts to engage in a merger or acquisition transaction with a different and more suitable candidate for the benefit of the Company s stockholders and other constituents. Additional information regarding subsequent events in this regard is disclosed in Item 13 of this report.

*Number of employees*

At December 31, 2006 and on the date of this report, the Company had only one employee, its Chief Executive Officer.

*Availability of report*

You may read and copy this report and any other materials the Company has filed with the SEC at the SEC s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information regarding the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Company is also an electronic filer. The SEC maintains an Internet site that contains electronically filed reports, proxy and information statements and other information regarding the Company at http://www.sec.gov.

*Additional risk factors*

At December 31 2006, the Company s financial statements have been prepared assuming that it will continue as a going concern. The following are indicative but not exhaustive of the risk factors the Company has contended with and continues to contend with in order to maintain its existence and pursue its business plan to engage in a merger or acquisition transaction with a suitable candidate for the benefit of its stockholders and other constituents.

**THE COMPANY MAY NOT BE ABLE TO CONTINUE AS A GOING CONCERN.**

The Company sold substantially all of its operating assets in May 2000, at which time it discontinued business operations. The Company has not generated any revenue from any continued or new business operations since this sale.

**THE COMPANY MAY NOT SUCCEED IN ITS EFFORTS TO ENGAGE IN A MERGER OR ACQUISITION.**

The Company s only potential source of liquidity is a merger or acquisition transaction with a suitable candidate. There is no guarantee this will occur. As disclosed elsewhere in this report and in the companies annual reports for the periods ended December 31, 2002, December 31, 2003 and December 31, 2004, since May 2000 the Company has been a party to two potential merger transactions, neither of which was consummated. As disclosed in an 8-K on October 1, 2007, on September 21, 2007 the Company entered into a proposed transaction to acquire My EDGAR, Inc., a provider of a full range of financial reporting, print fulfillment and shareholder communication tools to public companies, funds and pre-public companies.

**THE COMPANY FACES RISKS ASSOCIATED WITH ACQUISITIONS GENERALLY.**

Even if the Company succeeds in its efforts to engage in the proposed transaction with My EDGAR, Inc. for the benefit of its stockholders and other constituents, it faces risks. Benefits expected from a future acquisition may not be realized. Instead, an acquisition may have a material adverse effect on the Company s future potential operating results. In connection with a future acquisition, the Company may incur debt or issue equity securities to dilutive effect. Any consideration paid or exchanged by the Company for acquired business operations may significantly exceed the fair value of the net assets acquired. If that were to be the case, material impairment charges would be recorded, which, in turn, would result in material reductions of earnings in future periods.



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**THE COMPANY MAY DILUTE THE VALUE OF STOCKHOLDERS INVESTMENTS IN ITS COMMON STOCK.**

In order to maintain the Company s existence and pursue its business plan to engage in a merger or acquisition transaction with a suitable candidate for the benefit of the Company s stockholders and other constituents, the Company may issue a substantial number of shares of its common stock, thereby causing significant dilution in the value of stockholders prior investments in that stock.

**FUTURE SALES OF THE COMPANY S COMMON STOCK MAY ADVERSELY AFFECT ITS PRICE AND THE COMPANY S ABILITY TO RAISE ADDITIONAL FUNDS.**

No prediction can be made regarding the effect, if any, that future sales of shares of the Company s common stock, or the availability of such shares for future sales of the Company s common stock or securities convertible into shares of the Company s common stock, may have on the market price of the Company s common stock prevailing from time to time. Sale, or the availability for sale, of substantial amounts of the Company s common stock by existing stockholders under Rule 144 of the Securities Act of 1933, or the perception that such sales could occur, may adversely affect prevailing market prices for the Company s common stock, and may materially impair the Company s ability to raise capital through an offering of equity securities in the future.

**THE MARKET PRICE AND TRADING VOLUME OF THE COMPANY S COMMON STOCK HAS BEEN VOLATILE.**

The market price of shares of the Company s common stock has fluctuated significantly in the past, and is likely to continue to be highly volatile. In addition, trading volume has fluctuated significantly, and significant price variations have occurred as a result. The market price of shares of the Company s common stock may fluctuate or decline significantly in the future. In addition, U.S. equity markets have from time to time experienced significant price and volume fluctuations. These broad market fluctuations may materially and adversely affect the market price of shares of the Company s common stock in the future. Price fluctuations may also result from changes in the Company s business, operations or prospects, announcements of technological innovations and new service offerings by competitors, new contractual relationships with strategic partners of the Company or its competitors, proposed acquisitions by the Company or its competitors, financial results that fail to meet public market analyst expectations, regulatory considerations, and domestic and international market and economic conditions.

**ITEM 2.**

**DESCRIPTION OF PROPERTY**

At December 31, 2006 and as of the date of this report, the Company did not own, lease or otherwise hold an interest in any real property. The address of the Company s principal executive offices for correspondence and other legal purposes is the unrelated business office address of the Company s current President, Chief Executive Officer and Chief Financial Officer, Robert W. Schwartz. Mr. Schwartz does not charge the Company for its use of his business address.

**ITEM 3.**

**LEGAL PROCEEDINGS**

As the Company has previously disclosed, on February 2, 1999, it contacted the Department of Defense s Voluntary Disclosure Program Office to request admission into its Voluntary Disclosure Program. The Company s request for admission was the result of an internal review that indicated that a Company billing practice reflected in certain invoices submitted to the Department of Defense ( DOD ) between September 1996 and July 1997 might be perceived as a technical violation of DOD billing procedures.



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The DOD Inspector General formally admitted the Company into the Voluntary Disclosure Program in June 1999 and began its investigation of the Company s voluntary disclosure in the second half of that year. In February 2000, the Company s legal counsel at that time was advised informally that the DOD s investigation was complete and that criminal prosecution had been declined. Neither the DOD nor any other department or agency of the federal government has made a claim against the Company for civil damages or other remedies relating to the billing practices that were the subject of the Company s voluntary disclosure or any other matter. The Company s legal counsel at that time believed that the making of any such claims today is remote and may be time-barred by the statute of limitations governing the making of any such claims. Based on the opinion of the Company s legal counsel at that time, the Company considers the matter of these billing practices closed, and no further disclosure will be made in the absence of changed information or circumstances.

As the Company has also previously disclosed, in connection with the May 2000 sale of substantially all of its operating assets to TAB, the Company and TAB established a $250,000 Escrow Fund for the purposes of indemnifying TAB from certain losses, including the Company s failure to discharge any of its liabilities that were not assumed by TAB. Pursuant to a December 2001 agreement between the Company and TAB, all but $10,000 of the Escrow Fund was distributed to TAB and the Company in January 2002. TAB did not assert any subsequent claim against the Escrow Fund, and, therefore, in accordance with the December 2001 agreement, the remaining $10,000 of the Escrow Fund was released to the Company on December 9, 2002.

Except as otherwise disclosed above in this Item 3, the Company is not a party to any pending legal proceeding, nor is its property the subject of any pending legal proceeding. Without in any way limiting the preceding sentence, the Company is not a party to any material proceeding to which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or any holder of any security of the Company is a party adverse to the Company or has a material interest adverse to the Company.

Except as otherwise disclosed herein above in Item 3, the Company does not anticipate further disclosure of the TAB escrow fund or the DOD voluntary disclosure program as both the term limits for each have surpassed and all fund under escrow were disbursed accordingly to the 2001 agreement.

**ITEM 4.**

**SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters was submitted to a vote of the Company s security holders, through the solicitation of proxies or otherwise, during the fourth quarter of fiscal year ended December 31, 2006.

A special meeting of the common and preferred stockholders of the Company was held on June 18, 2002. The Company solicited proxies in connection with the meeting pursuant to SEC Regulation 14A. In this regard, an amended Definitive Proxy Statement on Schedule 14A was filed by the Company with the SEC on May 16, 2002, which document is incorporated by reference. At the June 18, 2002 special meeting, the Company s common and preferred stockholders were asked to consider and vote upon the following proposals as described in more detail in the Company s May 16, 2002 amended Definitive Proxy Statement:

1.

Approve and adopt the DVS Merger Agreement. The DVS Merger Agreement was approved by the Company s common and preferred stockholders by a vote of 2,027,822 in favor; 8,437 against (or withheld); 6,670 abstentions or broker non-votes.

2.

Authorize the Company s Board of Directors, at its discretion, to implement a reverse split of one share of the Company s issued and outstanding common stock, for fifteen shares of the Company s issued and outstanding common stock. The 1:15 reverse split was approved by the Company s common and preferred stockholders by a vote of 1,995,085 in favor; 40,299 against (or withheld); 7,545 abstentions or broker non-votes.

3.

Amend the Company s Articles of Incorporation to change the Company s name to DVS Holdings, Inc. The amendment was approved by the Company s common and preferred stockholders by a vote of 2,022,960 in favor; 12,162 against (or withheld); 7,807 abstentions or broker non-votes.



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4.

Elect seven directors to the Company s Board of Directors for staggered terms of one to three years, pending the Company s pre-election Board of Directors resolving to increase the size of the Board of Directors from five members to seven members. Two of the Company s nominees were then current members of the Company s Board of Directors. Five of the Company s nominees were designees of DVS. All seven of the Company s nominees for director were elected by the Company s common and preferred stockholders by a vote of 2,012,297 in favor; 23,712 against (or withheld); 6,910 abstentions or broker non-votes.

5.

Approve and adopt the 2002 Non-Qualified Stock Option Plan. The plan was approved and adopted by the Company s common and preferred stockholders by a vote of 1,967,738 in favor; 69,091 against (or withheld); 6,100 abstentions or broker non-votes.

With the exception of the approval and adoption of the Company s 2002 Non-Qualified Stock Option Plan, the matters submitted for vote to the Company s common and preferred stockholders were directly or indirectly related to the Company s desire to consummate its then planned merger with DVS. As disclosed in Item 1 of this report, the merger was not consummated. As a result, the Company s Board of Directors did not implement the approved 1:15 reverse split of the Company s issued and outstanding common stock until February 7, 2005; it did not affect the approved amendment to the Company s Articles of Incorporation to change its name; nor did the seven elected directors assume their seats on the Company s Board of Directors[1].

1

It should also be noted that the Company s pre-election Board of Directors did not increase the size of the Company s Board of Directors from five members to seven members.

**PART II**

## ITEM 5.

## MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

*Market information*

The Company s common stock, par value $0.01 per share, has traded in the NASDAQ SmallCap Market® and in the over the counter ( OTC ) market for equity securities of companies who file annual and periodic reports of financial and other information with the SEC or a similar regulatory authority, but do not qualify to have securities listed or traded in or on a national securities market or exchange.

Before June 11, 1999, the Company s common stock was traded in the NASDAQ SmallCap Market® (symbol DOCU). On June 11, 1999, the Company s common stock was de-listed from, i.e., it ceased being traded in, the NASDAQ SmallCap Market® because the Company s common stock failed to satisfy that market s requirements for continued listing. From June 11, 1999 through December 31, 2002, trades in the Company s common stock which occurred in the OTC market were quoted by The OTC Bulletin Board ( OTCBB ), a securities quotation service regulated by the National Association of Securities Dealers ( NASD ) and the SEC.

On May 23, 2003 the OTCBB stopped quoting information regarding the Company s common stock because the Company became delinquent, and, at December 31, 2006, was still delinquent, in its reporting obligations under the Exchange Act. Since May 23, 2003, information regarding the Company s common stock has been reported by the Pink Sheets LLC.

The following table presents the range of high and low bid information for the Company s common stock for each quarter within the Company s fiscal years ended December 31, 2006 and 2005 as quoted by the Pink Sheets, LLC. electronic exchange (symbol DCCN). The quotations presented have been adjusted to reflect a 1:15 reverse split of the Company s outstanding common stock which became effective on February 7, 2005. The quotations presented also reflect interdealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

| Quarter/Period Ended | High Bid Price ($) | Low Bid Price ($) |
|---|---|---|
| *Fiscal year ended December 31, 2006* | | |
| First Quarter | 0.12 | 0.06 |
| Second Quarter | 0.18 | 0.07 |

| | | |
|---|---|---|
| Third Quarter | 0.15 | 0.15 |
| Fourth Quarter | 0.15 | 0.15 |
| *Fiscal year ended December 31, 2005* | | |
| First Quarter | 0.80 | 0.15 |
| Second Quarter | 0.17 | 0.17 |
| Third Quarter | 0.12 | 0.12 |
| Fourth Quarter | 0.12 | 0.12 |

*Holders*

There were approximately 160 holders of record of the Company s common stock at December 31, 2006, excluding those shares held by depository companies for certain beneficial owners.

*Dividends*

The Company has never declared or paid any cash dividends on its common stock. The Company does not intend to declare or pay any cash dividends on its common stock in the foreseeable future. Subject to the limitations described below, the holders of the Company s common stock are entitled to receive only such dividends (cash or otherwise) as may (or may not) be declared by the Company s Board of Directors.



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*Securities sold without registration*

The Company did not sell any securities, with or without registering the securities under the Securities Act, during its most recently completed fiscal year, i.e., its fiscal year ended December 31, 2006, or during the previous three fiscal years ended December 31, 2005, December 31, 2004, December 31, 2003 respectfully; additionally subsequent to the period December 31, 2006 through the filing of this report the Company did not sell any securities, with or without registering the securities.

**ITEM 6.**

**MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*Introduction*

Our discussion and analysis refer extensively to the Company s financial statements for fiscal years ended December 31, 2006 and 2005 which are included in this report. Our discussion and analysis should be read closely in conjunction with these statements and the notes to them.

*Comparison of results of operations for the years ended December 31, 2006 and 2005*

As disclosed in Item 1 of this report, after the Company sold substantially all of its operating assets to TAB in May 2000, it discontinued its document conversion business operations. The Company has not generated any revenue from any continued or new business operations since the TAB sale. The Company has incurred and continues to incur general and administrative expenses in order to maintain its existence and pursue the business plan we adopted as a result of the TAB sale. At all times since the TAB sale, that business plan has been and continues to be to engage in a merger or acquisition transaction with a suitable candidate for the benefit of the Company s stockholders and other constituents. We do not expect to have future operating revenues unless the Company successfully completes a merger or acquisition transaction with a suitable candidate. There is no guarantee that this will happen.

The Company reported no revenues or incurred and expenses for the fiscal years ended December 31, 2006 and December 31, 2005.

At December 31, 2006, carried forward liabilities from preceding years totaled approximately $261,000, primarily made up of legal, compliance and proxy solicitation fees. At the time of this report the Company, through one of its

Directors, settled $37,731 in unpaid legal services for the past two fiscal years for a total amount of $15,000 in previous transfer agency related expenses for $4,000. The Company reported no revenues in fiscal year ended December 31, 2006.

*Liquidity and capital resources*

Current liabilities at December 31, 2006, remained unchanged, which totaled approximately $261,000, included accounts payable for accounting, legal and transfer agent fees incurred to solicit proxies for and hold the June 18, 2002 special meeting of the Company s stockholders discussed in detail in Item 4 of this report. Accrued expenses of approximately $38,000 were in settlement of amounts due under a business consulting agreement between the Company and a former employee and executive officer of the Company, and approximately $108,000 were due under notes to two current directors of the Company. Unless the Company completes a merger or acquisition transaction with a suitable candidate, we doubt that it will be able to satisfy these liabilities.

The Company s only potential source of liquidity is a merger or acquisition transaction with a suitable candidate. There is no guarantee this will occur. At December 31, 2006, the Company s total liabilities exceeded its total assets by approximately $261,000.



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The Company s financial statements have been prepared assuming that it will continue as a going concern. As disclosed in Item 1 of this report and above in this Item 6, the Company sold substantially all of its operating assets to TAB in May 2000, at which time it discontinued its document conversion business operations. The Company has not generated any revenue from any continued or new business operations since the TAB sale. The Company has incurred minimal general and administrative expenses in order to maintain its existence and pursue its business plan to engage in a merger or acquisition transaction with a suitable candidate for the benefit of the Company s stockholders and other constituents.



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**ITEM 7.**

**FINANCIAL STATEMENTS**

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

Docucon Incorporated

Latham, New York.

We have audited the accompanying balance sheets of Docucon Incorporated (A Development Stage Company) as of December 31, 2006 and 2005, and the related statements of operations, stockholders deficit and cash flows for the years then ended, and from January 1, 2001 to December 31, 2006. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Docucon Incorporated (A Development Stage Company) as of December 31, 2006 and 2005, and the related statements of operations, stockholders deficit and cash flows for the years then ended and from January 1, 2001 to December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the financial statements, the Company has suffered losses from operations; current liabilities exceed current assets, and the Company has an accumulated deficit of $10,632,599 for the years ended December 31, 2006 and 2005, all of which raise substantial doubt about its ability to continue as a going concern. Management s plan in regards to these matters is also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

De Joya Griffith & Company, LLC

Henderson, Nevada

November 1, 2007



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**DOCUCON, INCORPORATED**

**(A Development Stage Company)**

**Balance Sheets**

**as of December 31, 2006 and 2005**

| **ASSETS** | **2006** | **2005** |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ -- | $ -- |
| Total current assets | -- | -- |
| **Total Assets** | -- | -- |
| **LIABILITIES AND STOCKHOLDERS DEFICIT** | | |
| Current liabilities | | |
| Accounts payable | $ 114,655 | $ 114,655 |
| Accrued expenses | 37,834 | 37,834 |
| Notes payable - related party | 108,334 | 108,334 |
| Total current liabilities | 260,823 | 260,823 |
| Stockholders' deficit: | | |
| Preferred stock, $1.00 par value, 10,000,000 shares authorized - | | |
| Series A, 60 shares designated, 7 shares issued and outstanding, | | |
| liquidation preference of $175,000. | 7 | 7 |
| Series B, 476,200 shares designated, 0 shares issued and outstanding, | -- | -- |
| Common stock $.01 par value, 25,000,000 shares authorized, | | |
| 243,918 shares issued and outstanding | 2,439 | 2,439 |
| Additional paid-in capital | 10,373,566 | 10,373,566 |
| Accumulated deficit | (10,071,822) | (10,071,822) |
| Accumulated deficit during the development stage | (560,777) | (560,777) |
| Treasury stock, at cost, 4,495 shares | (4,236) | (4,236) |
| Total stockholders' deficit | (260,823) | (260,823) |
| **Total liabilities and stockholders deficit** | $ (0) | $ (0) |

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

**DOCUCON, INCORPORATED**

**(A Development Stage Company)**

**Statements of Operations**

**For the Years Ended December 31, 2006 & 2005, and from January 1, 2001 to December 31, 2006**

| | 2006 | 2005 | January 1, 2001 to December 2006 |
|---|---|---|---|
| Revenues | $ -- | $ -- | $ -- |
| Costs and expenses: | | | |
| General and administrative | -- | -- | 513,739 |
| Depreciation and amortization | -- | -- | 36,901 |
| Total costs and expenses: | -- | -- | 550,640 |
| Operational loss | | | |
| Other income (expense): | | | |
| Loss on abandonment of fixed assets | -- | -- | (10,266) |
| Interest expense | -- | -- | (719) |
| Interest income | -- | -- | 848 |
| Total other income (expense) | -- | -- | (10,137) |
| Net loss | -- | -- | (560,777) |
| Net loss applicable to common stockholders | -- | -- | (560,777) |
| Basic loss per common share | $ (0.00) | $ (0.00) | |
| Weighted average number of common shares outstanding (split adjusted) | 243,918 | 243,918 | |

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

**DOCUCON, INCORPORATED**

**(A Development Stage Company)**

**Statement of Stockholders Deficit**

**From January 1, 2001 to December 31, 2006**

| | Preferred Stock | | Common Stock | | | | Accumulated deficit during development stage | | Total Stockholders Deficit |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Additional Paid-in capital | Accumulated deficit | | Treasury stock | |
| Balance, January 1 2001 | 7 | $ 7 | 243,918 | $ 2,439 (1) | $ 10,265,389 | $ (10,071,822) | (422,241) | $ (4,236) | $ (230,464) |
| Balance, December 31, 2001 | 7 | 7 | 243,918 | 2,439 | 10,265,389 | (10,071,822) | (422,241) | (4,236) | (230,464) |
| Forgiveness of previously accrued expenses & recovered funds | | | | | 108,177 | | | | 108,177 |
| Net income loss | | | | | | | (134,824) | | (134,824) |
| Balance, December 31, 2002 | 7 | $ 7 | 243,918 | $ 2,439 | $ 10,373,566 | $ (10,071,822) | (557,065) | $ (4,236) | $ (257,111) |
| Net income loss | | | | | | -- | 0 | | |
| Balances, December 31, 2003 | 7 | $ 7 | 243,918 | $ 2,439 | $ 10,373,566 | $ (10,071,822) | (557,065) | $ (4,236) | $ (257,111) |
| Net income loss | | | | | | -- | (3,712) | | (3,712) |
| Balances, December 31, 2004 | 7 | $ 7 | 243,918 | $ 2,439 | $ 10,373,566 | $ (10,071,822) | (560,777) | $ (4,236) | $ (260,823) |
| Net income loss | | | | | | | 0 | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Balances, December 31, 2005 | 7 | $ 7 | 243,918 | $ 2,439 | $ 10,373,566 | $ (10,071,822) | (560,777) | $ (4,236) | $ (260,823) |
| Net income loss | | | | | | | 0 | | |
| Balances, December 31, 2006 | 7 | $ 7 | 243,918 | $ 2,439 | $ 10,373,566 | $ (10,071,822) | (560,777) | $ (4,236) | $ (260,823) |

(1) The authorized common stock is 243,918 shares at $0.01 par value. In February 2005, the Company effectuated a 1-for-15 reverse stock split which has been applied to these financial statements on retroactive basis.

**DOCUCON, INCORPORATED**

**(A Development Stage Company)**

**Statements of Cash Flows**

**For the Years Ended December 31, 2006 & 2005, and from January 1, 2001 to December 31, 2006**

| | **December 31, 2006** | **December 31, 2005** | **January 1, 2001to December 31 2006** |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net income (loss) | $ | $ -- | $ (560,777) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | | |
| Depreciation and amortization | -- | -- | 36,901 |
| Loss on sale or abandonment of assets | | -- | 10,266 |
| Change in operating assets and liabilities: | | | |
| Other current assets | -- | -- | 7,351 |
| Restricted cash and other assets | -- | -- | 262,497 |
| Accounts payable | -- | -- | 122,976 |
| Accrued expenses and other current liabilities | -- | -- | (222,741) |
| Net cash used in operating activities | -- | -- | (343,527) |
| Cash flows from investing activities | | | |
| Proceeds from sale of property and equipment | -- | -- | 500 |
| Decrease in other assets | -- | -- | 1,760 |
| Net cash provided by investing activities | -- | -- | 2,260 |
| Cash flows from financing activities | | | |
| Principal Payments Under Capital Lease Obligations | -- | -- | (5,280) |
| Additional Paid In Capital | -- | -- | 108,177 |
| Net Cash used in financing activities | -- | -- | 102,897 |
| Net increase (decrease) in cash and cash equivalents | -- | -- | (238,370) |
| Cash and cash equivalents, beginning of period | -- | -- | 238,370 |
| Cash and cash equivalents, end of period | $ -- | $ -- | $ -- |

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



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**DOCUCON, INCORPORATED**

**(A Development Stage Company)**

**Notes to Financial Statements**

***Note 1. Description, background and going concern consideration***

Docucon, Incorporated (the Company ) was incorporated under the laws of the State of Delaware on October 11, 1988 and is the successor by merger to a Texas corporation organized in 1986. In May 2000, the Company sold substantially all of its operating assets to TAB Products Co. ( TAB ). Before it sold substantially all of its operating assets to TAB, the Company was in the business of converting paper documents into electronic files for storage and archive purposes.

After it sold substantially all of its operating assets to TAB, the Company discontinued its document conversion business operations. As of December 31, 2000 the company reverted to a development stage in accordance to Statement of Accounting Standards No. 7. The Company has not generated any revenue from any continued business operations since the TAB sale. The Company has incurred and continues to incur general and administrative expenses in order to maintain its existence and pursue the business plan management adopted as a result of the TAB sale. At all times since the TAB sale, that business plan has been to engage in a merger or acquisition transaction with a suitable candidate for the benefit of the Company s stockholders and other constituents.

On December 28, 2001, the Company, DocuconMerger, L.P., a Texas Limited Partnership and then intended to-be wholly-owned subsidiary of the Company, Digital Vision Systems, Inc., a Nevada corporation ( DVS ), and the stockholders of DVS entered into a (definitive) Agreement and Plan of Merger (the DVS Merger Agreement ). If the merger had occurred as agreed, DVS, a then on-going business engaged in the manufacture and distribution of video surveillance systems, would have merged into the Company s then wholly-owned subsidiary, which in turn would have then owned and operated DVS s video surveillance business as a going concern. The Company s preferred and common stockholders approved and adopted the DVS Merger Agreement at a special meeting of stockholders on June 18, 2002.

The proposed merger was subject to many conditions. Importantly among them, DVS was to obtain $2.5 million additional operating capital before the merger was consummated. Between September 30, 2002 and December 31, 2002, it became clear that DVS would not obtain the required operating capital. Moreover, between June 18, 2002 and December 31, 2002, DVS suffered serious business reversals. As a result, in January 2003, it discontinued its business operations and terminated its employees. Contemporaneously, DVS s creditors seized its then remaining assets. For all intents and purposes, the seizure of DVS s remaining assets was equivalent to its forcible and permanent liquidation.

As a result, the Company terminated the DVS Merger Agreement and the merger contemplated by it was abandoned.

The Company s financial statements have been prepared assuming that it will continue as a going concern. As stated above, the Company sold substantially all of its operating assets to TAB in May 2000, at which time it discontinued its document conversion business operations. The Company has not earned any revenue from any continued business operations since the TAB sale. The Company has incurred and continues to incur general and administrative expenses in order to maintain its existence and pursue its business plan to engage in a merger or acquisition transaction with a suitable candidate for the benefit of the Company s stockholders and other constituents.

Furthermore, at December 31, 2006, the Company had an aggregate accumulated deficit of approximately $10,632,599 (accumulated deficit of $10,071,822 and accumulated deficit during the development stage of $560,777). These conditions raise substantial doubt about the Company s ability to continue as a going concern. The Company s financial statements do not include any adjustments that might result from the outcome of this uncertainty.



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Management s plans to mitigate these adverse conditions and events include:

Since the DVS merger was abandoned, the Company has focused its efforts on engaging in a merger or acquisition transaction with a different and more suitable candidate for the benefit of the Company s stockholders and other constituents. See Note 10 Subsequent events.

***Note 2. Summary of significant accounting policies***

*Cash and Cash Equivalents*

The Company has maintained a minimal cash balance with financial institutions that has not exceeded insured limits during the reporting period. The Company has not experienced any losses in such accounts.

*Revenue Recognition*

The Company had no revenue-producing operations and hence no revenue from operations for the reporting periods ended December 31, 2006 and 2005.

*Earnings (loss) per Common Share ( EPS )*

The Company complies with Statement of Financial Accounting Standards ( SFAS ) No. 128, Earnings Per Share, which requires dual presentation of basic and diluted earnings per share. Basic EPS excludes dilution and is computed by dividing income (loss) available to common stockholders by the weighted-average common shares outstanding for the year. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

*Income Taxes*

The Company complies with SFAS No. 109, Accounting for Income Taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are

computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amounts expected to be realized.

*Use of Estimates*

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

*New Accounting Pronouncements*

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - a Replacement of APB Opinion No. 20 and SFAS No. 3". SFAS No. 154 requires retrospective application to prior period financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 also redefines "restatement" as the revising of previously issued financial statements to reflect the correction of an error. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.



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In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments, which amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 155 permits fair value measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation and establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or hybrid financial instruments containing embedded derivatives.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets, which amends SFAS No. 140. SFAS No. 156 may be adopted as early as January 1, 2006, for calendar year-end entities, provided that no interim financial statements have been issued. Those not choosing to early adopt are required to apply the provisions as of the beginning of the first fiscal year that begins after September 15, 2006 (e.g., January 1, 2007, for calendar year-end entities). The intention of the new statement is to simplify accounting for separately recognized servicing assets and liabilities, such as those common with mortgage securitization activities, as well as, to simplify efforts to obtain hedge-like accounting. SFAS No. 156 permits a servicer using derivative financial instruments to report both the derivative financial instrument and related servicing asset or liability by using a consistent measurement attribute or fair value.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements" ("SFAS 157)*, which provides guidance on how to measure assets and liabilities that use fair value. SFAS 157 will apply whenever another US GAAP standard requires (or permits) assets or liabilities to be measured at fair value but does not expand the use of fair value to any new circumstances. This standard also will require additional disclosures in both annual and quarterly reports. SFAS 157 will be effective for fiscal years beginning after November 15, 2007 (January 1, 2008 for the Company).

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement 109* ( FIN 48 ), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under FIN 48, the benefit of a tax position may be recognized only if it is more likely than not that the tax position will be sustained, based on the technical merits of the position, by a taxing authority having full knowledge of all relevant information. We do not expect FIN 48 to have a material impact on our financial statements.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115* ( SFAS 159 ) which permits entities to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings at each subsequent reporting date.

The above pronouncements are not currently expected to have a material effect on our financial statements.

***Note 3. Impairment of long-lived assets***

As stated above, the Company had furniture, fixtures and computer hardware being held for disposal at a book value of approximately $10,000. They were abandoned in the fourth quarter of fiscal year ended December 31, 2001, and, therefore, their book value has been written off. At December 31, 2006 and 2005, the Company had no other long-lived assets.

***Note 4. Discontinued operations and related contingency***

As stated above, in May 2000, the Company sold substantially all of its operating assets to TAB. After it sold substantially all of its operating assets to TAB, the Company discontinued business operations. At all times since the TAB sale, the Company s business plan has been to engage in a merger or acquisition transaction with a suitable candidate for the benefit of the Company s stockholders and other constituents.

***Note 5. Notes payable***

In September 1999, two directors of the Company made advances to the Company totaling $325,000. The Company s obligation to repay these advances is evidenced by two notes payable. The balance due under these notes payable at December 31, 2006 and December 31, 2005 totaled $108,334. Subsequent to the period ended December 31, 2006 the Company entered into a settlement agreement on September 30, 2007 with the note holders to forgive the amounts due under the two notes payable in exchange for common shares of the Company. See Note 10 Subsequent events.

***Note 6. Preferred stock and common stock***

The Certificate of Designation of the rights, preferences and limitations of the Company s Series A Convertible Preferred Stock provides that each share of the Company s Series A Convertible Preferred Stock ($25,000 stated value) is convertible into 8,333 shares of common stock (approximately 556 shares on a split-adjusted basis) and earns cash dividends of eleven percent (11.0%) per year. Each share of Series A Convertible Preferred Stock is entitled to vote the equivalent of 8,333 (approximately 556 shares on a split-adjusted basis) common shares and has a liquidation preference of $25,000 per share. The Certificate of Designation of the rights, preferences and limitations of the Company s Series A Convertible Preferred Stock also provides that the Company may not pay dividends on its common stock until all accrued but unpaid dividends on such preferred stock have been paid. At December 31, 2006 and 2005, cumulative undeclared dividends on the seven shares of the Company s Series A Convertible Preferred Stock then issued and outstanding were approximately $236,500 and $217,250, respectively. As the cumulative dividends are undeclared, they have not been recorded as a reduction of the Company s equity. In August 2002, in connection with the Company s then proposed and subsequently abandoned merger with DVS, the Company and the holders of the Company s Series A Convertible Preferred Stock entered into agreements which would have resulted in the surrender and cancellation of all issued and outstanding shares of such preferred stock, and the release of the Company from any obligation to declare or pay any accrued dividends on such preferred stock. For all intents and purposes, these agreements were contingent upon the consummation of the Company s proposed merger with DVS, which, as stated above, did not occur. See Note 10 Subsequent events.

The Certificate of Designation of the rights, preferences and limitations of the Company s Series B Non-Convertible, Cumulative, Non-Voting, Redeemable Preferred Stock provides that the Company may issue up to 476,200 shares of Series B Non-Convertible, Cumulative, Non-Voting, Redeemable Preferred Stock, par value $1.00 per share, which shall earn dividends at the rate of fifteen percent (15.0%) per year. Declaration and payment of dividends are at the sole discretion of the Company s Board of Directors, and are not mandatory. The Certificate of Designation of the rights, preferences and limitations of the Company s Series B Non-Convertible, Cumulative, Non-Voting, Redeemable Preferred Stock also provides that the Company may not pay dividends on its common stock until all accrued but unpaid dividends on such preferred stock have been paid. At December 31, 2006 and 2005, there were no issued and outstanding shares of such preferred stock.

The Company has never declared or paid any cash dividends on its common stock.

***Note 7. Income taxes***

At December 31, 2006 and 2005, the Company had, subject to the limitations discussed below, net operating loss carry forwards for tax purposes of approximately $10,632,599 These loss carry forwards are available to reduce future taxable income and will expire during this fiscal year and through 2021 if not utilized.

Uncertainties exist as to the future realization of the deferred tax asset under the criteria set forth under SFAS No. 109. In light of these uncertainties, no valuation allowance has been established or reported in the Company s financial statements for fiscal years ended December 31, 2006 and 2005.



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***Note 8. Other contingency***

On February 2, 1999, the Company contacted the Department of Defense s Voluntary Disclosure Program Office to request admission into its Voluntary Disclosure Program. The Company s request for admission was the result of an internal review that indicated that a Company billing practice reflected in certain invoices submitted to the Department of Defense ( DOD ) between September 1996 and July 1997 might be perceived as a technical violation of DOD billing procedures. The DOD Inspector General formally admitted the Company into the Voluntary Disclosure Program in June 1999 and began its investigation of the Company s voluntary disclosure in the second half of that year. In February 2000, the Company s previous legal counsel was advised informally that the DOD s investigation was complete and that criminal prosecution had been declined. Neither the DOD nor any other department or agency of the federal government has made a claim against the Company for civil damages or other remedies relating to the billing practices that were the subject of the Company s voluntary disclosure or any other matter. The Company s previous legal counsel has informed us that the making of any such claims today is remote and probably time-barred by the statute of limitations governing the making of any such claims. Based on the opinion of the Company s legal counsel, the Company considers the matter of these billing practices closed, and no reserve for this contingency has been recorded, nor will any reserve for this contingency be established in the absence of changed information or circumstances.

***Note 9. Weighted average common shares outstanding***

For the years ended December 31, 2006 and 2005, weighted average common shares outstanding applicable to earnings (loss) per common share were 3,658,767 and 3,658,767, respectively (243,918 and 243,918, respectively, on a split-adjusted basis).

The authorized common stock is 243,918 shares at 0.01 par value. In February 2005, the Company effectuated a 1-for-15 reverse stock split which has been applied to these financial statements on retroactive basis

For the years ended December 31, 2006 and 2005, there were no outstanding options or warrants to purchase shares of the Company s common stock.

Common shares of 58,331 (approximately 3,889 on a split-adjusted basis) issuable upon the potential conversion of Company s Series A Convertible Preferred Stock as of December 31, 2006 were not included in the computation of diluted earnings (loss) per common share because they were anti-dilutive.

***Note 10. Subsequent events***

On September 17, 2007, the Company entered into a promissory note with Mr. Balbirnie in the amount of $24,000 for various obligations the Company was party to, including former legal counsel, former transfer agent and tax obligations with the state of Delaware. The note carries interest in the amount of 8% per annum and must be repaid by the Company on or before November 31, 2007.

On September 21, 2007, the Company entered into a letter of Intent with My EDGAR, Inc. Under the proposed reverse merger: Tax-free reorganization under Internal Revenue Code ss.368 (a)(1)(A) by means of the merger of My EDGAR into a Company wholly owned by Docucon ("Merger Sub ) Whereby the surviving entity will be My EDGAR with and into the Merger Sub and would be maintained as a separate wholly-owned subsidiary of Docucon. Docucon would have no other business other than the business of My EDGAR. Docucon's name would then change to reflect the new business entity.

Under the terms of the Letter of Intent, Docucon will exchange 100% of the common shares of My EDGAR for 97% of the total issued and outstanding of Docucon upon closing. The total amount of issued and outstanding shares of both Docucon and My EDGAR are subject to adjustments, splits, or reverse splits prior to close or at close of definitive merger agreement.

On September 25, 2007, the Company entered into a settlement agreement with the former legal counsel to the Company in the amount of $15,000. The legal firm was previously owed $27,738 for services dating back to 2004. The previous invoices outstanding were $10,330 for services in 2004 and $17,398 for services in 2005 and 2006.



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The payment under settlement was funded directly from the proceeds under the promissory note payable dated September 21, 2007.

On September 26, 2007, the Company entered into a settlement agreement with the former transfer agent to the Company in the amount of $4,000, the transfer agent was previously owed $19,760 for services dating back to 2002. The payment under settlement was funded directly from the proceeds under the promissory note payable dated September 21, 2007.

On September 28, 2007, the companies Board of Directors unanimously elected Mr. Brian R. Balbirnie to serve on the Company s Board until its next annual meeting.

On September 30, 2007, the Company entered into settlement agreements with two former note holders and directors of the Company. Both Edward P. Gistaro and Chauncey E. Schmidt collectively were owed $108,334 or $54,167 each. Each party agreed to convert amounts owed without interest into the Company s common stock at a conversion rate of $0.50 per share, for a total of 216,668 common shares.

On September 30, 2007, the Company entered into a settlement agreement with a former officer for previous amounts owed under an employment agreement in the amount of $37,834. The party agreed to convert its obligation into the Company s common stock at a conversion rate of $0.50 per share, for a total of 75,668 common shares.

On September 30, 2007, the Company entered into a settlement agreement with a former consultant for previous amounts owed in the amount of $53,325. The party agreed to convert its obligation into the Company s common stock at a conversion rate of $0.50 per share, for a total of 106,650 common shares.

Between October 16 and 17, 2007 the State of Delaware was paid $3,378 in taxes and re-instatement fees related to the corporation and its good standing. These funds were paid under the September 21, 2007 promissory note from and directly by Balbirnie.

*Change of certifying accountant*

Effective September 28, 2007, the Company retained De Joya Griffith & Company, LLC (the Accountant ) as the principal independent auditors of the Registrant effective immediately to review or audit, as the case may be, its financial statements beginning with fiscal year ended December 31, 2002. Before engaging De Joya Griffith & Company, the Company did not consult with the accounting firm regarding the application of accounting principles to a specific transaction; or the type of audit opinion that might be rendered on the Company s financial statements; or

regarding any matter that were the subject of any disagreement between or reportable event regarding the Company and any of its former principal independent accountants.



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**ITEM 8.**

**CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Effective September 28, 2007, the Company retained the accounting firm of De Joya Griffith & Company, LLC to serve as its principal independent accountant to review or audit, as the case may be, its financial statements beginning with fiscal year ended December 31, 2002. Before its engagement as the Company s principal independent accountant, the Company did not consult with De Joya Griffith & Company, LLC regarding the application of accounting principles to a specific transaction; or the type of audit opinion that might be rendered on the Company s financial statements; or regarding any matters that were the subject of any disagreement between the Company and any of its former principal independent accountants.

**ITEM 8A.**

**CONTROLS AND PROCEDURES**

*Management s annual report regarding internal disclosure controls and procedures*

Beginning in the fiscal year ended December 31, 2005, we became obligated to establish and maintain adequate internal disclosure controls and procedures. We also became obligated to evaluate, on a quarterly basis, the effectiveness of the Company s internal disclosure controls and procedures, and to disclose the results of those periodic evaluations in the quarterly and annual reports we file under the Exchange Act from that date forward.

We re-evaluated the effectiveness of the Company s internal disclosure controls and procedures as of the date of this report with the participation of Robert W. Schwartz, who, as of the date of this report, was the Company s only principal executive officer and only principal financial officer. Based on that evaluation, we concluded that as of the date of this report, the Company s internal disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it will subsequently file or submit to the SEC will be recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and include, without limitation, controls and procedures designed to provide reasonable assurance that such information is accumulated and communicated to the Company s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

**ITEM 8B.**

**OTHER INFORMATION**

None



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**PART III**

**ITEM 9.**

**DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT**

*Directors and executive officers*

At December 31, 2006, the names, ages, positions and terms of office of all of the Company s directors and executive officers and all persons nominated or chosen to become such were:

| Name | Age | Position |
|---|---|---|
| Edward P. Gistaro | 71 | Director, Chairman of the Board of<br><br>Directors, member of Audit Committee<br><br>Mr. Gistaro is an independent director as defined by Rule 4200(A)(15) of the NASD. |
| Robert W. Schwartz | 61 | Director<br>President, Chief Executive Officer, Chief Financial Officer |
| Chauncey E. Schmidt | 73 | Director, member of Audit Committee |

*Biographical information*

*Edward P. Gistaro* has served as Chairman of the Board of Directors of the Company since 1990. He served as Chief Executive Officer of the Company from June 4, 1988 until April 1998, when the Board of Directors accepted his recommendation that he be replaced by Douglas P. Gill as Chief Executive Officer. Mr. Gistaro also served as President of the Company from 1988 until 1991. Mr. Gistaro was employed by Datapoint Corporation, a Company involved in the manufacturing of computer systems, in various managerial positions from 1973 until 1987. From 1982 to 1985, Mr. Gistaro served as the President and Chief Operating Officer of Datapoint Corporation, and he served from 1985 to 1987 as its President and Chief Executive Officer.

<u>*Robert W. Schwartz*</u> was elected to the Board of Directors of the Company in 1998. Mr. Schwartz founded Schwartz Heslin Group, Inc. ( SHG ), a corporate planning, and mergers and acquisition advisory firm, in 1985. As Managing Director of SHG, Mr. Schwartz specializes in corporate planning, finance, and mergers and acquisitions. From 1980 to 1985, he was founder, a director, and President and Chief Operating Officer of Coradian Corporation. He also served as Vice President and Chief Financial Officer of Garden Way Manufacturing Corporation from 1975 to 1980 and 1970 to 1975, respectively. The Company has retained SHG in the past to provide investment and financial advice.

<u>*Chauncey E. Schmidt*</u> was elected to the Board of Directors of the Company in February 1993. He has been Chairman of C.E. Schmidt & Associates, an investment firm, since April 1989. From 1987 to March 1989, he was Vice Chairman of the Board of AMFAC, Inc., a New York Stock Exchange-listed Company engaged in diversified businesses. He has previously served as President of The First National Bank of Chicago and Chairman of the Board of Directors and Chief Executive Officer of The Bank of California, N.A. Mr. Schmidt is on the Board of Trustees of the U.S. Naval War College Foundation and is active in several civic and charitable organizations.

*Special note regarding contingently elected directors and nominees for executive office*

As disclosed in Item 4 of this report, a special meeting of the stockholders of the Company was held on June 18, 2002. At that meeting, the Company s stockholders contingently elected seven directors to its Board of Directors for staggered terms of one to three years, pending the Company s pre-election Board of Directors resolving to increase the size of the Company s Board of Directors from five members to seven members. Two of the Company s nominees were current members of the Company s Board of Directors. Five of the Company s nominees were designees of DVS. The Company s amended Definitive Proxy Statement on Schedule 14A for that meeting also disclosed that the Company s contingently elected directors intended to elect/appoint certain individuals to executive offices once their election became non-contingent.



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Also as disclosed in Item 4 of this report, the increase of the size of the Company s Board of Directors from five members to seven members by the Company s pre-election Board of Directors; the succession to office of the seven elected directors; and the election/appointment of new executive officers by the Company s post-election Board of Directors; were all contingent upon the consummation of the Company s then planned merger with DVS. As disclosed in Item 1 of this report, the merger was not consummated. As a result, the Company s pre-election Board of Directors did not increase the size of the Company s Board of Directors from five members to seven members; the seven elected directors did not assume their seats on the Company s Board of Directors; and the Company s post election Board of Directors did not elect/appoint new executive officers.

Regardless of the foregoing, the table above and the narrative biographical information below include information regarding all directors and executive officers who were serving in those capacities, or contingently elected or nominated to serve in those capacities, at December 31, 2006.

*Significant employees*

As disclosed in Item 1 of this report, at December 31, 2006, and as of the date of this report, the Company had no

full- or part-time employees with the exception of its non paid Chief Executive Officer.

*Family relationships*

During fiscal years ended December 31, 2006 and 2005, and as of the date of this report, there were no family relationships among the Company s directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers.

*Involvement in certain legal proceedings*

During fiscal years ended December 31, 2006 and 2005, and otherwise during the five years immediately preceding the date of this report, none of following events occurred that were or are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, promoter or control person of the Company: any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring suspending or otherwise limiting such person s involvement in any type of business, securities or banking activities; or being found by a court of competent jurisdiction (in a civil action), or the SEC or the Commodity Futures Trading Commission to have violated a federal

or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

*Audit committee financial expert*

As disclosed in Item 5 of this report, the Company has not been a listed issuer as defined in Rule 10A-3 since May 23, 2003. Nevertheless, the Company s Board of Directors has determined that at December 31, 2006 it had at least one audit committee financial expert serving on its audit committee. As disclosed in the table above in this Item 9, that person was Chauncey E. Schmidt, who was also independent as that term is used in Item 7(d)(3)(iv) of Schedule 14A and pursuant to Rule 4200(A)(15) of the NASD.

*Identification of audit committee*

As disclosed in Item 5 of this report, the Company has not been a listed issuer as defined in Rule 10A-3 since May 23, 2003. Nevertheless, at December 31, 2006, the Company s Board of Directors had a separately-designated standing audit committee in accordance with Section 3(a)(58) of Exchange Act. As disclosed in the table above in this Item 9, the members of the Company s standing audit committee at December 31, 2006 were Edward P. Gistaro, Al R. Ireton and Chauncey E. Schmidt, all of whom were independent as that term is used in Item 7(d)(3)(iv) of Schedule 14A and pursuant to Rule 4200(A)(15) of the NASD.



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*Material changes to procedures for nominating directors*

There have been no material changes to the procedures by which the Company s security holders may recommend nominees to the Company s Board of Directors since the Company last provided disclosure in this regard.

**ITEM 10.**

**EXECUTIVE COMPENSATION**

*Summary*

The Company awarded no executive compensation during fiscal years ended December 31, 2006 and December 31, 2005 The information summarized in the table below is for the named executive officers Robert W. Schwartz, who, at December 31, 2006, was the Company s President, Chief Executive Officer and Chief Financial Officer, and the Company s only executive officer; qualified as executive officers of the Company for whom disclosure is required by Item 402 of Regulation S-B.

**Summary Compensation Table for Docucon, Incorporated**

| | | | | | Long-Term Compensation | | | |
|---|---|---|---|---|---|---|---|---|
| | | Annual Compensation | | | Awards | | Payouts | |
| **Name and Principal Position** | **Year (Dec 31st)** | **Salary** | **Bonus ($)** | **Other Annual Compensation ($)** | **Restricted Stock Awards ($)** | **Securities Underlying Options/SARs** | **LTIP Payouts** | **All Other Compensation ($)** |
| Robert W. Schwartz, President, Chief Executive Officer, Chief Financial Officer | 2006 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2005 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2004 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2003 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

*Option/SAR grants in last fiscal year*

The Company did not grant any options or SARs to Messrs. Schwartz, or to any other executive officer or to anyone else during fiscal years ended December 31, 2006 and December 31, 2005. The table for reporting this information in this report has therefore been omitted.

*Aggregate Option/SAR exercises in last fiscal year and FY-End Option/SAR values*

At December 31, 2006 and including the previous five fiscal years, the Company had no outstanding options or SARs. The table for reporting this information in this report has therefore been omitted.

*Long-Term Incentive Plans awards in last fiscal year*

The Company did not grant any Long-Term Incentive Plan ( LTIP ) Awards to Messrs. Schwartz, or to any other executive officer or to anyone else during fiscal years ended December 31, 2006 and 2005. The table for reporting this information in this report has therefore been omitted.



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*Compensation of directors*

At December 31, 2006 and 2005, there were no arrangements, standard or otherwise, pursuant to which any director of the Company was compensated for any service he or she provided as a director, including, without limitation, any additional amounts payable to any director for committee participation or special assignments. During fiscal year ended December 31, 2006 and 2005, there were no arrangements, including, without limitation, consulting contracts, pursuant to which any director of the Company was compensated for any service he or she provided as a director, and/or otherwise entered into in consideration of any director s service on the Company s Board of Directors.

*Report on re-pricing of Options/SARs*

During fiscal years ended December 31, 2006 and 2005, the Company had no outstanding options or SARs

**ITEM 11.**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

*Securities authorized for issuance under equity compensation plans*

As previously reported in the Company s Annual Report on Form 10-KSB for fiscal year ended December 31, 2000, the Company s 1993 Employee Stock Purchase Plan expired on December 31, 2001.

Effective April 10, 2002, the Company terminated the following equity compensation plans: 1988 Stock Option Plan; 1991 Director Non-Statutory Stock Option Plan; 1998 Employee Stock Option Plan; and 1998 Executive Non-Statutory Plan.

Other than the Company s 2002 Non-Qualified Stock Option Plan, between January 1, 2002 and the date of this report, the Company has not authorized, approved or adopted any compensation plan or individual compensation arrangement under or pursuant to which equity securities of the Company were or are authorized for issue to employees or non-employees (such as directors, consultants, advisors, vendors, customers, suppliers or lenders) in exchange for consideration in the form of goods or services. Nevertheless, the Company has from time to time issued, and anticipates that it will in the future issue, shares of its common stock to employees and non-employees (such as

directors, consultants, advisors, vendors, customers, suppliers or lenders) in exchange for consideration in the form of goods or services for reasons it considers appropriate. Other than the shares of common stock reserved for issue under the Company s 2002 Non-Qualified Stock Option Plan, the Company believes that any securities which by charter it is authorized to issue, and which have not been previously issued, may be issued or made subject to options, warrants or other rights as permitted by law.

*Security ownership of certain beneficial owners*

The following table contains the name, address and other information regarding the holdings of any person or group who was known to the Company to be the beneficial owner of more than five percent (5.0%) of any class of the Company s voting securities at December 31, 2006.

**Security Ownership of Certain Beneficial Owners of Docucon, Incorporated at December 31, 2006**

| Title and Class | Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class |
|---|---|---|---|
| Common Stock par value $0.01 per share | Edward P. Gistaro | 217,078 | 5.84% |
| | Robert W. Schwartz | 164,667 | 4.43 %* |

*included in table as Mr. Schwarz is the sole officer of the Company for the last five years and should be considered a beneficial owner.

*Security ownership of management*

The following tables contain the name, address and other information regarding the holdings of any class of the Company s voting securities by any director, nominee for director and executive officer at December 31, 2006, i.e., the most recent practicable date preceding the date of this report, and at December 31, 2006, respectively.

**Security Ownership of Management of Docucon, Incorporated at December 31, 2006**

| Title and Class | Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class |
|---|---|---|---|
| Common Stock par value $0.01 per share | Edward P. Gistaro<br>Director, Chairman of the Board of Directors and member of Audit Committee | 217,078 | 5.84% |
| | Robert W. Schwartz<br>Director, President, Chief Executive Officer, Chief Financial Officer | 164,667 | 4.43% |
| | Chauncey E. Schmidt<br>Director, member of Audit Committee Directors and Executive Officers as a Group | 21,333 | 0.57% |
| | Directors and Executive Officers as a Group | 403,078 | 10.84% |

*Changes in control*

As previously disclosed in the Company s May 16, 2002 amended Definitive Proxy Statement under the heading SUMMARY OF THE AGREEMENT AND PLAN OF MERGER, subheading *Merger Consideration; Conversion of Securities,* and in the un-audited *pro forma* combined condensed financial statements of the Company and DVS and notes to them included in that proxy statement, if the Company s then planned merger with DVS had been consummated, all issued and outstanding pre-merger shares of DVS s common stock would have been canceled and converted into the right to receive 0.3737 shares of the Company s authorized but previously unissued post-split common stock. This exchange ratio was agreed by the parties so that, immediately upon the consummation of the planned merger, the pre-merger common stockholders of DVS would hold 92.5% of the issued and outstanding

post-split, post-merger common stock of the Company, and, correspondingly, the pre-merger common stockholders of the Company would hold 7.5% of the issued and outstanding post-split, post-merger common stock of the Company. As disclosed in Item 1 of this report, the merger was not consummated. At December 31, 2002, other than as disclosed with respect to the DVS Merger Agreement, there were no arrangements which might result in a change of control of the Company. Additional information regarding subsequent events in this regard is disclosed in Item 13 of this report and also in the notes to the Company s financial statements included in this report.

**ITEM 12.**

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**None**



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**ITEM 13.**

**EXHIBITS**

The following exhibits are furnished as part of this report:

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

Exhibit 32.

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

**ITEM 14.**

**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

*Audit fees, audit-related fees, tax fees and all other fees*

The following table contains information regarding aggregate fees billed by the Company s former or current principal accountants for professional services, and assurance and related services, in each of the identified categories, in each of the Company s fiscal years ended December 31 2006 and 2005.

**Principal Accountant Fees and Services Information for Docucon, Incorporated**

| | December 31, 2006 | | December 31, 2005 | |
|---|---|---|---|---|
| Audit Fees | $ | 10,000 | $ | - |
| Audit-Related Expenses | | -- | | - |
| Tax Fees | | -- | | - |
| All Other Fees | | -- | | - |
| Total | $ | 10,000 | $ | - |

*Audit committee s pre-approval policies and procedures*

The audit committee of the Company s Board of Directors is responsible for evaluating the qualifications and independence, engaging, setting compensation and overseeing the work of any accountant engaged to audit the Company s financial statements, or engaged to provide the Company audit-related assurance and related services or non-audit services.

An accountant may not be engaged to audit the Company s financial statements, or provide audit-related assurance and related services or non-audit services, without the prior written approval of the audit committee. Regardless of source, any request to engage an accountant to audit the Company s financial statements, or provide audit-related assurance and related services or non-audit services, must be considered by the audit committee. As of the date of this report, the Company has not found it necessary or appropriate to establish policies or procedures that would permit the pre-approval of any request for any such engagement.

**SIGNATURES**

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

**DOCUCON, INCORPORATED**

November 6, 2007

By: /s/ Robert W. Schwartz
Robert W. Schwartz
President, Chief Executive Officer, Chief Financial Officer

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

November 6, 2007

By: /s/ Robert W. Schwartz
Robert W. Schwartz
President, Chief Executive Officer,
Chief Financial Officer
Director

November 6, 2007

By: /s/ Edward P. Gistaro
Edward P. Gistaro
Director

November 6, 2007

By: /s/ Chauncey E. Schmidt
Chauncey E. Schmidt
Director

November 6, 2007 By: /s/ Brian R. Balbirnie
Brian R. Balbirnie
Director