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## **FORM 10-K**

**Ampio Pharmaceuticals, Inc. - AMPE**

**Filed: March 16, 2010 (period: December 31, 2009)**

Annual report with a comprehensive overview of the company

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

**FORM 10-K**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended: December 31, 2009**

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

**For the transition period from**                      **to**

**Commission File No. 333-146542**

**CHAY ENTERPRISES, INC.**

(Name of small business issuer in its charter)

**Colorado**  
(State or other jurisdiction of  
incorporation or organization)

**26-0179592**  
(I.R.S. Employer  
Identification No.)

**5459 S. Iris St.**  
**Littleton, CO 80123**  
(Address of principal executive offices, including zip code)

**Issuer's telephone number: 303-932-9998**

**Securities Registered pursuant to Section 12(b) of the Act:**  
**None.**

**Securities Registered pursuant to Section 12(g) of the Exchange Act:**  
**None**

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

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

**Note** – checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).    ☐ Yes    ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☒

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Our common stock is listed on the Over the Counter Bulletin Board ("OTCBB"), under the symbol "CHYE." There was not an active market and no trading volume during fiscal 2008 and there has been extremely limited trading volume in 2009, therefore the aggregate market value of the issuer's common stock held by non-affiliates at March 3, 2010 is deemed to be \$-0-.

**Note.** – If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided that the assumptions are set forth in this Form.

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY  
PROCEEDING DURING THE PRECEDING FIVE YEARS:**

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

**(APPLICABLE ONLY TO CORPORATE REGISTRANTS)**

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

<u>Class</u>	<u>Outstanding as of March 1, 2010</u>
Common Stock, no par value	929,718

**DOCUMENTS INCORPORATED BY REFERENCE**

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

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**EXPLANATORY NOTE AND AVAILABLE INFORMATION  
INCLUDED HEREIN AND INCORPORATED BY REFERENCE**

At December 31, 2009, the date as of which this Form 10-K speaks, we were a shell company as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended. On March 2, 2010, we entered into a definitive Agreement and Plan of Merger, or the Merger Agreement, with a wholly-owned subsidiary of ours, Chay Acquisitions, Inc., a Delaware corporation which we formed in February 2010, and DMI Life Sciences, Inc., or DMI, a development stage Colorado corporation. DMI is engaged in developing innovative, proprietary pharmaceutical drugs and diagnostic products to identify, treat and prevent a broad range of human diseases including metabolic disorders, cancer, and acute and chronic inflammation diseases. At the closing on March 2, 2010, or the Closing, Chay Acquisitions was merged into DMI and as a result we acquired DMI. We refer to this as the DMI Acquisition. Following the filing of the Certificate of Merger on March 4, 2010, we are now engaged in the business which was formerly conducted by DMI. It is important to note, however, that we will continue to be subject to certain restrictions imposed on all shell companies until a period of 12 months has elapsed from the time when we no longer were a shell company.

Pursuant to the rules and regulations of the Securities and Exchange Commission, we are required to include in this Form 10-K copies of the historical financial statements for DMI and unaudited pro forma consolidated financial data for our company and DMI if (i) the DMI Acquisition is probable, (ii) DMI is significant to us for accounting purposes, and (iii) DMI met the definition of a business for accounting purposes. As these conditions were met as of the filing date of this Form 10-K, we have included DMI's historical financial statements and the pro forma financial information. We have included also in Item 1, "Business," a description of the DMI Acquisition.

On March 8, 2010, we filed a Form 8-K with the SEC, which we refer to as the Super 8-K, which contains copies of the Merger Agreement and related agreements; disclosure concerning DMI's business and the DMI Acquisition; information about the change in control which resulted from the DMI Acquisition; disclosure concerning our new officers and directors who took office in conjunction with the DMI Acquisition; a pending name change and reincorporation by us in the State of Delaware, and the DMI historical financial statements and pro forma consolidated financial information. We refer you to the Super 8-K for further information regarding the DMI Acquisition and DMI, which we incorporate in this Form 10-K by this reference. We will provide to each person, including any beneficial owner to whom this Form 10-K is delivered, and to each person who requests a copy, the complete Super 8-K and the exhibits thereto, at no cost to the beneficial owner or requestor. You may request a copy of the Super 8-K by writing to us at Chay Enterprises, Inc., d/b/a Ampio Pharmaceuticals, Inc., 8400 East Crescent Parkway, Suite 600, Greenwood Village, Colorado 80111, or by calling us at (303) 418-1000. You may also review a copy of the Super 8-K on the SEC's web site at <http://www.sec.gov>, under the filings for Chay Enterprises, Inc. Following our name change and reincorporation which we intend to complete by the end of March 2010, you will find such information under our new name, Ampio Pharmaceuticals, Inc.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Report on Form 10-K and the Super 8-K (defined above) that is incorporated by reference herein contain forward-looking statements that involve risks and uncertainties, principally in the sections of the Form 10-K and the Super 8-K entitled "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." All statements other than statements of historical fact contained in this Form 10-K and the Super 8-K, including statements regarding future events, our future financial performance, business strategy, and our plans and objectives for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," or "will" or the negative of these terms or other comparable terminology. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These statements are only expectations and involve known and unknown risks, uncertainties and other factors, including the risks outlined under "Risk Factors" or elsewhere in this Form 10-K or the Super 8-K, which may cause our or our industry's actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements to differ from expectations. Moreover, we operate in a very competitive and rapidly changing industry. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short term and long term business operations, and financial needs. These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward looking statements.

Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Form 10-K or the Super 8-K, and in particular, the risks discussed below and under the heading "Risk Factors" in the Super 8-K and those discussed in other documents we file with the Securities and Exchange Commission. The following discussion should be read in conjunction with the financial statements and notes thereto included in this Form 10-K and the Super 8-K. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements.

In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Form 10-K and the Super 8-K may not occur and actual results could differ materially and adversely from those anticipated or implied in forward-looking statements. You should not place undue reliance on any forward-looking statement, each of which speaks only as of the date of their filing. Before you invest in our common stock, you should be aware that the occurrence of the events described in the section entitled "Risk Factors" and elsewhere in this Form 10-K or in the Super 8-K could negatively affect our business, operating results, financial condition and stock price. Except as required by law, we undertake no obligation to update or revise publicly any of the forward-looking statements after the date of this Current Report on Form 8-K to conform our statements to actual results or changed expectations.

## **PART I**

### **ITEM 1. BUSINESS.**

#### ***Our 2009 Business***

We operate in the real estate industry and we primarily acquire tracts of raw land and develop them into residential lots for sale to homebuilders or individuals.

Considerable up-front costs in any real estate platting project must first be incurred and paid for, thus in the early stages of our real estate projects significant amounts of capital can be required until platting occurs, and lots are improved and sold. Predictably, greater revenues will be achieved as soon as a portion of the lots are improved and sold. When the lot development plan has been completed and accepted by Fall River County, South Dakota, and construction of the lots completed, the sale of these lots will be currently funded and closed.

We currently own 32 residential building lots in Fall River County, South Dakota. All of our lots are located within one and a half block area in the city limits of Hot Springs. We intend to combine and develop the lots into approximately 12 single and multi family residential building sites.

Nestled in the Southern Black Hills of South Dakota, Hot Springs is home to natural springs, pleasant year-round weather, many outdoor activities, scenic beauty, plentiful golfing, and unusual sandstone architecture.

We believe Hot Springs, South Dakota is attractive to potential real estate investors and purchasers because of the attractions, location and amenities discussed below.

Local attractions in Hot Springs include:

- Evans Plunge and its naturally warm 87 degree spring water
- The Mammoth Site which is America's greatest Ice Age treasure
- The Wild Horse Sanctuary where American mustangs roam free
- Close proximity, less than an hour, from Mt. Rushmore National Monument
- Close proximity to the Wind Cave National Park and Custer State Park

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Hot Springs is located at the southern edge of the Black Hills and offers:

- Micro-climate with relatively mild winters
- Summers include warm days and cool nights with low humidity
- Red rock canyons and pine covered hills provide magnificent scenery

Hot Springs is a bustling community of 4,250 people that provides a small town atmosphere, including:

- Good schools and churches
- Low crime rate
- An active and energetic business community

Hot Springs is the cultural capital of the Black Hill and offers:

- Many fine galleries filled with original art
- Annual arts festivals, songwriter's galleries and more
- The Badger Clark Hometown Poetry and Music Gathering every fall
- Locations for filming motion pictures such as "Hidalgo" which was filmed in the area
- Local artists and musicians displaying their talents in local businesses at various times throughout the year

Outdoor recreational activities in and around Hot Spring include:

- Golf at the well known Southern Hills Golf Course
- Angostura Reservoir which offers top notch fishing and boating
- Great hunting is available including wild turkeys, antelope, deer and elk
- Winter sports activities are less than an hour away

### ***Competition***

We compete with a large number of companies and individuals, and many of them have significantly greater financial and other resources than we have. Our competitors include local developers who are committed primarily to particular markets and also national developers who acquire properties throughout the U.S.

### ***Governmental Regulation***

Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning, density, parking, sub-division, site planning and environmental issues. Certain of these approvals are discretionary by nature. Because certain government agencies and special interest groups are involved there is a high degree of uncertainty in obtaining these approvals.

### ***Employees***

We currently have only one employee, Philip J. Davis who is our sole officer and director. Mr. Davis will devote such time as needed to pursue the business operations of Chay Enterprises.

### ***Subsequent Event***

On March 2, 2010, we entered into an Agreement and Plan of Merger, or the Merger Agreement, with DMI Life Sciences, Inc., a Delaware corporation, or DMI, and Chay Acquisitions, Inc., a Delaware corporation and our wholly-owned subsidiary we incorporated in February 2010. As called for by the Merger Agreement, at the closing of the transaction, Chay Acquisitions was merged into DMI and DMI, as the Surviving Corporation, became our wholly-owned subsidiary. The closing of the Merger occurred on March 2, 2010. At that time, we issued 15,070,657 shares of our common stock to acquire DMI, which resulted in the stockholders of DMI owning approximately 95.8% of our outstanding common stock after the consummation of the Merger and before taking into account the issuance of 1,325,000 additional shares of our common stock described below. DMI is a development stage company engaged in developing innovative, proprietary pharmaceutical drugs and diagnostic products to identify, treat and prevent a broad range of human diseases including metabolic disorders, cancer, and acute and chronic inflammation diseases.

Under the terms of the Merger Agreement, as a condition precedent to closing, DMI agreed to purchase a total of 263,624 shares of our common stock from our then-principal shareholders, Philip J. Davis and Gary A. Agron, whom we refer to as the Chay Control Shareholders. The shares were purchased from the Chay Control Shareholders for a purchase price of \$184,000. The effect of the share purchase was to reduce the number of our shares of common stock that were owned by the Chay Control Shareholders following consummation of the Merger. The share purchase took place contemporaneously with the Closing of the Merger.

At the Closing we also executed quit claim deeds pursuant to the sale of our entire right, title and interest in 32 residential building lots located in the City of Hot Springs, Fall River County, South Dakota, to the Chay Control Shareholders for consideration of \$154,000, the appraised value of the residential building lots. The purchase price was paid through the extinguishment of \$100,596 in advances to us that were previously made by the Chay Control Shareholders, property taxes assumed, and the assumption of accounting and other professional fees attributable to our operations prior to the date of the Merger. This transaction was undertaken as DMI is not engaged in the real estate business and has no intent of engaging in that business.

As a further condition to Closing and pursuant to the Merger Agreement, on the Closing date DMI, the Chay Control Shareholders and four executive officers or members of the board of directors of DMI before the Merger, or the Guarantors, entered into a Securities Put and Guarantee Agreement, or the Put Agreement. The Put Agreement provides that if DMI is not successful in obtaining a minimum of \$5.0 million in financing, which we refer to as a Qualifying Financing, by a date which is 150 days after the Closing, which we refer to as the Determination Date, the Chay Control Shareholders will have the right to put back to DMI all of the Chay common stock then owned by the Chay Control Shareholders for a put price of \$250,000, subject to adjustment. The Put Agreement defines a Qualifying Financing as any sale or sales of equity, debt, convertible or other financial instruments which, individually or collectively, result in DMI obtaining \$5.0 million or more in financing or binding contractual commitments for such financing that must be funded not later than 90 days after the Determination Date. Under the Put Agreement, the Guarantors agreed to jointly guarantee the payment of the put price by DMI if the put right becomes exercisable in accordance with its terms. In addition, DMI agreed to place in escrow with an independent bank escrow agent a cash deposit of \$125,000 that will be paid to the Chay Control Shareholders in the event the put right becomes exercisable by its terms. If paid to the Chay Control Shareholders in accordance with the escrow agreement, such payment will reduce the amount then owed by the Guarantors to the Chay Control Shareholders.

Immediately prior to the Closing, we accepted subscriptions for an aggregate of 1,325,000 shares of our common stock from six officers and employees of DMI, pursuant to which such persons were issued the 1,325,000 shares of common stock for a purchase price of approximately \$150,000. DMI made advances to the six officers and employees in the aggregate amount of \$150,000 to facilitate the share purchases by the six purchasers. These shares were issued immediately before the Closing. The purchasers did not, and could not, vote their shares in favor or against the Merger as the shares were issued after both the record date, and the meeting date, of our shareholder meeting at which the Merger was approved.

At the Closing, Philip J. Davis, our sole executive officer and director, resigned his positions after appointing David Bar-Or, Bruce G. Miller, Michael Macaluso, and Donald B. Wingerter, Jr., to our Board of Directors. Messrs. Bar-Or, Miller and Macaluso previously served, and continue to serve, as members of the board of directors of DMI, and Mr. Wingerter served, and continues to serve, as the Chief Executive Officer of DMI. The new members of our board of directors then appointed David Bar-Or, M.D., as Chairman and Chief Scientific Officer; Donald B. Wingerter, Jr., as Chief Executive Officer; and Bruce G. Miller as Chief Operating Officer.

The Merger Agreement contains customary terms and conditions for a transaction of this type, including representations, warranties and covenants, as well as provisions describing the effect of the Merger. The Merger is discussed more fully in 2.01 of the Super 8-K. This brief discussion is qualified by reference to the provisions of the Super 8-K and the Merger Agreement which is attached to the Super 8-K as Exhibit 2.1.

#### ITEM 1A. RISK FACTORS.

The Company's business is subject to numerous risk factors, including the following. These risk factors speak as of December 31, 2009, at which time our business was that described under Item 1, Business, "Our 2009 Business." **We have relied on loans from shareholders to fund our operations that must be repaid.** If we fail to repay our outstanding notes, we may not be able to continue our operations and you may lose your entire investment.

**We have not performed any formal market studies, so we may not be able to market, sell or develop our property due to focusing on the wrong markets.** In making our business plan, we relied on the judgment and experience of our management. We did not conduct any formal market studies about the demand for our property, and we have no plans to conduct such studies. Without market studies, we may miss opportunities to expand into other markets or identify emerging trends in the local real estate market. If we overestimate the demand for our business or fail to capitalize on new markets, our business could fail.

**We operate in a very competitive business environment, with the risk that we could lose some or all of our potential clientele to our competitors.** Because we are a company with a limited history, our operations are subject to numerous risks similar to that of a start-up company. We expect the real estate development business to be highly competitive because many developers have access to the same market. Substantially all of them have greater financial resources and longer operating histories than we have and can be expected to compete within the business in which we engage and intend to engage. We cannot assure that we will have the necessary resources to be competitive. Also, we may not be able to establish our identity in this competitive industry. If we cannot compete successfully, our business will fail and you will lose your investment.

**The real estate business is highly competitive and many of our competitors are larger and financially stronger than we are.** We compete with a large number of companies and individuals, and many of them have significantly greater financial and other resources than we have. Our competitors include local developers who are committed primarily to particular markets and also national developers who acquire properties throughout the U.S. Because we are a company with a limited history, our operations are subject to numerous risks similar to that of a start-up company. We cannot assure that we will have the necessary resources to be competitive.

**We may not be able to conduct successful operations in the future.** The results of our operations will depend, among other things, upon our ability to develop and market our properties. Furthermore, our proposed operations may not generate income sufficient to meet operating expenses or will generate income and capital appreciation, if any, at rates lower than those anticipated or necessary to sustain ourselves. Our operations may be affected by many factors, some known by us, some unknown, and some which are beyond our control. Any of these problems, or a combination thereof, could have a materially adverse effect on our viability as an entity and might cause the investment of our shareholders to be impaired or lost.

**To fully develop our business plan, we will need additional financing for which we have no firm commitments.** To date and in the foreseeable future, we expect to rely principally upon internal financing. We expect to fund our site development through loans, or guaranteed loans made by our president and certain other shareholders. We cannot guarantee the success of this plan. We believe that from time to time, we may have to obtain additional financing in order to conduct our business in a manner consistent with our proposed operations. There can be no guaranty that additional funds will be available when, and if, needed. If we are unable to obtain financing, or if its terms are too costly, we may be forced to curtail proposed expansion of operations until such time as alternative financing may be arranged, which could have a materially adverse impact on our operations and our shareholders' investment.

**We are subject to risk associated with investments in real estate.** The value of, and our potential income from, our properties may decline due to developments that adversely affect real estate generally and those that are specific to our properties. General factors that may adversely affect our real estate portfolios include:

- increases in interest rates;
- a general tightening of the availability of credit;
- a decline in the economic conditions in one or more of our primary markets;
- an increase in competition for customers or a decrease in demand by customers;



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- an increase in supply of our property types in our primary markets;
  - declines in consumer spending during an economic recession that adversely affect our revenue; and
  - the adoption on the national, state or local level of more restrictive laws and governmental regulations, including more restrictive zoning, land use or environmental regulations and increased real estate taxes.

Additional factors may adversely affect the value of, and our income from, specific properties, including:

- adverse changes in the perceptions of prospective purchasers of the attractiveness of the property;
- opposition from local community or political groups with respect to development or construction at a particular site;
- a change in existing comprehensive zoning plans or zoning regulations that impose additional restrictions on use or requirements with respect to our property;
- our inability to provide adequate management and maintenance or to obtain adequate insurance;
- an increase in operating costs;
- new development of a competitor's property in or in close proximity to one of our current markets; and
- earthquakes, floods or underinsured or uninsured natural disasters.

The occurrence of one or more of the above risks could result in significant delays or unexpected expenses. If any of these occur, we may not achieve our projected returns on properties under development and we could lose some or all of our investments in those properties.

**We are subject to real estate development risks.** Our development projects are subject to significant risks relating to our ability to complete our projects on time and on budget. Factors that may result in a development project exceeding budget or being prevented from completion include:

- an inability to secure sufficient financing on favorable terms, including an inability to refinance construction loans;
- construction delays or cost overruns, either of which may increase project development costs;
- an increase in commodity costs;
- an inability to obtain zoning, occupancy and other required governmental permits and authorizations;

If any of these occur, we may not achieve our projected returns on properties under development and we could lose some or all of our investments in those properties.

**Recent downturns in the real estate market and home mortgage financing may significantly impact our future development plans.** The real estate industry is cyclical and is subject to numerous economic factors including general business conditions, changes in interest rates, inflation and oversupply of properties. Any sustained period of weakness or weakening business or economic conditions in the markets in which we intend to do business or in related markets, such as those experienced since July 2007, could result in a continuing decrease in the demand for the type of properties we intend to develop.

**We are vulnerable to concentration risks because our operations are currently exclusive to the Hot Springs, South Dakota area.** Because of our geographic concentration and limited number of projects, our operations are more vulnerable to local economic downturns and adverse project-specific risks than those of larger, more diversified companies.

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The performance of the South Dakota economy greatly affects our sales and, consequently the underlying values of our properties. The South Dakota economy is heavily influenced by conditions and employment in the farming and ranching industries. Adverse conditions in these markets, could negatively affect the economy in our market. Rising interest rates may adversely affect our ability to sell lots and homes.

**Our results of operations and financial condition will be greatly affected by the performance of the real estate industry.** Our real estate activities are subject to numerous factors beyond our control, including local real estate market conditions, both where our properties are located and in areas where our potential customers reside, substantial existing and potential competition, general national, regional and local economic conditions, fluctuations in interest rates and mortgage availability and changes in demographic conditions. Real estate markets have historically been subject to strong periodic cycles driven by numerous factors beyond the control of market participants.

Real estate investments often cannot easily be converted into cash and market values may be adversely affected by these economic circumstances, market fundamentals, competition and demographic conditions. Because of the effect these factors have on real estate values, it is difficult to predict with certainty the level of future sales or sales prices that will be realized for individual assets.

Our real estate operations are also dependent upon the availability and cost of mortgage financing for potential customers, to the extent they finance their purchases, and for buyers of the potential customers' existing residences.

**Our operations are subject to an intensive regulatory approval process.** Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning, density, parking, sub-division, site planning and environmental issues. Certain of these approvals are discretionary by nature. Because certain government agencies and special interest groups are involved there is a high degree of uncertainty in obtaining these approvals.

**Our operations are subject to natural risks.** Our performance may be adversely affected by weather conditions that delay development or damage property.

The U.S. military intervention in Iraq, the terrorist attacks in the U.S. on September 11, 2001 and the potential for additional future terrorist acts have created economic, political and social uncertainties that could materially and adversely affect our business.

Further acts of terrorism could be directed against the U.S. domestically or abroad, these acts of terrorism could be directed against properties and personnel of companies such as ours. Terrorism and war developments may materially and adversely affect our business and profitability and the prices of our common stock in ways that we cannot predict at this time.

**We depend entirely on our executive officer to run our business, and losing the services of any executive officer would adversely affect our business.** Our success depends entirely on our CEO, Philip J. Davis. We have no written employment agreements to keep Mr. Davis bound to us or to prevent him from competing with us he leaves. The process of finding qualified managers, either for replacement or expansion, is often lengthy. We can give you no assurance that we will succeed in attracting and retaining qualified executives and personnel. The loss of key personnel, or the inability to attract additional qualified personnel, could materially harm our business.

**We failed to file income tax returns in 2007 and 2008, and did not file payroll tax returns in 2007, 2008, and 2009, which could subject us to penalties that could harm our financial position.** Although we generated losses in 2007 and 2008, we nonetheless had an obligation to file federal and state income tax returns that reflected such losses. We did not file the returns by their due dates, and we intend to file such returns shortly. Even though we do not believe we will incur any material liabilities for failing to file our 2007 and 2008 income tax returns on time, we cannot assure you that we will not be subject to penalties for failing to file these returns on a timely basis. We paid no payroll taxes in 2007, 2008 and 2009, as we paid no wages during these periods. However, we cannot assure you that our failure to file "no tax due" payroll tax returns will not subject us to penalties. Any penalties we incur for failing to file tax returns could harm our financial position.

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**Our principal stockholders will retain control of Chay Enterprises.** Even if our two principal stockholders sell some of their shares, they will continue to hold a majority of the issued and outstanding shares and they may exercise control over the company and prevent a change of control in the company.

**Our stock will likely be subject to the Penny Stock rules, which impose significant restrictions on broker-dealers and may affect the resale of our stock.** A penny stock is generally a stock that:

- is not listed on a national securities exchange or NASDAQ,
- is listed in the “pink sheets” or on the NASD OTC Bulletin Board,
- has a price per share of less than \$5.00 and
- is issued by a company with net tangible assets less than \$5 million.

The penny stock trading rules impose additional duties and responsibilities upon broker-dealers and salespersons effecting purchase and sale transactions in common stock and other equity securities, including

- determination of the purchaser’s investment suitability,
- delivery of certain information and disclosures to the purchaser, and
- receipt of a specific purchase agreement before effecting the purchase transaction.

Many broker-dealers will not effect transactions in penny stocks, except on an unsolicited basis, in order to avoid compliance with the penny stock trading rules. In the event our common stock becomes subject to the penny stock trading rules,

- such rules may materially limit or restrict the ability to resell our common stock, and
- the liquidity typically associated with other publicly traded equity securities may not exist.

Because of the significant restrictions on trading penny stocks, a public market may never emerge for our securities. If this happens, you may never be able to publicly sell your shares.

**ITEM 2. PROPERTIES.**

We own 32 residential building lots in Fall River County, South Dakota. Specifically, we own Lots 7, 8, 9, 10, 11, 12, 13, 14, 16 and 16, Block 5; and Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21 and 22, Block 6, all in Cold Spring Addition to the town, now city, of Hot Springs, Fall River County, South Dakota. The property is not encumbered.

We use office space provided by Philip J. Davis, our officer and director, at no charge for our business operations.

**ITEM 3. LEGAL PROCEEDINGS.**

The Company is not the subject of any pending legal proceedings; and to the knowledge of management, no proceedings are presently contemplated against the Company by any federal, state or local governmental agency.

Further, to the knowledge of management, no director or executive officer is party to any action in which any has an interest adverse to the Company.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

None.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.*****Market Information***

Our common stock is listed on the Over the Counter Bulletin Board ("OTCBB"), under the symbol "CHYE". There was not an active market and no trading volume during fiscal 2008 and there has been extremely limited trading volume in 2009.

	CLOSING BID		CLOSING ASK	
<b>2009</b>				
January 2 Thru March 31	1.50	.10	3	3
April 1 Thru June 30	NONE	NONE	NONE	NONE
July 1 Thru September 30	NONE	NONE	NONE	NONE
October 1 Thru December 31	NONE	NONE	NONE	NONE
<b>2008</b>				
March 14 (first available) Thru March 31	NONE	NONE	NONE	NONE
April 1 Thru June 30	.25	.25	NONE	NONE
July 1 Thru July 31	.35	.25	1	1
August 1 Thru September 30 (after a 1 for 3.5 reverse split)	1.50	1.50	NONE	NONE
October 1 Thru December 31	1.50	1.50	NONE	NONE

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The above quotations, as provided by Pink Sheets OTC Markets, Inc., represent prices between dealers and do not include retail markup, markdown or commission. In addition, these quotations do not represent actual transactions.

### ***Holders***

As of March 3, 2010, there were approximately 236 shareholders of record holding 929,718 shares of common stock. This number does not include an indeterminate number of stockholders whose shares are held by brokers in street name. The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Holders of the common stock have no preemptive rights and no right to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock.

### ***Dividends***

We have not paid, nor declared, any cash dividends since our inception and do not intend to declare any such dividends in the foreseeable future. Our ability to pay cash dividends is subject to limitations imposed by Nevada law. Under Nevada law, cash dividends may be paid to the extent that a corporation's assets exceed its liabilities and it is able to pay its debts as they become due in the usual course of business.

### ***Securities Authorized for Issuance Under Equity Compensation Plans***

None.

### ***Recent Sales or Purchases of Unregistered Securities***

None.

## **ITEM 6. SELECTED FINANCIAL DATA.**

Since we are a "smaller reporting company," as defined by SEC regulation, we are not required to provide the information required by this Item.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

### ***FORWARD-LOOKING STATEMENTS***

The statements made below with respect to our outlook for fiscal 2009 and beyond represent "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934 and are subject to a number of risks and uncertainties. These include, among other risks and uncertainties, whether we will be able to generate sufficient cash flow from our operations or other sources to fund our working capital needs, maintain existing relationships with our lender, successfully introduce and attain market acceptance of any new products, attract and retain qualified personnel both in our existing markets and in new territories in an extremely competitive environment, and potential obsolescence of our technologies.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as otherwise required by law, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this report to reflect any change in our expectations or any change in events, conditions or circumstances on which any of our forward-looking statements are based. We qualify all of our forward-looking statements by these cautionary statements.

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*Year ended December 31, 2009 compared to December 31, 2008*

We did not generate any revenue from July 31, 2001 (date of development stage) to December 31, 2009. We reported a net loss of \$26,051 for the year ended December 31, 2009, compared to a net loss of \$31,881 for the year ended December 31, 2008.

For the year ended December 31, 2009 our operating expenses were \$21,872, compared to expenses of \$29,232 for the year ended December 31, 2008. For each year, expenses consisted of professional fees, real estate taxes, and miscellaneous expenses. The professional fees are, to a large extent, the cost of preparing and filing the various reports required by the SEC for a public reporting company. The reduced expenses during 2009 reflect our lack of active operations and an absence of significant rule changes regarding our reporting obligations. For 2010, we expect to implement a rule change regarding auditor attestation upon our system of internal control over financial reporting. Implementation of the new rule is expected to significantly increase our costs. For the year ended December 31, 2009, we also incurred interest expense of \$4,179, compared to interest expense of \$2,649 for the year ended December 31, 2008, an increase of \$1,530 that was caused by an increase in the outstanding balance of our convertible debt.

*Year ended December 31, 2008 compared to December 31, 2007*

We did not generate any revenue from July 31, 2001 (date of development stage) to December 31, 2008. We reported a net loss of \$31,881 for the year ended December 31, 2008, compared to a net loss of \$31,995 for the year ended December 31, 2007.

For the year ended December 31, 2008 our operating expenses were \$29,232, compared to expenses of \$31,195 for the year ended December 31, 2007. For each year, expenses consisted of professional fees, real estate taxes, and miscellaneous expenses. The professional fees are, to a large extent, the cost of preparing and filing the various reports required by the SEC for a public reporting company. The fees incurred during 2007 included cost related to filing a Form SB-2 registration statement that was not repeated during 2008. For the year ended December 31, 2008, we also incurred interest expense of \$2,649, compared to interest expense of \$800 for the year ended December 31, 2007.

*Liquidity and Capital Resources*

At December 31, 2009 we had total assets of \$30,681. Current assets consisted of \$527 in cash. Non-current assets consisted of our investment in real estate of \$30,154. Current liabilities at December 31, 2009 totaled \$100,596 and consisted of \$78,087 in a note payable to related parties, \$9,078 in advances payable to a related party, \$4,602 in accounts payable, \$1,201 in accrued real estate taxes, and \$7,628 in accrued interest payable to related parties.

We do not anticipate any capital expenditures in the next twelve months. We do not have any off-balance sheet financing arrangements.

We owe a shareholder \$9,078 for advances which are non-interest bearing and due on demand. We entered into a revolving convertible loan agreement with four of our shareholders on April 23, 2007. The principal maximum amount of the loan that can be drawn is \$100,000 bearing interest at 6% per annum. At December 31, 2009, we had borrowed \$78,087 on the revolving loan. Subsequent to December 31, 2009, we borrowed an additional \$5,560 on the revolving loan. The lenders are Philip J. Davis, Gary A. Agron, GM/CM Family Partners, Ltd. and Mathis Family Partners, Ltd. We have accrued interest payable of \$7,628.

We will need additional funding to achieve our real estate development goals and to pay for the costs associated with being a public company, including compliance and audits of our financial statements. In the past we have relied on loans and advances from shareholders to fund our operations, however we have no written or firm agreement regarding financing.

*Plan of Operation*

We intend to further develop our lots in Fall River County, South Dakota by combining and developing the lots into approximately 12 single and multi family residential building sites which we will then attempt to sell to individuals or other developers.

To date, we have performed preliminary engineering plans regarding basic utilities such as roads, water, sewer, and power. Our next steps will be to complete the full engineering plan and then obtain plat approval from the city of Hot Springs based on our full engineering plan showing how the property will be subdivided. We plan to obtain estimates for complete engineering of our property development. In response to the current downturn in the economy, and specifically with regard to uncertainty in the real estate industry, we decided to postpone our development plans for 2008 and 2009. We have not established a new timetable for property development and our decision to proceed will be dependent upon, among other things, availability of financing and improved real estate industry fundamentals.

We purchased our property in 2001 for approximately \$30,000 and a 2006 evaluation indicates the value of our undeveloped property to be approximately \$87,700. Although we intend to pursue developing the property into building lots, we may, should we have an excellent offer, sell the land unimproved. However, we believe by improving the property into building sites, we can optimize returns for our shareholders.

#### *Off-Balance Sheet Arrangements*

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our consolidated financial condition, results of operations or liquidity.

#### *Need for Additional Financing*

Based upon current management's willingness to extend credit to the Company and/or invest in the Company the Company believes that its existing capital will be sufficient to meet the Company's cash needs required for the costs of compliance with the reporting requirements of the Securities Exchange Act of 1934, as amended. As current management is under no obligation to continue to extend credit to the Company and/or invest in the Company, there is no assurance that such credit or investment will continue or that it will continue to be sufficient for future periods.

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The required financial statements are included following the signature page of this Form 10-K. We also present the DMI historical financial statements for the year ended December 31, 2009 and prior periods, as well as pro forma consolidated financial information for our company and DMI, in accordance with the rules and regulations of the SEC.

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

The Company has had no disagreements with its certified public accountants with respect to accounting practices or procedures or financial disclosure.

### **ITEM 9A(T). CONTROLS AND PROCEDURES.**

*(a) Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our President, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our President concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective such that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our President, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. We believe our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective.

*Management's Annual Report on Internal Control over Financial Reporting.* Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance

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regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Our management, with the participation of the President, evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. Based on this evaluation, our management, with the participation of the President, concluded that, as of December 31, 2009, our internal control over financial reporting was not effective due to material weaknesses in the system of internal control. Specifically, management identified the following control deficiencies. (1) The Company has not properly segregated duties as its President initiates, authorizes, and completes all transactions. The Company has not implemented measures that would prevent the President from overriding the internal control system. The Company does not believe that this control deficiency has resulted in deficient financial reporting because the President is aware of his responsibilities under the SEC's reporting requirements and personally certifies the financial reports. In addition, the Company engaged a financial consultant to review all financial transactions to determine that they have been properly recorded in the financial statements. (2) The Company has installed accounting software that does not prevent erroneous or unauthorized changes to previous reporting periods and does not provide an adequate audit trail of entries made in the accounting software. The Company does not think that this control deficiency has resulted in deficient financial reporting because the Company has implemented a series of manual checks and balances to verify that previous reporting periods have not been improperly modified and that no unauthorized entries have been made in the current reporting period.

Accordingly, while the Company has identified certain material weaknesses in its system of internal control over financial reporting, it believes that it has taken reasonable steps to ascertain that the financial information contained in this report is in accordance with generally accepted accounting principles. Management has determined that current resources would be appropriately applied elsewhere and when resources permit, they will alleviate material weaknesses through various steps.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

(b) *Changes in Internal Control over Financial Reporting.* There were no changes in the Company's internal controls over financial reporting, known to the chief executive officer or the chief financial officer, that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **ITEM 9B. OTHER INFORMATION**

There are no further disclosures. All information that was required to be disclosed in a Form 8-K during the fourth quarter 2009 has been disclosed.



### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

##### Identification of Directors and Executive Officers

The following table sets forth the name, age, position and office term of each executive officer and director of the Company.

Name	Age	Position	Director or Officer Since
Philip J. Davis	54	Sole officer and Director	August 2001

All officers hold their positions at the will of the Board of Directors. All directors hold their positions for one year or until their successors are elected and qualified.

The following is a brief biography of our officer and director.

**Philip J. Davis.** Mr. Davis has been the President and a Director of the Company since August 2001. In April 2007, Mr. Davis became the sole Officer and Director of the Company. Mr. Davis has been the President, Treasurer, Secretary and a Director of Ivory Capital Corporation, a Colorado publicly-held shell corporation from November 1998 to January 2005. From October 2001 to April 2003 Mr. Davis was President, Chief Financial Officer and sole Director of the OneDentist Resources, Inc., a Colorado corporation which operated an on-line dental Web site through OneDentist.com until September 2001. From December 1996 until December 1999, Mr. Davis was the President, Treasurer and a member of the Board of Directors of Mizar Energy Company, a Colorado corporation, which was formed for the purpose of buying, selling and producing oil and gas, and buying and selling oil and gas leases. From May 1991 to November 1995, Mr. Davis was Secretary and Treasurer and from November 1995 to May 1997, was the President of Lahaina Acquisitions, Inc., a Colorado publicly-held shell corporation of which he was also a director from May 1991 to May 1997. From August 1996 to April 2000, Mr. Davis was the President and a member of the Board of Directors of Medical Management Systems, Inc., an inactive Colorado-based reporting corporation.

##### Term of Office

The term of office of the current directors shall continue until new directors are elected or appointed.

##### Involvement in Certain Legal Proceedings

During the past five years, no present or former director, person nominated to become a director, executive officer, promoter or control person of the Company:

- (1) Was a general partner or executive officer of any business by or against which any bankruptcy petition was filed, whether at the time of such filing or two years prior thereto;
- (2) Was convicted in a criminal proceeding or named the subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
- (3) Was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and
- (4) Was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described above under this Item, or to be associated with persons engaged in any such activity;
- (5) Was found by a court of competent jurisdiction (in a civil action), the Commission 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.

##### Financial Expert

The Company has no audit committee financial expert, as defined under Section 228.401, serving on its audit committee because it has no audit committee and is not required to have an audit committee because it is not a listed security as defined in Section 240.10A-3.

## Code of Ethics

The Company has adopted a code of ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller. The Company will provide, at no cost, a copy of the Code of Ethics to any shareholder of the Company upon receiving a written request sent to the Company's address shown on Page 1 of this report.

## ITEM 11. EXECUTIVE COMPENSATION

No current or prior officer or director has received any remuneration or compensation from the Company in the past three years, nor has any member of the Company's management been granted any option or stock appreciation right. Accordingly, no tables relating to such items have been included within this Item. None of our employees is subject to a written employment agreement nor has any officer received a cash salary since our founding.

The Summary Compensation Table shows certain compensation information for services rendered in all capacities for the fiscal periods ended December 31, 2009, 2008 and 2007. Other than as set forth herein, no executive officer's salary and bonus exceeded \$100,000 in any of the applicable years. The following information includes the dollar value of base salaries, bonus awards, the number of stock options granted and certain other compensation, if any, whether paid or deferred.

We have no formal compensation agreements or employment contracts with our sole executive officer. Directors do not receive any fees for services on the Board of Directors, but are reimbursed for their expenses for each meeting they attend. Our executive officer did not receive any compensation whatsoever for the years ended December 31, 2009, 2008 and 2007, nor does he currently receive any compensation.

We do not have any agreements or understandings that would change the terms of compensation during the course of the year. We do not anticipate compensating any directors.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year Ended	Annual Compensation			Long Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Restricted Stock Awards (\$)	Securities Underlying Options/SARs (#)	LTIP Payouts (\$)	
Philip J. Davis, President, Secretary, Treasurer, Chief Financial Officer, Director	2009	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2008	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2007	-0-	-0-	-0-	-0-	-0-	-0-	-0-

### Compensation of Directors

There are no agreements to compensate any of the directors for their services.

Our officers and directors are reimbursed for expenses incurred on our behalf. Our officers and directors will not receive any finder's fee as a result of their efforts to implement the business plan outlined herein. However, our officers and directors anticipate receiving benefits as beneficial shareholders of our common stock.

We have not adopted any retirement, pension, profit sharing, stock option or insurance programs or other similar programs for the benefit of our employees.

### Termination of Employment and Change of Control Arrangement

There are no compensatory plans or arrangements, including payments to be received from the Company, with respect to any former employees, officers or directors which would in any way result in payments to any such person because of his

or her resignation, retirement or other termination of such person's employment with the Company or its subsidiaries, or any change in control of the Company, or a change in the person's responsibilities following a change in control of the Company.

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

The following table sets forth as of March 3, 2010, the number and percentage of the 979,718 shares of outstanding common stock which, according to the information supplied to the Company, were beneficially owned by (i) each person who is currently a director of the Company, (ii) each executive officer, (iii) all current directors and executive officers of the Company as a group and (iv) each person who, to the knowledge of the Company, is the beneficial owner of more than 5% of the outstanding common stock. Except as otherwise indicated, the persons named in the table have sole voting and dispositive power with respect to all shares beneficially owned, subject to community property laws where applicable.

<u>Name &amp; Address</u>	<u>Title of Class</u>	<u>Number of Shares Beneficially Owned</u>	<u>% of Class</u>
Philip J. Davis (1) 5459 S. Iris Street Littleton, CO 80123	Common	362,305	38.97%
Gary Agron 5445 DTC Pkwy., Suite 520 Greenwood Village, CO 80111	Common	276,015	29.69%
GM/CM Family Partners Ltd. 14 Red Tail Drive Highlands Ranch, CO 80126	Common	85,238	9.17%
All directors and executive officers as a group (1 person)	Common	362,305	38.97%

(1) Officer and/or director

There are no contracts or other arrangements that could result in a change of control of the Company.

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

**Transactions with Management and Others**

In July 2001, we issued 650,800 shares of common stock in exchange for the Fall River County, South Dakota building lots which were valued at \$27,816. We issued 325,400 to Philip J. Davis, our sole officer and director and 325,400 to a former shareholder.

Mr. Davis has advanced money to us for operating expenses. We currently owe \$9,078. The advances are non-interest bearing and have no due dates but are due on demand.

We entered into a revolving convertible loan agreement with four of our shareholders on April 23, 2007. The principal maximum amount of the loan that can be drawn is \$100,000 bearing interest at 6% per annum. At December 31, 2009, we had borrowed \$78,087 on the revolving loan. The lenders are Philip J. Davis, Gary A. Agron, GM/CM Family Partners, Ltd. and Mathis Family Partners, Ltd. We have accrued interest payable of \$7,628. Subsequent to December 31, 2009, we borrowed an additional \$5,560.

We also use office space free of cost provided by Philip J. Davis.

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**Indebtedness of Management**

None; not applicable.

**Conflicts of Interest**

None of our key personnel is required to commit full time to our affairs and, accordingly, these individuals may have conflicts of interest in allocating management time among their various business activities. In the course of their other business activities, certain key personnel may become aware of investment and business opportunities which may be appropriate for presentation to us, as well as the other entities with which they are affiliated. As such, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented.

Each officer and director is, so long as he is an officer or director, subject to the restriction that all opportunities contemplated by our plan of operation that come to his attention, either in the performance of his duties or in any other manner, will be considered opportunities of, and be made available to us and the companies that he is affiliated with on an equal basis. A breach of this requirement will be a breach of the fiduciary duties of the officer or director. If we or the companies to which the officer or director is affiliated each desire to take advantage of an opportunity, then the applicable officer or director would abstain from negotiating and voting upon the opportunity. However, the officer or director may still take advantage of opportunities if we should decline to do so. Except as set forth above, we have not adopted any other conflict of interest policy in connection with these types of transactions

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.****Audit Fee**

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of Chay Enterprises, Inc. annual financial statement and review of financial statements included in Chay's 10-Q reports and services normally provided by the accountant in connection with statutory and regulatory filings or engagements were \$8,000 for fiscal year ended 2009 and \$9,800 for fiscal year ended 2008.

**Audit-Related Fees**

The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of Chay Enterprises, Inc. financial statements that are not reported above were \$0 for fiscal year ended 2009 and \$0 for fiscal year ended 2008.

**Tax Fees**

The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning were \$-0- for fiscal year ended 2009 and \$0 for fiscal year ended 2008.

**All Other Fees**

The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported above were \$0 for fiscal year ended 2009 and \$0 for fiscal year ended 2008.

We do not have an audit committee currently serving and as a result our board of directors performs the duties of an audit committee. Our board of directors will evaluate and approve in advance, the scope and cost of the engagement of an auditor before the auditor renders audit and non-audit services. We do not rely on pre-approval policies and procedures.

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**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.**

(a) Financial Statements and Financial Statement Schedules. Our financial statements, together with the report of Schumacher & Associates, Inc., are listed on the index preceding the financial statements at the end of this report. The schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(b) Exhibits

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-K.

The Company has adopted a code of ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller. The Company will provide, at no cost, a copy of the Code of Ethics to any shareholder of the Company upon receiving a written request sent to the Company's address shown on Page 1 of this report.

<b>Exhibit Number</b>	<b>Title</b>	<b>Location</b>
Exhibit 3(i)	Articles of Incorporation	*
Exhibit 3(ii)	Bylaws	*
Exhibit 20	Notice of Special Meeting of Stockholders and Information Concerning Dissenters' Rights	Attached
Exhibit 31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
Exhibit 31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002	Attached
Exhibit 32.1	Certification of the Principal Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Attached
Exhibit 32.2	Certification of the Principal Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Attached

\* Incorporated by reference. Filed as exhibit to Form SB-2 registration statement filed October 5, 2007.

**Supplemental Information to be Furnished With Reports Filed Pursuant to Section 15(d) of the Act by Registrants  
Which Have Not Registered Securities Pursuant to Section 12 of the Act**

No annual report or proxy material has been sent to security holders in the year ended December 31, 2009. On February 19, 2010, the registrant furnished a notice of special meeting to its security holders and information concerning dissenters' rights, a copy of which is filed as Exhibit 20 hereto.

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## SIGNATURES

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

### CHAY ENTERPRISES, INC.

Date: March 16, 2010

/s/ DONALD B. WINGERTER, JR.

Donald B. Wingerter, Jr.  
Chief Executive Officer and Acting  
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.

Date: March 16, 2010

/s/ DONALD B. WINGERTER, JR.

Donald B. Wingerter, Jr.  
Director

Date: March 16, 2010

/s/ DAVID BAR-OR

David Bar-Or  
Director

Date: March 16, 2010

/s/ BRUCE G. MILLER

Bruce G. Miller  
Director

Date: March 16, 2010

/s/ MICHAEL MACALUSO

Michael Macaluso  
Director

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**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**FINANCIAL STATEMENTS**

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**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
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Board of Directors  
Chay Enterprises, Inc.

We have audited the accompanying balance sheets of Chay Enterprises, Inc., as of December 31, 2009 and 2008, and the related statements of operations, shareholders' (deficit), and cash flows for the two years ended December 31, 2009 and 2008 and for the development stage period from July 31, 2001 to December 31, 2009. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Chay Enterprises, Inc. as of December 31, 2009 and 2008, and the results of its operations and cash flows for the two years ended December 31, 2009 and 2008 and for the development stage period from July 31, 2001 to December 31, 2009, 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 described in Note 1, the Company has recurring losses, has negative working capital and stockholders' deficits, and no business operations which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Schumacher & Associates, Inc.  
SCHUMACHER & ASSOCIATES, INC.  
Denver, Colorado  
March 4, 2010

**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**BALANCE SHEETS**

	December 31, 2009	December 31, 2008
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 527	\$ 2,782
<i>Total current assets</i>	527	2,782
<b>INVESTMENTS IN REAL ESTATE</b>		
Fall River County	30,154	30,154
<i>Total assets</i>	<u>\$ 30,681</u>	<u>\$ 32,936</u>
<b><u>LIABILITIES AND SHAREHOLDERS' (DEFICIT)</u></b>		
<b>CURRENT LIABILITIES:</b>		
Note payable, related parties	\$ 78,087	\$ 58,962
Advances payable, related party	9,078	9,078
Accounts payable	4,602	4,220
Accrued real estate taxes	1,201	1,091
Accrued interest payable, related parties	7,628	3,449
<i>Total current liabilities</i>	100,596	76,800
Commitments and contingencies (Notes 1, 3 and 4)		
<b>SHAREHOLDERS' (DEFICIT)</b>		
Preferred stock, no par value, 10,000,000 shares authorized, None issued and outstanding	—	—
Common stock, no par value, 100,000,000 shares authorized, 929,718 shares issued and outstanding (Note 2)	30,418	30,418
Accumulated deficit to July 31, 2001	(1,790)	(1,790)
Deficit accumulated during the development stage	(98,543)	(72,492)
<i>Total shareholders' (deficit)</i>	(69,915)	(43,864)
<i>Total liabilities and shareholders' (deficit)</i>	<u>\$ 30,681</u>	<u>\$ 32,936</u>

The accompanying notes are an integral part of these statements.

**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**STATEMENTS OF OPERATIONS**

	Year Ended December 31, 2009	Year Ended December 31, 2008	Period From July 31, 2001 (Date of Development Stage) to December 31, 2009
<b>INCOME:</b>			
Sales	\$ —	\$ —	\$ —
<b>EXPENSES:</b>			
Accounting and audit	14,590	16,960	48,870
Legal fees	3,100	6,721	21,872
Property expenses	1,700	950	10,084
Miscellaneous	2,482	4,601	10,089
<i>Total operating expenses</i>	21,872	29,232	90,915
<b>OTHER (EXPENSE):</b>			
Interest expense	(4,179)	(2,649)	(7,628)
<b>NET LOSS</b>	<u>\$ (26,051)</u>	<u>\$ (31,881)</u>	<u>\$ (98,543)</u>
<b>LOSS PER SHARE</b>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.11)</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<u>929,718</u>	<u>929,718</u>	<u>929,718</u>

The accompanying notes are an integral part of these statements.

**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' (DEFICIT)**  
**for the period from March 29, 1996 (Date of Inception) through December 31, 2008**

	Restated (Note 2) Common Stock Shares	Common Stock Amount	Preferred Stock	Accumulated Deficit	Accumulated Deficit During the Development Stage	Total
<b>BALANCES, at inception (March 29, 1996)</b>	—	\$ —	\$ —	\$ —	\$ —	\$ —
Sale of common stock to founders in March 1996 for \$ .007 per share	255,716	1,790	—	—	—	1,790
Sale of common stock in March 1996 for \$.035 per share	23,202	812	—	—	—	812
Common stock issued in exchange for real estate on July 31, 2001 at \$.043 per share	650,800	27,816	—	—	—	27,816
Net loss for the period from inception to December 31, 2004	—	—	—	(1,790)	(6,622)	(8,412)
<b>BALANCES, December 31, 2004</b>	929,718	30,418	—	(1,790)	(6,622)	22,006
Net loss	—	—	—	—	(990)	(990)
<b>BALANCES, December 31, 2005</b>	929,718	30,418	—	(1,790)	(7,612)	21,016
Net loss	—	—	—	—	(1,004)	(1,004)
<b>BALANCES, December 31, 2006</b>	929,718	30,418	—	(1,790)	(8,616)	20,012
Net loss	—	—	—	—	(31,995)	(31,995)
<b>BALANCES, December 31, 2007</b>	929,718	30,418	—	(1,790)	(40,611)	(11,983)
Net loss	—	—	—	—	(31,881)	(31,881)
<b>BALANCES, December 31, 2008</b>	929,718	30,418	—	(1,790)	(72,492)	(43,864)
Net loss	—	—	—	—	(26,051)	(26,051)
<b>BALANCES, December 31, 2009</b>	929,718	\$ 30,418	\$ —	\$ (1,790)	\$ (98,543)	\$(69,915)

The accompanying notes are an integral part of these statements.

**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**STATEMENTS OF CASH FLOWS**

	Year Ended December 31, 2009	Year Ended December 31, 2008	Period From July 31, 2001 (Date of Development Stage) to December 31, 2009	Period From July 31, 2001 (Date of Development Stage) to December 31, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net loss	\$ (26,051)	\$ (31,881)	\$ (98,543)	\$ (72,492)
Adjustments to reconcile net loss to net cash used by operating activities:				
Change in accounts payable and accrued expenses	4,671	(5,893)	13,431	8,760
Net cash used in operating activities	(21,380)	(37,774)	(85,112)	(63,732)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Increase in real estate development costs	—	—	(2,338)	(2,338)
Net cash used in investing activities	—	—	(2,338)	(2,338)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from note payable, related parties	19,125	38,962	78,087	58,962
Increase in advances payable, related party	—	—	7,288	7,288
Proceeds from sale of common stock	—	—	2,602	2,602
Net cash provided by financing activities	19,125	38,962	87,977	68,852
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(2,255)</b>	<b>1,188</b>	<b>527</b>	<b>2,782</b>
<b>CASH, at beginning of period</b>	<b>2,782</b>	<b>1,594</b>	<b>—</b>	<b>—</b>
<b>CASH, at end of period</b>	<b>\$ 527</b>	<b>\$ 2,782</b>	<b>\$ 527</b>	<b>\$ 2,782</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>				
Cash paid for interest	\$ —	\$ —	\$ —	\$ —
Cash paid for income taxes	\$ —	\$ —	\$ —	\$ —
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>				
Real estate acquired via issuance of common stock	\$ —	\$ —	\$ 27,816	\$ 27,816

The accompanying notes are an integral part of these statements.

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**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 1 - ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America and have been consistently applied in the preparation of the financial statements.

**Organization and Description of Business**

Chay Enterprises, Inc. (either "Chay" or the "Company") was incorporated on March 29, 1996 in the state of Colorado and is currently in the development stage. The Company is in the business of real estate investment and development.

The Company's financial statements have been presented on the basis that it will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company remains dependent upon its ability to obtain outside financing either through the issuance of additional shares of its common stock or through borrowings until it achieves sustained profitability through increased sales and cost containment.

**Basis of Presentation – Going Concern**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplates continuation of the Company as a going concern. However, the Company has recurring losses, has negative working capital and stockholders' deficits, and does not have any revenue generating operations, all of which raise substantial doubt about its ability to continue as a going concern.

In view of these matters, continuation as a going concern is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations. The financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

Management has opted to commence filing reports with the Securities and Exchange Commission (SEC) and then to raise funds through a private placement. Management believes that this plan provides an opportunity for the Company to continue as a going concern.

**Cash and Cash Equivalents**

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

**Investment in Real Estate**

The real estate owned by the Company was acquired in July of 2001. This property consists of land in the state of South Dakota. The carrying value of real estate includes the initial acquisition costs of land and

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**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

(Continued)

subsequent development costs. Development costs consist principally of preliminary engineering plans.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Management believes that the estimates utilized in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

**Impairment of Long Lived Assets**

The Company evaluates its real estate investment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset is considered impaired if its carrying amount exceeds the future net cash flow the asset is expected to generate or its net realizable value. If such review indicates that the asset is impaired, the asset's carrying amount is written down to fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less the cost to sell. At December 31, 2009 and 2008, the Company performed a test of impairment and concluded there was no impairment.

**Fair Value of Financial Instruments**

ASC 825, "Disclosures About Fair Value of Financial Instruments" requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. The carrying amount of the Company's notes payable, accounts payable, advances from related party, and accrued liabilities approximate their estimated fair values due to their short-term maturities.

**Concentrations**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. At December 31, 2009 and 2008, the Company had no amounts of cash or cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government.

**Development Stage Enterprise**

Based on the Company's business plan, it is a development stage company since planned principal operations have not yet commenced. Accordingly, the Company presents its financial statements in conformity with the accounting principles generally accepted in the United States of America that apply to enterprises that are establishing their operations. As a development stage enterprise, the Company discloses the deficit accumulated during the development stage and the cumulative statements of operations and cash flows from commencement of development stage to the current balance sheet date. The development stage began on July 31, 2001, when the Company acquired the real estate that it intends to develop.



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**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

(Continued)

**Per Share Information**

Basic earnings per share includes no dilution and is computed by dividing net income (or loss) by the weighted-average number of shares outstanding during the period, and also reflects the effect of any reverse stock split. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of the Company, assuming the issuance of an equivalent number of common shares pursuant to options, warrants, or convertible debt arrangements. Diluted earnings per share is not shown for periods in which the Company incurs a loss because it would be anti-dilutive. Similarly, potential common stock equivalents are not included in the calculation if the effect would be anti-dilutive.

**Income Taxes**

Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes using the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax loss and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides for deferred taxes for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is more likely than not.

**Recent Accounting Pronouncements**

The Company evaluates the pronouncements of various authoritative accounting organizations, primarily the Financial Accounting Standards Board ("FASB"), the SEC, and the Emerging Issues Task Force ("EITF"), to determine the impact of new pronouncements on US GAAP and the impact on the Company.

There were accounting standards and interpretations recently issued which have not yet been adopted, including:

Fair Value Measurements and Disclosures - the accounting guidance for fair value measurements and disclosure was updated to permit a reporting entity to measure the fair value of certain investments on the basis of the net asset value per share of the investment (or its equivalent). This update requires new disclosures, by major category of investments, about the attributes included of investments within the scope of this amendment to the Codification. The guidance in this Update is effective for interim and annual periods ending after December 15, 2009. The Company is evaluating the potential impact of adopting this guidance on the Company's financial position, results of operations and cash flows.

Consolidation of Variable Interest Entities – This update changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the: other entity's purpose and design; and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. The update also requires a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that

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**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

(Continued)

involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. The update is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009, or January 1, 2010, for a calendar year-end entity. The Company currently is evaluating the potential impact of adopting this guidance on the Company's financial position, results of operations and cash flows.

There were various other accounting standards and interpretations recently issued, most of which represented technical corrections to the accounting literature or application to specific industries, none of which are expected to have a material impact on the Company's financial position, results of operations or cash flows.

**NOTE 2 - SHAREHOLDERS' (DEFICIT)**

On July 31, 2008, the Company's shareholders approved an increase in the number of authorized shares of common stock from 25,000,000 to 100,000,000, and approved a reverse split of the common stock in the ratio of 1 share for 3.5 shares. Fractional shares were rounded up to the nearest whole share. All references in the accompanying financial statements to the number of shares authorized and outstanding and to per share amounts have been retroactively adjusted to reflect the reverse stock split.

The authorized capital stock of the Company consists of 100,000,000 shares of no par value voting common stock and 10,000,000 shares of no par value voting preferred stock. The preferred shares may be issued in series with such rights and preferences as may be determined by the Board of Directors. Since inception, the Company has not issued any preferred shares.

In March 1996, the Company issued 255,716 shares of common stock to its founders for \$1,790 at \$0.007 per share. In March 1996, the Company sold 23,202 shares of common stock for \$812 at \$0.035 per share. In July 2001, the Company issued 650,800 shares of common stock in exchange for real estate that was valued at \$27,816, or \$0.043 per share.

**NOTE 3 - RELATED PARTY TRANSACTIONS**

A shareholder of the Company has advanced money to the Company for operating expenses. The amount owed by the Company as of December 31, 2009 and 2008 was \$9,078. The advances are uncollateralized, non-interest bearing and are due on demand.

On April 23, 2007, the Company entered into a \$100,000 revolving convertible loan agreement with four of its shareholders. The loan is uncollateralized, bears interest at 6% per annum, is due on demand and is convertible into restricted common stock at \$.10 per share. As of December 31, 2009, proceeds of \$78,087 had been received under the terms of the agreement and the amount available for future borrowings was \$21,913. Subsequent to December 31, 2009, additional proceeds of \$5,560 were received.

The Company uses the offices of its President for its minimal office facility needs for no consideration. No provision for these costs has been provided since it has been determined that they are immaterial.

**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

(Continued)

**NOTE 4 - INCOME TAXES**

Deferred income taxes arise from temporary timing differences in the recognition of income and expenses for financial reporting and tax purposes. The Company's deferred tax assets consist entirely of the benefit from net operating loss (NOL) carry-forwards. The net operating loss carry-forward if not used, will expire in various years through 2029, and is severely restricted as per the Internal Revenue code if there is a change in ownership. The Company's deferred tax assets are offset by a valuation allowance due to the uncertainty of the realization of the net operating loss carry-forwards. Net operating loss carry-forwards may be further limited by other provisions of the tax laws.

The Company's deferred tax assets, valuation allowance, and change in valuation allowance are as follows:

<u>Period Ending</u>	<u>Estimated NOL Carry- forward</u>	<u>NOL Expires</u>	<u>Estimated Tax Benefit from NOL</u>	<u>Valuation Allowance</u>	<u>Change in Valuation Allowance</u>	<u>Net Tax Benefit</u>
December 31, 2008	69,043	Various	12,733	(12,773)	(4,929)	—
December 31, 2009	21,872	2029	4,046	(4,046)	(4,046)	—

Income taxes at the statutory rate are reconciled to the Company's actual income taxes as follows:

Income tax benefit at statutory rate resulting from net operating loss carry-forward	(15.0%)
State tax (benefit) net of federal benefit	(3.5%)
Deferred income tax valuation allowance	18.5%
Actual tax rate	0%

**NOTE 5 - SUBSEQUENT EVENTS**

On March 2, 2010, the Company entered into an Agreement and Plan of Merger, or the Merger Agreement, with DMI Life Sciences, Inc., a Delaware corporation, or DMI, and Chay Acquisitions, Inc., a Delaware corporation and the Company's wholly-owned subsidiary that was incorporated in February 2010. As called for by the Merger Agreement, at the closing of the transaction, Chay Acquisitions was merged into DMI and DMI, as the Surviving Corporation, became the Company's wholly-owned subsidiary. The closing of the Merger occurred on March 2, 2010. At that time, the Company issued 15,255,984 shares of the Company's common stock to acquire DMI, which resulted in the stockholders of DMI owning approximately 95.8% of the Company's outstanding common stock after the consummation of the Merger and before taking into account the issuance of 1,325,000 additional shares of the Company's common stock described below. DMI is a development stage company engaged in discovering and developing innovative, proprietary pharmaceutical drugs and diagnostic products to identify, treat and prevent a broad range of human diseases including metabolic disorders, cancer, and acute and chronic inflammation diseases.

Under the terms of the Merger Agreement, as a condition precedent to closing, DMI entered into a share purchase agreement with the Company's principal shareholders, Philip J. Davis and Gary A. Agron, whom the Company refers to as the Chay Control Shareholders. The share purchase agreement called for DMI to purchase a total of 263,624 shares of the Company's common stock from the Chay Control Shareholders for a purchase price of \$184,000. The effect of the share purchase was to reduce the number of the Company's shares of common stock that were owned by the Chay Control Shareholders following consummation of the Merger. The share purchase closed contemporaneously with the Closing of the Merger.

Also at the Closing, the Company executed quit claim deeds pursuant to the sale of the Company's entire right, title and interest in 32 residential building lots located in the City of Hot Springs, Fall River County, South Dakota, to the Chay Control Shareholders for consideration of \$154,000, the appraised value of the residential building lots. The purchase price was paid through the extinguishment of \$100,596 in advances to the Company that were previously made by the Chay Control Shareholders, property taxes assumed, and the assumption of accounting and other professional fees attributable to the Company's operations prior to the date of the Merger. This transaction was undertaken as DMI is not engaged in the real estate business and has no intent of engaging in that business.

As a further condition to Closing and pursuant to the Merger Agreement, on the Closing date DMI, the Chay Control Shareholders and four executive officers or members of the board of directors of DMI before the Merger, or the Guarantors, entered into a Securities Put and Guarantee Agreement, or the Put Agreement. The Put Agreement provides that if DMI is not successful in obtaining a minimum of \$5.0 million in financing, which the Company refers to as a Qualifying Financing, by a date which is 150 days after the Closing, which the Company refers to as the Determination Date, the Chay Control Shareholders will have the right to put back to DMI all of the Chay common stock then owned by the Chay Control Shareholders for a put price of \$250,000, subject to adjustment. The Put Agreement defines a Qualifying Financing as any sale or sales of equity, debt, convertible or other financial instruments which, individually or collectively, result in DMI obtaining \$5.0 million or more in financing or binding contractual commitments for such financing that must be funded not later than 90 days after the Determination Date. Under the Put Agreement, the Guarantors agreed to jointly guarantee the payment of the put price by DMI if the put right becomes exercisable in accordance with its terms. In addition, DMI agreed to place in escrow with an independent bank escrow agent a cash deposit of \$125,000 that will be paid to the Chay Control Shareholders in the event the put right becomes exercisable by its terms. If paid to the Chay Control Shareholders in accordance with the escrow agreement, such payment will reduce the amount then owed by the Guarantors to the Chay Control Shareholders.

Immediately prior to the Closing, the Company accepted subscriptions for an aggregate of 1,325,000 shares of the Company's common stock from six officers and employees of DMI, pursuant to which such persons were issued the 1,325,000 shares of common stock for a purchase price of \$150,000. DMI made advances to the six officers and employees in the aggregate amount of \$150,000 to facilitate the share purchases by the six purchasers. These shares were issued immediately before the Closing. The purchasers did not, and could not, vote their shares in favor or against the Merger as the shares were issued after both the record date, and the meeting date, of the Company's shareholder meeting at which the Merger was approved.

At the Closing, Philip J. Davis, the Company's sole executive officer and director, resigned his positions after appointing David Bar-Or, Bruce G. Miller, Michael Macaluso, and Donald B. Wingerter, Jr., to the Company's Board of Directors. Messrs. Bar-Or, Miller and Macaluso previously served, and continue to serve, as members of the board of directors of DMI, and Mr. Wingerter served, and continues to serve, as the Chief Executive Officer of DMI. The new members of the Company's board of directors then appointed David Bar-Or, M.D., as Chairman and Chief Scientific Officer; Donald B. Wingerter, Jr., as Chief Executive Officer; and Bruce G., Miller as Chief Operating Officer.

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The Merger Agreement contained customary terms and conditions for a transaction of this type, including representations, warranties and covenants, as well as provisions describing the effect of the Merger.

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**DMI LIFE SCIENCES, INC. AND SUBSIDIARY**  
**(A Development Stage Company)**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders  
DMI Life Sciences, Inc.  
Greenwood Village, CO

We have audited the accompanying balance sheets of DMI Life Sciences, Inc. ( a development stage company) as of December 30, 2008 and 2009, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended. 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DMI Life Sciences, Inc. as of December 31, 2008 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ehrhardt Keefe Steiner & Hottman PC

March 8, 2010  
Denver, Colorado

**DMI LIFE SCIENCES, INC. AND SUBSIDIARY**  
**(A Development Stage Company)**  
**Consolidated Balance Sheets**

	December 31,	
	2009	2008
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 71,983	\$ —
Prepaid expenses	7,036	—
Related party receivable	7,261	—
Total current assets	<u>86,280</u>	<u>—</u>
Total assets	<u>\$ 86,280</u>	<u>\$ —</u>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current liabilities		
Accounts payable	\$ 79,445	\$ —
Accrued salaries	73,391	—
Accrued interest	1,414	—
Related party notes payable	200,000	—
Total current liabilities	<u>354,250</u>	<u>—</u>
Total liabilities	<u>354,250</u>	<u>—</u>
Stockholder' equity		
Common Stock, \$.001 par value; 15,000,000 shares authorized, shares issued and outstanding - 11,930,000 in 2009 and 1,080,000 in 2008	11,930	1,080
Series A Preferred Stock, \$.001 par value; 2,000,000 shares authorized, shares issued and outstanding - 1,077,864 in 2009 and none in 2008 (liquidation preference of \$1,314,942)	1,078	—
Common stock subscribed	170,003	—
Additional paid in capital	1,313,942	—
Deficit accumulated in the development stage	<u>(1,764,923)</u>	<u>(1,080)</u>
Total stockholders' equity (deficit)	<u>(267,970)</u>	<u>—</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 86,280</u>	<u>\$ —</u>

See notes to financial statements.



**DMI LIFE SCIENCES, INC. AND SUBSIDIARY**  
**(A Development Stage Company)**  
**Consolidated Statements of Operations**

	Year ended December 31, 2009	December 18, 2008 (inception) through December 31, 2008	December 18, 2008 (inception) through December 31, 2009
<b>Expenses</b>			
Research and development	\$ 1,070,370	\$ —	\$ 1,070,370
General and administrative	441,135	1,080	442,215
Total operating expenses	<u>1,511,505</u>	<u>1,080</u>	<u>1,512,585</u>
<b>Other income (expense)</b>			
Interest income	1,091	—	1,091
Interest expense	(1,414)	—	(1,414)
Total other income (expense)	<u>(323)</u>	<u>—</u>	<u>(323)</u>
<b>Net loss</b>	<u><u>\$(1,511,828)</u></u>	<u><u>\$ (1,080)</u></u>	<u><u>\$ (1,512,908)</u></u>

See notes to financial statements.

**DMI LIFE SCIENCES INC. AND SUBSIDIARY**  
**(A Development Stage Company)**  
**Consolidated Statements of Stockholders' Equity**

	Series A Preferred Stock		Common Stock		Additional	Deficit	Total
	Shares	Amount	Shares	Amount	Paid in Capital	Accumulated During the Development Stage	Stockholders' Equity
Balance - December 18, 2008 (date of inception)	—	\$ —	—	\$ —	\$ —	\$ —	\$ —
Issuance of common stock to founder in December 2008	—	—	1,080,000	1,080	—	—	1,080
Net loss	—	—	—	—	—	(1,080)	(1,080)
Balance - December 31, 2008	—	—	1,080,000	1,080	—	(1,080)	—
Issuance of common stock and assumption of liabilities in asset acquisition	—	—	3,500,000	3,500	—	(252,015)	(248,515)
Issuance of Series A Preferred Stock in exchange for cancellation of a note payable in April 2009	163,934	164	—	—	199,836	—	200,000
Issuance of restricted Common Stock in exchange for cash in April 2009	—	—	7,350,000	7,350	—	—	7,350
Issuance of Series A Preferred Stock in exchange for cash in April and May 2009	913,930	914	—	—	1,114,106	—	1,115,020
Net loss	—	—	—	—	—	(1,511,828)	(1,511,828)
Balance - December 31, 2009	<u>1,077,864</u>	<u>\$ 1,078</u>	<u>11,930,000</u>	<u>\$11,930</u>	<u>\$1,313,942</u>	<u>\$(1,764,923)</u>	<u>\$ (437,973)</u>

See notes to financial statements.

**DMI LIFE SCIENCES, INC. AND SUBSIDIARY**  
**(A Development Stage Company)**

**Consolidated Statements of Cash Flows**

	Year ended December 31, 2009	December 18, 2008 (inception) through December 31, 2008	December 18, 2008 (inception) through December 31, 2009
Cash flows from operating activities:			
Net loss	\$(1,511,828)	\$ (1,080)	\$ (1,511,828)
Adjustments to reconcile net loss to cash used in operating activities:			
(Increase) in prepaid expenses	(7,036)	—	(7,036)
(Increase) in related party receivable	(7,261)	—	(7,261)
Increase in accounts payable	79,445	—	79,445
Increase in accrued salaries	73,391	—	73,391
Increase in accrued interest payable	1,414	—	1,414
Net cash used in operating activities	<u>(1,371,875)</u>	<u>(1,080)</u>	<u>(1,371,875)</u>
Cash used in financing activities:			
Proceeds from related party notes payable	200,000	—	200,000
Proceeds from sale of common stock	7,350	1,080	7,350
Proceeds from sale of Series A preferred stock	1,115,020	—	1,115,020
Proceeds from common stock subscribed	170,003	—	—
Payment of liabilities assumed in asset purchase	(48,515)	—	(48,515)
Net cash provided by financing activities	<u>1,443,858</u>	<u>1,080</u>	<u>1,273,855</u>
Net change in cash and cash equivalents	71,983	—	71,983
Cash and cash equivalents at beginning of period	—	—	—
Cash and cash equivalents at end of period	<u>\$ 71,983</u>	<u>\$ —</u>	<u>\$ 71,983</u>
Supplementary cash flow information:			
Interest paid	\$ —	\$ —	\$ —
Income taxes paid	\$ —	\$ —	\$ —
Interest received	\$ 1,091	\$ —	\$ 1,091
Non cash transactions:			
Note payable assumed in asset purchase, recorded as a distribution	\$ 200,000	\$ —	\$ 200,000
Accounts payable assumed in asset purchase, recorded as a distribution	\$ 48,515	\$ —	\$ 48,515
Conversion of notes payable to Series A preferred stock	\$ 200,000	\$ —	\$ 200,000

See notes to financial statements.

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**DMI LIFE SCIENCES, INC. AND SUBSIDIARY**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

**Note 1 – Description of Business and Summary of Significant Accounting Policies**

***Nature of Operation***

DMI Life Sciences, Inc. (“DMI”) is a development stage company incorporated in the state of Delaware on December 18, 2008. DMI is in the business of developing biopharmaceuticals. As DMI’s activities to date have been primarily research and development and raising capital, and DMI does not yet have revenue, DMI is considered to be in the development stage.

***Principals of Consolidation***

These financial statements include the accounts of DMI and its wholly owned subsidiary DMI Acquisition Corp. All material intercompany transactions and balances have been eliminated.

***Cash and Cash Equivalents***

DMI considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of money market investments. DMI maintains balances from time to time in excess of the federally insured limits.

***Patents***

Costs of establishing patents consisting of legal fees paid to third parties are expensed as incurred.

***Use of Estimates***

The preparation of financial statements in accordance with Generally Accepted Accounting Principals in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

***Income Taxes***

DMI uses the liability method for accounting for income taxes. Under this method, DMI recognizes deferred assets and liabilities based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. DMI establishes a valuation allowance for all deferred tax assets for which there is uncertainty regarding realization.

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**DMI LIFE SCIENCES, INC. AND SUBSIDIARY**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

**Note 1 – Description of Business and Summary of Significant Accounting Policies**

***Net Loss per Common Share***

GAAP provides for the calculation of “Basic” and “Diluted” earnings per share. Basic earnings per share include no dilution and are computed by dividing income available to common stockholders by the weighted-average number of shares outstanding during the period. Diluted earnings per share reflect the potential of securities that could share in the earnings of the Company, similar to fully diluted earnings per share. Basic and diluted loss per share was the same in 2009 and 2008. Although there were common stock equivalents of 1,227,864 shares and zero shares outstanding at December 31, 2009 and 2008, respectively, consisting of stock options and convertible Series A Preferred Stock; they were not included in the calculation of earnings per share because they would have been anti-dilutive.

***Stock-Based Compensation***

DMI accounts for share based payments by recognizing compensation expense based upon the estimated fair value of the awards on the date of grant. DMI determines the estimated grant fair value using the Black-Scholes option pricing model and recognizes compensation costs ratably over the vesting period using the straight-line method.

***Research and Development***

Research and development costs are expensed as incurred and totaled \$1,070,370 and \$0 for 2009 and 2008.

***Fair Value of Financial Instruments***

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy established by GAAP prioritizes the inputs into valuation techniques used to measure fair value. Accordingly, the Company uses valuation techniques that maximize the use of observable inputs when determining fair value. The three levels of the hierarchy are as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets that are accessible to us for identical assets or liabilities;
- Level 2: Inputs include quoted prices for similar assets and liabilities in active or inactive markets or that are observable for the asset or liability either directly or indirectly; and
- Level 3: Unobservable inputs that are supported by little or no market activity.

DMI has no assets or liabilities that were measured using quoted prices for similar assets and liabilities or significant unobservable inputs (Level 2 and Level 3 assets and liabilities) as of December 31, 2009. DMI's financial instruments include cash and cash equivalents, prepaid expenses, accounts payable, accrued salaries and accrued interest payable. The carrying amounts of these financial instruments approximate their fair value due to their short maturities. The carrying value of cash held in money market funds totaling \$69,357 as of December 31, 2009 is included in cash and cash equivalents on the Balance Sheet and approximates market values based on quoted market prices, or Level 1 Inputs.

**DMI LIFE SCIENCES, INC. AND SUBSIDIARY**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

**Note 2 – Income Taxes**

DMI's effective tax rate differs from the U.S. federal corporate income tax rate for 2009 of 34% as follows:

Statutory rate	(34.0)%
State income taxes, net of federal income tax impact	(3.3)
Research and development credits	4.5
Increase in valuation allowance	<u>32.8</u>
Effective tax rate	<u>0.0%</u>

As of December 31, 2009, DMI provided a full valuation allowance against the deferred tax asset based on the weight of available evidence, both positive and negative, including the DMI's operating loss, which indicated that it is more likely than not that such benefits will not be realized.

Deferred tax assets comprised of the following:

Deferred tax assets	
Net operating loss and credit carryforwards	\$ 494,000
Research and development credits	67,748
Accrued liabilities	<u>22,000</u>
Total deferred tax asset	583,748
Valuation allowance	<u>(583,748)</u>
Net deferred tax asset	<u>\$ —</u>

As of December 31, 2009, DMI had an available net operating loss (NOL) carry forward of approximately \$1,422,000 for federal and state purposes, expiring in 2029, and research and development credit carryforwards of approximately \$67,000. Under the provisions of the Internal Revenue Code, certain substantial changes in the Company's ownership may result in limitations on the amount of the NOL carryforwards which can be utilized in future years.

The Company classifies penalty and interest expense related to income tax liabilities as general and administrative expense and therefore is recognized in the statement of operations.

The Company files tax returns in the United States and in the state of Colorado. The tax years since inception remain open to examinations by the major taxing jurisdictions to which the Company is subject.

Income taxes for 2008 were immaterial.

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**DMI LIFE SCIENCES, INC. AND SUBSIDIARY**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

**Note 3 – Related Party Notes Payable**

As of December 31, 2009, DMI had \$100,000 in notes payable to DMI's founder and \$100,000 payable to DMI BioSciences, Inc (BioSciences). The related party notes payable are unsecured, bear interest at 6% and mature on April 30, 2010. The Company accrued interest on these notes of \$1,414 and \$0 in 2009 and 2008, respectively.

**Note 4 – Equity**

***Capital Transactions***

DMI issued 1,080,000 shares of Common Stock to its founder in December 2008 at a value of \$.001 per share.

DMI issued 3,500,000 shares of Common Stock to BioSciences, an entity under common control, in April 2009 in connection with an Asset Purchase Agreement. Under the terms of the agreement, DMI acquired office and lab equipment, cell lines and intellectual property including patents and license agreements, while the Company valued those assets in excess of \$300,000, for financial reporting purposes the assets and liabilities have been recorded at predecessor cost. In conjunction with the asset purchase, DMI recorded a distribution of \$252,015 to reflect liabilities assumed. Included in the assumed liabilities was a \$200,000 note payable to DMI's founder. The note payable was converted into 163,934 shares of Series A preferred stock at a value of \$1.22 per share.

DMI issued 7,350,000 shares of restricted Common Stock to its directors, officers and employees in exchange for \$7,350 in cash in April 2009. The restricted common stock is subject to vesting as set forth below.

DMI issued 913,930 shares of Series A Preferred Stock in April and May 2009 in exchange for \$1,115,020 in cash.

DMI received \$170,002 in December 2009 in connection with a private placement for the purchase of 97,144 shares of common stock. DMI had not issued the shares as of December 31, 2009 and has therefore recorded the proceeds as a liability. The shares are expected to be issued subsequent to December 31, 2009.

***Restricted Common Stock***

Total shares of 7,350,000 sold to DMI's employees are restricted. One third of the restricted shares vested on the date of grant, April 17, 2009. The remaining two thirds vest on a monthly basis between the second and fourth anniversaries of the date of grant. Vesting is subject to acceleration upon achieving certain milestones.

***Series A Preferred Stock***

The holders of the Series A Preferred Stock have rights and preferences summarized as follows. See also subsequent events (Note 7).

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**DMI LIFE SCIENCES, INC. AND SUBSIDIARY**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

**Note 4 – Equity (continued)**

***Series A Preferred Stock (continued)***

*Dividends*

The Series A Preferred Stock carries an 8% non-cumulative dividend.

*Conversion*

The Series A Preferred Stock is convertible to Common Stock on a 1 for 1 basis at the option of the Series A Preferred Shareholders. The Series A Preferred Stock automatically converts to Common Stock on any public offering, any merger with a publicly traded shell corporation, or with the consent of holders of a majority of the Series A Preferred Stock.

*Liquidation Preference*

The Series A Preferred Stockholders are entitled to receive \$1.22 per share (as adjusted for stock splits) plus declared but unpaid dividends prior to any distribution to the holders of the Common Stock.

*Voting*

The Series A Preferred Stockholders are entitled to vote on an as-if converted to Common Stock basis.

*Protective Provisions*

As long as 20% of the Series A Preferred Stock remains outstanding, the consent of the holders of a majority of the Series A Preferred Stock will be required to amend the certificate of incorporation or bylaws, declare any dividend or redeem any shares, or sell the company.

***Equity Incentive Plan***

DMI adopted the 2009 Equity Incentive Plan (the Plan) during 2009. Under the Plan, DMI may issue stock awards to employees, directors and consultants. DMI is authorized to grant up to 550,000 shares of stock awards. Pricing and vesting are determined by the board of directors and, and awards are evidenced by an award agreement extended to the recipient. Stock options generally vest over four years and terminate 10 years from the date of grant. See Subsequent Events (Note 6).



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**DMI LIFE SCIENCES, INC. AND SUBSIDIARY**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**

**Note 5 – Related Party Transactions**

DMI entered into an Asset Purchase Agreement during 2009 with BioSciences. Under the Asset Purchase Agreement, DMI acquired office and lab equipment, cell lines and intellectual property including patents and license agreements and assumed liabilities as set forth in Note 5 – Equity. This transaction was accounted for as a reverse merger and the assets acquired and liabilities assumed were recorded at predecessor cost. The assets had \$0 carrying value on the predecessor financial statements and liabilities totaled \$252,015. In conjunction with the Asset Purchase Agreement, the parties entered into a Royalty Agreement which granted DMI with a 10% revenue royalty based upon license revenue that BioSciences receives, subject to DMI committing to additional funding.

BioSciences paid operating expenses on behalf of DMI, and funds have been advanced and repaid between DMI and BioSciences during 2009. Disbursements to BioSciences during 2009, including prepayment of liabilities assumed under the Asset Purchase Agreement totaled \$111,943. BioSciences owed \$7,261 to DMI in a short-term non-interest bearing advance at December 31, 2009.

DMI entered into a number of financing transactions with related parties as set forth in Note 3 – Related Party Notes Payable and Note 5 – Equity.

DMI has a Sponsored Research Agreement with Trauma Research LLC (TRLLC), a related for-profit research organization. Under the terms of the Sponsored Research Agreement, DMI is to provide personnel and equipment with an equivalent value of \$263,750 per year and to make monthly equipment rental payments of \$7,236 on behalf of TRLLC. In exchange, TRLLC will assign any intellectual property rights it develops under the Sponsored Research Agreement. The Sponsored Research Agreement expires in 2014 and may be terminated by either party on six months notice or immediately if either party determines that the other is not fulfilling its obligations under the agreement. There were no outstanding liabilities related to the Sponsored Research Agreement at December 31, 2009.

DMI has license agreements with the Institute for Molecular Medicine, Inc. a related nonprofit research organization. The license agreements were assigned to DMI as a part of the Asset Purchase Agreement with BioSciences. Under the license agreements, DMI pays the costs associated with maintaining intellectual property subject to the license agreements. In return, DMI is entitled to deduct twice the amounts it has paid to maintain the intellectual property from any amounts that may become due to the Institute for Molecular Medicine, Inc. under the license agreements, if and when the intellectual property becomes commercially viable and generates revenue. DMI paid \$53,000 during 2009 in legal and patent fees to maintain the intellectual property of the Institute for Molecular Medicine, Inc.

**Note 6 – Subsequent Events**

On January 12, 2010, DMI entered into a consulting agreement with Redwood Consultants, LLC for a term of twelve months, pursuant to which DMI issued 815,000 restricted shares of common stock as consideration for advisory and consulting services to be provided.

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**DMI LIFE SCIENCES, INC. AND SUBSIDIARY**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

**Note 6 – Subsequent Events (continued)**

During January 2010, DMI received \$1,457,387 in proceeds from the sale of common stock under a private placement memorandum. DMI will issue 832,793 shares of common stock in exchange for these proceeds and in satisfaction of \$170,002 in common stock liability outstanding at December 31, 2009 upon completion of the offering. The shares have par value of \$.001 per share and are valued at \$1.75 per share.

On March 2, 2010, we entered into an Agreement and Plan of Merger, or the Merger Agreement, with Chay Acquisitions, Inc., a public company. Chay Acquisitions was merged into DMI and DMI, as the Surviving Corporation, became a wholly-owned subsidiary of Chay. We issued 15,070,657 shares of our common stock to acquire DMI, which resulted in the stockholders of DMI owning approximately 95.7% of our outstanding common stock after the consummation of the Merger and before taking into account the issuance of 1,325,000 additional shares of our common stock described below.

Under the terms of the Merger Agreement, as a condition precedent to closing, DMI entered into a share purchase agreement. The share purchase agreement called for DMI to purchase a total of 263,624 shares of Chay's common stock from the Chay Control Shareholders for a purchase price of \$184,000.

As a further condition to Closing and pursuant to the Merger Agreement, we and the Chay Control Shareholders entered into a Securities Put and Guarantee Agreement, or the Put Agreement. The Put Agreement provides that if DMI is not successful in obtaining a minimum of \$5.0 million in financing, by a date which is 150 days after the Closing, the Chay Control Shareholders will have the right to put back to DMI all of the Chay common stock then owned by the Chay Control Shareholders for a put price of \$250,000, subject to adjustment. Under the Put Agreement, the Guarantors agreed to jointly guarantee the payment of the put price by DMI if the put right becomes exercisable in accordance with its terms. In addition, DMI agreed to place in escrow a cash deposit of \$125,000 that will be paid to the Chay Control Shareholders in the event the put right becomes exercisable by its terms. If paid to the Chay Control Shareholders in accordance with the escrow agreement, such payment will reduce the amount then owed by the Guarantors to the Chay Control Shareholders.

Immediately prior to the Closing, Chay accepted subscriptions for an aggregate of 1,325,000 shares of common stock from six officers and employees of DMI, for a purchase price of \$150,000. DMI made advances to the six officers and employees in the aggregate amount of \$150,000 to facilitate the share purchases by the six purchasers. These shares were issued immediately before the Closing.

At the time of merger, the Stockholders adopted a stock plan, which reserves up to 2,500,000 shares of common stock for issuance to their officers, directors, employees and consultants through various means, including incentive stock options, not-qualified stock options, restricted stock grants, and other forms of equity equivalents.

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## DMI BIOSCIENCES ASSETS SOLD

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## INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders  
DMI BioSciences Assets Sold  
Denver, Colorado

We have audited the accompanying balance sheets of DMI BioSciences Assets Sold. ("BioSciences") as of April 15, 2009 and September 30, 2008, and the related statement of operations, statements of parents investment, and cash flows for the periods then ended. These financial statements are the responsibility of BioSciences' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DMI BioSciences Assets Sold as of April 15, 2009 and September 30, 2008, and the results of its operations and its cash flows for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

Ehrhardt Keefe Steiner & Hottman PC

March 8, 2010  
Denver, Colorado

**DMI BIOSCIENCES ASSETS SOLD**

**Balance Sheets**

	<u>April 15, 2009</u>	<u>September 30, 2008</u>
<b>Assets</b>		
Assets		
Property and equipment, net	\$ —	\$ 19,296
Total assets	<u>\$ —</u>	<u>\$ 19,296</u>
<b>Liabilities and Contribution from Parent</b>		
Current liabilities		
Accrued liabilities	\$ 48,515	\$ —
Accrued interest	3,740	534
Notes payable	<u>200,000</u>	<u>75,000</u>
Total current liabilities	<u>252,255</u>	<u>75,534</u>
Contribution from Parent		
Contribution from parent	1,160,648	897,978
Deficit accumulated	<u>(1,572,891)</u>	<u>(954,216)</u>
Net contribution from Parent	<u>(252,255)</u>	<u>(56,238)</u>
Total liabilities and contribution from Parent	<u>\$ —</u>	<u>\$ 19,296</u>

See notes to financial statements.

**DMI BIOSCIENCES ASSETS SOLD**

**Statement of Operations**

	Period from September 30, 2008 through April 15, 2009	Year Ended September 30, 2008
Revenue	\$ 53,750	\$ 50,000
Expenses		
Research and development	499,246	879,844
General and administrative	9,451	123,838
Total operating expenses	<u>508,697</u>	<u>1,003,682</u>
Other income (expense)		
Interest income	—	—
Interest expense	3,740	534
Total other income (expense)	<u>3,740</u>	<u>534</u>
Net loss	<u>\$ (458,687)</u>	<u>\$ (954,216)</u>

See notes to financial statements.

**DMI BIOSCIENCES ASSETS SOLD**  
**Statement of Contribution from Parent**

	Contribution from Parent	Accumulated Deficit	Total Net Assets
Balance – September 30, 2007	\$ 194,880	\$ —	\$ 194,880
Contribution from parent	703,098	—	703,098
Net loss	—	(954,216)	(954,216)
Balance – September 30, 2008	897,978	(954,216)	(56,238)
Contribution from parent	262,670	—	262,670
Net loss	—	(458,687)	(458,687)
Balance – April 15, 2009	<u>\$1,160,648</u>	<u>\$ (1,412,903)</u>	<u>\$ (252,255)</u>

See notes to financial statements.

**DMI BIOSCIENCES ASSETS SOLD**

**Statements of Cash Flows**

	Period from September 30, 2009 to April 15, 2009	Year Ended September 30, 2008
Cash flows from operating activities		
Net loss	\$ (458,687)	\$ (954,216)
Adjustments to reconcile net loss to cash used in operating activities		
Loss on disposal of assets	—	140,680
Depreciation	19,296	34,904
Increase in accounts payable	48,515	—
Increase in accrued interest	3,206	534
Net cash used in operating activities	<u>(387,670)</u>	<u>(778,098)</u>
Cash used in financing activities		
Proceeds from note	125,000	75,000
Net cash provided by financing activities	<u>125,000</u>	<u>75,000</u>
Cash used in investing activities		
Contribution from parent	262,670	703,098
Net cash used in investing activities	<u>262,670</u>	<u>703,098</u>
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	<u>\$ —</u>	<u>\$ —</u>

See notes to financial statements.



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## DMI BIOSCIENCES ASSETS SOLD

### Notes to Financial Statements

#### Note 1 - Summary of Significant Accounting Policies

##### *Business and Basis of Financial Statement Presentation*

On April 16, 2009, DMI Life Sciences, Inc. ("Life Sciences") entered into an Asset Purchase Agreement with DMI BioSciences ("BioSciences") to purchase certain assets and assume certain liabilities ("Assets sold"). Under the Asset Purchase Agreement, BioSciences sold office and lab equipment, cell lines and intellectual property, including patents and license agreements, and relinquished certain liabilities to Life Sciences in exchange for 3,500,000 shares of common stock of Life Sciences. In conjunction with the Asset Purchase Agreement, the parties entered into a Royalty Agreement which granted Life Sciences with a 10% revenue royalty based upon license revenue that BioSciences receives, subject to Life Sciences committing to additional funding.

##### *Basis of Presentation*

The accompanying financial statements contain financial information related to the Assets sold, which closed on April 16, 2009. Historically, financial statements have not been prepared for the Assets sold, as they were not held in a separate legal entity nor segregated within BioSciences as a division. The accompanying carve-out financial statements present the statements of financial position of the Assets sold and the statement of operations and cash flows of the Assets sold for inclusion in Life Sciences Form 8-K filing for purposes of complying with the rules and regulations of the Securities and Exchange Commission. These statements include only those assets, liabilities and related operations of the Assets sold and exclude all other assets, liabilities and operations of BioSciences. The accompanying carve-out financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America using allocations and estimates where data is not maintained on a specific basis within the books and records. Allocations were based primarily on the percentage of expenses related to the research and development of the intellectual property transferred as compared to the expenses incurred for BioSciences other activities, adjusted when needed based on facts and circumstances where a more specific allocation was deemed more appropriate. Due to the significant amount of allocations and estimates used to prepare these carve-out financial statements, they may not reflect the financial position, cash flows or results of operations of the Assets sold in the future or what its operations, cash flows and financial positions would have been had the Assets sold been operated on a stand-alone basis during the periods presented. These financial statements do not include a carve-out for cash as the operations have historically been funded by BioSciences.

##### *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, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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## DMI BIOSCIENCES ASSETS SOLD

### Notes to Financial Statements

#### Note 1 - Summary of Significant Accounting Policies (continued)

##### *Property and Equipment*

Property and equipment is recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives for owned assets, ranging from five to seven years or, for leasehold improvements, the term of the related lease.

##### *Patents and Patent Applications*

Costs of establishing patents consisting of legal fees paid to third parties are expensed as incurred until such time as the patent is deemed viable and will produce a source of revenue.

##### *Research and Development*

Research and development cost are expensed as incurred.

##### *Impairment of Long-Lived Assets and Assets to Be Disposed Of*

Long-lived assets and certain identifiable intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is generally measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There has been no impairment loss recognized during the periods ended September 30, 2008 or April 15, 2009.

##### *Revenue Recognition*

Revenues from royalties are recognized when all of the following criteria have been met: (a) persuasive evidence of an arrangement exists, (b) delivery has occurred or services have been rendered, (c) the price is fixed or determinable, and (d) collectability is reasonably assured.

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## DMI BIOSCIENCES ASSETS SOLD

### Notes to Financial Statements

#### Note 2 - Debt

In September of 2008, a note demand was made to BioSciences, with no set maturity date from an unrelated third party for \$75,000 bearing interest at 10%. This obligation increased to \$200,000 as of April 16, 2009 and was transferred as part of the Assets sold.

#### Note 3 - Related Party Transactions

BioSciences has a Sponsored Research Agreement with Trauma Research LLC ("TRLIC"), a related research organization. Under the terms of the Sponsored Research Agreement, BioSciences was to provide personnel and equipment with an equivalent value of \$600,000 per year and to make monthly equipment rental payments of \$7,236 on behalf of TRLIC. In exchange, TRLIC will assign any intellectual property rights it develops. The Sponsored Research Agreement expires in 2014 and may be terminated by either party on six months notice or immediately if either party determines that the other is not fulfilling its obligations under the agreement. There were no outstanding liabilities related to the Sponsored Research Agreement at September 30, 2008 and the seven months ended April 15, 2009. The obligations under this agreement were transferred through issuance of a new agreement between TRLIC and Life Sciences.

BioSciences has license agreements with the Institute for Molecular Medicine, Inc. a related nonprofit research organization. Under the license agreements, BioSciences paid the costs associated with maintaining intellectual property subject to the license agreements. In return, BioSciences was entitled to deduct twice the amounts it has paid to maintain the intellectual property from any amounts that may become due to the Institute for Molecular Medicine, Inc. under the license agreements, if and when the intellectual property becomes commercially viable and generates revenue. BioSciences paid \$0 and \$15,227 during the seven months ended April 15, 2009 and twelve months ended September 20, 2008, respectively, in legal and patent fees to maintain the intellectual property of the Institute of Molecular Medicine, Inc. These costs are included in the accompanying financial statements as this contract was assumed by Life Sciences as part of the Assets sold.

#### Note 4 - Subsequent Events

Operating expenses were paid on behalf of DMI, and funds have been advanced and repaid between Life Sciences and the Company during 2009. Receipts from Life Sciences during 2009, including prepayment of liabilities assumed under the Asset Purchase Agreement totaled \$111,943. Life Sciences owed \$7,261 to the Company in a short-term non-interest bearing advance at December 31, 2009.

**Pro Forma Unaudited Consolidated Statement of Operations**  
**For the Year ended December 31, 2009**

	Chay Year Ended December 31, 2009 (unaudited)	Adjustments for the Sale of Assets		DMI Year Ended December 31, 2009	Pro Forma Combined
<b>Expenses</b>					
Research and development	—	—		1,070,370	1,070,370
General and administrative	21,872	(21,872)	(1)	441,135	441,135
Total operating expenses	<u>21,872</u>	<u>(21,872)</u>		<u>1,511,505</u>	<u>1,511,505</u>
<b>Other income (expense)</b>					
Interest income	—	—		1,091	1,091
Interest expense	(4,179)	4,179	(1)	(1,414)	(1,414)
Total other income (expense)	<u>(4,179)</u>	<u>4,179</u>		<u>(323)</u>	<u>(323)</u>
<b>Net Loss</b>	<u>\$ 26,051</u>	<u>\$ (26,051)</u>		<u>\$1,511,828</u>	<u>\$ 1,511,828</u>
Weighted average number of common shares outstanding	<u>929,718</u>	<u>—</u>		<u>8,787,650</u>	<u>17,061,752</u>
Basic and diluted net loss per common share	<u>\$ 0.03</u>	<u>—</u>		<u>\$ 0.17</u>	<u>\$ 0.09</u>

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**CHAY ENTERPRISES, INC. AND  
DMI LIFE SCIENCES, INC.**

**SELECTED UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA**

**Explanatory Notes**

The unaudited pro forma financial data set forth below at and for the year ended December 31, 2009 is based upon Chay's historical financial statements, adjusted to give effect to:

- The transaction with DMI Life Sciences, Inc. and
- The contemporaneous sale of the corporation to the purchasing corporation.

On March 2, 2010, we entered into an Agreement and Plan of Merger with Chay Acquisitions, Inc., a public company. Chay Acquisitions was merged into DMI and DMI, as the Surviving Corporation, became a wholly-owned subsidiary of Chay. We issued 15,070,657 shares of our common stock to acquire DMI, which resulted in the stockholders of DMI owning approximately 95.7% of our outstanding common stock after the consummation of the Merger and before taking into account the issuance of 1,325,000 additional shares of our common stock sold to management of DMI.

Under the terms of the Merger Agreement, as a condition precedent to closing, DMI entered into a share purchase agreement which called for DMI to purchase a total of 263,624 shares of Chay's common stock from the Chay Control Shareholders for a purchase price of \$184,000 which represents the cost and efforts the Control Shareholders incurred in establishing and maintaining Chay.

As a further condition to Closing and pursuant to the Merger Agreement, we and the Chay Control Shareholders entered into a Securities Put and Guarantee Agreement, or the Put Agreement. The Put Agreement provides that if DMI is not successful in obtaining a minimum of \$5.0 million in financing, by a date which is 150 days after the Closing, the Chay Control Shareholders will have the right to put back to DMI all of the Chay common stock then owned by the Chay Control Shareholders for a put price of \$250,000, subject to adjustment. Under the Put Agreement, the Guarantors agreed to jointly guarantee the payment of the put price by DMI if the put right becomes exercisable in accordance with its terms. In addition, DMI agreed to place in escrow a cash deposit of \$125,000 that will be paid to the Chay Control Shareholders in the event the put right becomes exercisable by its terms. If paid to the Chay Control Shareholders in accordance with the escrow agreement, such payment will reduce the amount then owed by the Guarantors to the Chay Control Shareholders.

Immediately prior to the Closing, Chay accepted subscriptions for an aggregate of 1,325,000 shares of common stock from six officers and employees of DMI, for a purchase price of approximately \$150,000. DMI made advances to the six officers and employees in the aggregate amount of \$150,000 to facilitate the share purchases by the six purchasers.

The pro forma financial information at and for the year ended December 31, 2009 has been developed from Chay's audited financial statements and DMI Life Sciences, Inc. audited financial statements, and the notes to those financial statements, which are included elsewhere in this document.

The unaudited pro forma consolidated financial data is provided for illustrative purposes only and does not purport to represent what Chay's actual consolidated results of operations or Chay's financial position would have been had the transaction and corporation sale occurred on the dates assumed, nor is it necessarily indicative of future consolidated results of operations or financial position.

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The unaudited pro forma combined financial data is based on preliminary estimates and various assumptions that DMI Life Sciences, Inc., and Chay believe are reasonable in these circumstances. Because the former stockholders of DMI Life Sciences, Inc., will own approximately 96% of the combined company on completion of the exchange, calculated on a fully diluted basis and Chay is selling its existing operations in conjunction with the transaction, the transaction and corporation sale will be accounted for as a recapitalization through a reverse acquisition, with no goodwill or other intangibles recorded. As such, the pro forma financial information reflects the historical financial information of DMI Life Sciences, Inc. and the remaining assets of Chay brought over at historical cost. Costs of the transaction will be charged to operations. Chay does not anticipate that any cost savings, revenue enhancements or synergies will be realized in connection with the transaction and corporation sale. The unaudited pro forma financial statements reflect the DMI Life Sciences, Inc. accounting policies, as those accounting policies will govern DMI Life Sciences Inc.'s accounting after the transaction and corporation sale.

The summary consolidated statement of operations data for the year ended December 30, 2009 gives effect to the transaction and corporation sale as if each had occurred on January 1, 2008.

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Pro Forma Consolidated Balance Sheet Data as of December 31, 2009

	Chay	DMI LifeSciences	Adjustments for Assets and Liabilities not acquired		Pro forma Adjustments		Pro Forma Combined
<b>Current Assets</b>							
Cash	\$ 527	\$ 71,983	\$ (527)	(1)	\$ 150,183	(2)	\$ 1,050,551
					1,287,385	(3)	
					(184,000)	(6)	
					(150,000)	(2)	
					(125,000)	(2)	
Restricted Cash					125,000	(2)	\$ 125,000
Prepaid expenses	—	7,036	—		—		7,036
Related party receivable	—	7,261	—		—		7,261
Total current assets	527	86,280	(527)		1,103,568		1,189,848
<b>Investments in real estate</b>							
Fall River County	30,154	—	(30,154)	(1)	—		—
Total non-current assets	30,154	—	(30,154)		—		—
<b>Total assets</b>	<u>\$ 30,681</u>	<u>\$ 86,280</u>	<u>\$ (30,681)</u>		<u>\$ 1,103,568</u>		<u>\$ 1,189,848</u>
<b>Current liabilities</b>							
Accounts payable	4,602	79,446	(4,602)	(1)	—		79,446
Accrued salaries	—	73,391	—		—		73,391
Accrued real estate taxes	1,201	—	(1,201)	(1)	—		—
Accrued interest payable, related parties	7,628	1,414	(7,628)	(1)	—		1,414
Advances payable, related parties	9,078	—	(9,078)	(1)	—		—
Related parties notes payable	78,087	200,000	(78,087)	(1)	—		200,000
Common stock put option	—	—	—		250,000	(7)	250,000
Total current liabilities	100,596	354,251	(100,596)		250,000		604,251
Total liabilities	100,596	354,251	(100,596)		250,000		604,251
<b>Stockholder' equity</b>							
Common stock subscribed	—	170,002	—		(170,002)	(5)	—
Note receivable, stockholders	—	—	—		(150,000)	(2)	(150,000)
Preferred stock, no par value	—	—	—		—		—
Series A Preferred stock, \$.001 par value	—	1,078	—		(1,078)	(4)	—
Common stock, no par value	30,418	—	(30,418)	(1)	150,183	(2)	2,500,520
					2,600,337	(5)	
					(250,000)	(7)	
Common stock, \$.001 par value	—	11,930	—		1,078	(4)	—
					1,457	(3)	
					(14,465)	(5)	
Additional paid in capital	—	1,313,942	—		1,285,928	(3)	—
					(2,415,870)	(5)	
					(184,000)	(6)	
Accumulated deficit to July 31, 2001	(1,790)	—	1,790	(1)	—		—
Deficit accumulated during the development stage	(98,543)	(1,764,923)	98,543	(1)	—		(1,764,923)
Total shareholders' equity (deficit)	(69,915)	(267,971)	69,915		853,568		585,597
<b>Total liabilities and shareholders' equity (deficit)</b>	<u>\$ 30,681</u>	<u>\$ 86,280</u>	<u>\$ (30,681)</u>		<u>\$ 1,103,568</u>		<u>\$ 1,189,848</u>

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**Notes to Pro Forma Consolidated Financial Information**

- (1) to remove the assets and liabilities not assumed in the merger
- (2) to reflect the sale of 1,325,000 shares common stock in Chay Enterprises between December 31, 2009 and March 2, 2010 for \$150,183 which was funded by a note from DMI Life Sciences. In addition DMI Life Sciences put \$125,000 into escrow as a condition of the merger agreement.
- (3) to reflect the sale of 735,649 shares of common stock in DMI Life Sciences for \$1,287,385 in cash between January 1, 2010 and March 2, 2010, and the issuance of shares for common stock subscribed prior to December 31, 2009.
- (4) to convert the Preferred stock to common stock based upon the automatic conversion feature triggered due to the merger of Chay and DMI Life Sciences
- (5) to reflect the merger of Chay and DMI Life sciences through the issuance of 15,070,657 shares of common stock of Chay
- (6) to reflect the payment of \$184,000 to Chay shareholders for the merger transaction for the redemption of DMI acquiring 263,624 shares of common stock
- (7) to reflect the \$250,000 put option held by the Chay shareholders which was a condition of the merger transaction



Chay Enterprises, Inc.  
5459 South Iris Street  
Littleton, Colorado 80123  
(303) 932-9998

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**  
**March 1, 2010**

To Our Stockholders:

Notice is hereby given that a Special Meeting of Stockholders of Chay Enterprises, Inc. a Colorado corporation ("Chay"), will be held at the Law Offices of Gary Agron, 5445 DTC Parkway, Suite 520, Greenwood Village, Colorado 80111 on March 1, 2010 at 10:00 a.m. local time for the following purposes:

1. To consider and vote on a proposal to approve the Agreement and Plan of Merger, to be dated as of February 22, 2010 (the "Merger Agreement"), among Chay, a wholly-owned subsidiary of Chay to be formed under the laws of the State of Delaware ("Merger Subsidiary"), and DMI Life Sciences, Inc., a Delaware corporation ("DMI"), a draft of which is attached hereto, pursuant to which, upon the merger of Merger Subsidiary with and into DMI becoming effective (the "Merger") the outstanding common stock of DMI will, by virtue of the Merger and without any further action on the part of Chay, Merger Subsidiary, or DMI, all of the outstanding shares of DMI common stock (other than shares held in DMI's treasury or owned by DMI or its subsidiary or shares as to which a stockholder validly exercises and perfects dissenters' rights in compliance with Colorado law) will be converted into an aggregate of 16,362,000 shares of Chay common stock. In addition and as part of the Merger, any outstanding DMI options will be assumed by Chay through the assumption of the DMI stock incentive plan.

2. To approve an amendment and restatement of our articles of incorporation to: (i) to change the par value of our common stock and preferred stock to \$0.0001 per share from no par value per share; (iii) to change our name from Chay Enterprises, Inc. to Ampio Pharmaceuticals, Inc. or such other name as determined by the Board of Directors to be in the best interests of Chay, such name change to take effect as such time as determined by the Board of Directors as being in the best interests of Chay and its stockholders; (iii) to make such other changes to our articles of incorporation as deemed necessary and appropriate by our Board of Directors, including changing the designation of our charter document to a certificate of incorporation in conjunction with the reincorporation transaction described in Proposal 3 below.

3. To approve the reincorporation of Chay from the State of Colorado to the State of Delaware at such time as is determined to be in the best interests of Chay and its stockholders, but not later than December 31, 2010.

4. To approve the adoption of a stock plan, pursuant to which we will reserve up to 2,500,000 shares of common stock for issuance to our officers, directors, employees and consultants through various means, including incentive stock options, non-qualified stock options, restricted stock grants, and other forms of compensatory equity grants.

5. To ratify the selection of Ehrhardt Keefe Steiner & Hottman PC to serve as Chay's independent auditor commencing for the year ending December 31, 2010.

6. To approve the adjournment or postponement of the special meeting of stockholders, if necessary or appropriate, in the event that the closing conditions contained in the Merger agreement have not been satisfied.

**We are not asking you for a proxy and you are requested not to send us a proxy. The enclosed material is for your information only. It is not a proxy statement.** If you are a stockholder of record and do attend the special meeting, you may vote in person. This information has been mailed on or about February 19, 2010 to the stockholders of record on February 8, 2010 (the "Record Date") in connection with the foregoing

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actions to be taken by the majority stockholders of Chay on the meeting date. Please note that only one copy of this Notice may be delivered to two or more investors who share an address, unless we have received instructions to the contrary.

Stockholders of Chay who do not vote in favor of the approval of the Merger will have the right to exercise dissenters' rights and receive in cash the fair value of the common stock as determined by mutual agreement between you and Chay. If there is no agreement reached as to the fair value of the common stock, you are entitled to make demand for cash payment for your shares of common stock as of the day before the Merger. The procedure for exercising your dissenters' rights is summarized under the heading "Dissenters' Rights" in the accompanying information. The relevant provisions of the Colorado Business Corporation Act on dissenters' rights are attached as Exhibit A. A draft copy of the Agreement and Plan of Merger is also attached for your information.

BY ORDER OF THE BOARD OF DIRECTORS:

/s/ Philip J. Davis

Philip J. Davis, Chief Executive Officer

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**Attachment to Notice of Special Meeting of Stockholders of Chay Enterprises, Inc., Concerning  
Dissenters' Rights under the Colorado Business Corporations Act**

The following summary of the provisions of Article 113 is not intended to be a complete statement of such provisions and is qualified in its entirety to the full text of Article 113, a copy of which is attached as Exhibit A, and incorporated herein by reference.

Stockholders of a Colorado corporation have the right, in limited circumstances, to dissent from certain corporate actions, including the consummation of a merger which requires the approval of such corporation's stockholders. Stockholders entitled to dissent are also entitled to obtain a cash payment in the amount of the fair value of their shares. The Chay stockholders have such rights with respect to the Merger.

A holder of common stock who wishes to assert dissenters' rights under Article 113 must (i) cause the company in which he or she holds shares to receive, before the vote is taken with respect to the merger, written notice of the holder's intention to demand a cash payment for the holder's shares of common stock if the merger is consummated; and (ii) not vote the shares of Chay common stock in favor of the Merger. A holder of Chay common stock who fails to satisfy these requirements will not be entitled to dissenters' rights under Article 113.

If the Merger is approved, Chay must give a written dissenters' notice to all the Chay stockholders who are entitled to demand a cash payment for their shares under Article 113 within ten days after stockholder approval of the Merger. The dissenters' notice must: (i) state that the Merger was authorized and state the effective date or the proposed effective date of the Merger; (ii) state an address at which it will receive cash payment demands and the address of a place where certificates for certificated shares must be deposited; (iii) supply a form for demanding a cash payment, which form shall request a dissenter to state an address to which a cash payment is to be made; (iv) set the date by which it must receive a cash payment demand and certificates for uncertificated shares, which date may not be less than 30 days after the date that the dissenters' notice is given; (v) state the requirement regarding the dissent by record holders with respect to shares held by beneficial owners, as permitted by Section 7-113-103(3) of the CBCA; and (vi) be accompanied by a copy of Article 113.

A stockholder who wishes to obtain a cash payment for his or her shares of Chay common stock must demand a cash payment by submitting the form provided pursuant to (iii) above, or by stating such demand in another writing, and depositing the stockholder's certificate(s) for certificated shares. Chay may restrict the transfer of any shares not represented by a certificate from the date the demand for cash payment is received. The stockholder demanding a cash payment in accordance with Section 7-113-204 shall retain all rights of a stockholder, except the right to transfer shares, until the effective date of the Merger. A stockholder who does not provide demand for a cash payment by the dates set forth in the dissenters' notice and in accordance with Section 7-113-204 will not be entitled to a cash payment for his or her shares of Chay common stock as provided in the CBCA.

Pursuant to Sections 7-113-206 and 207 of the CBCA, upon the effective date of the transactions or upon receipt of a cash payment demand, whichever is later, the company receiving the demand must pay each dissenter who complied with Section 7-113-204 the amount of cash that the receiving company estimates to be the fair market value of the shares, plus accrued interest. The cash payment must be accompanied by (i) certain financial information regarding the receiving company; (ii) a statement of the receiving company's estimate of the fair value of the shares; (iii) an explanation of how the interest was calculated; (iv) a statement of the dissenter's right to demand a cash payment under Section 7-113-209; and (v) a copy of Section 7-113-206 of the CBCA.

Section 7-113-208 of the CBCA permits the receiving company to require each stockholder to certify in writing, or in the dissenter's cash payment demand, whether or not the dissenter acquired beneficial ownership of his or her shares of common stock before the date of the first announcement to the news media or to the stockholders, such date to be set forth in the dissenters' notice. If any dissenter does not so certify in writing, the receiving company may offer to make a cash payment if the dissenter agrees to accept such payment in full satisfaction of the demand for a cash payment.

A dissenter may give written notice to the receiving company to which demand was provided, within 30 days after the receiving company makes or offers a cash payment for the dissenter's shares of common stock, of the dissenter's estimate of the fair value of such shares and of the amount of interest due and may demand cash payment of such estimate, or reject the receiving company's offer under Section 7-113-208 and demand a cash payment of the fair value of the shares and interest due if: (i) the dissenter believes that the amount of cash paid pursuant to Section 7-113-206 or offered pursuant to Section 7-113-208 is less than the full value of his or her shares of common stock or that the interest due was incorrectly calculated; (ii) the receiving company fails to make a cash

payment as required under Section 7-113-206 within the time specified above; or (iii) the receiving company does not return the deposited certificates as required by Section 7-113-207. Dissenters who do not give the required notice waive the right to demand a cash payment under Section 7-113-209.

If a demand for a cash payment under Section 7-113-209 remains unresolved, the receiving company may, within 60 days after receiving the cash payment demand, petition the court to determine the fair value of the shares of common stock and accrued interest. All dissenters of the receiving company whose demands remain unsettled would be made a party to such a proceeding. Each dissenter is entitled to judgment for the amount the court finds to be the fair value of the shares of the receiving company's common stock, plus interest, less any amount paid by the receiving company. The costs associated with this proceeding shall be assessed against the receiving company, unless the court finds that all or some of the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding cash payment under Section 7-113-209, in which case the court may assess the costs in the amount the court finds equitable against some or all of the dissenters. The court may also assess the fees and expenses of counsel and experts for the respective parties in amounts the court finds equitable, against the receiving party or the dissenters. In determining fair value, the court is required to take into account all relevant factors. You should be aware that the fair value of your shares as determined by the court could be more, the same, or less than the value of your shares after the Merger. If the receiving company does not commence a proceeding within the 60-day period, the receiving company must pay each dissenter whose demand remains unsettled the amount of cash demanded.

To be effective, a demand for cash payment by a holder of Chay common stock must be made by, or in the name of, such registered stockholder, fully and correctly, as the stockholder's name appears on his or her stock certificate(s). Beneficial owners who do not also hold the shares of record may not directly make a demand for cash payment to Chay. The beneficial holder must, in such cases, have the registered owner, such as a broker, bank or other nominee, submit the required demand in respect of those shares. **A person having a beneficial interest in Chay common stock that is held of record in the name of another person, such as a nominee, must act promptly to cause the record holder to follow the requirements of Article 113 of the CBCA in a timely manner if such person elects to demand payment of the fair value of such shares.** If shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for cash payment should be made by or for the fiduciary; and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for cash payment for a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, who holds shares as a nominee for others, may exercise his or her right to demand a cash payment with respect to the shares held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares as to which a cash payment is sought. Where no number of shares is expressly mentioned, the demand will be presumed to cover all shares held in the name of the record owner.

In view of the complexity of Article 113, stockholders of Chay who may wish to dissent from the Merger should consult their legal advisors. **Failure to take any necessary step will result in a termination or waiver of your rights under Article 113 of the CBCA.**

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Exhibit A

Excerpt from the Colorado Business Corporation Act Concerning Dissenters' Rights  
BUSINESS CORPORATIONS ACT  
TITLE 7. CORPORATIONS AND ASSOCIATES  
ARTICLE 113. DISSENTERS' RIGHTS

7-113-101. Definitions

For purposes of this article:

- (1) "*Beneficial shareholder*" means the beneficial owner of shares held in a voting trust or by a nominee as the record shareholder.
- (2) "*Corporation*" means the issuer of the shares held by a dissenter before the corporate action, or the surviving or acquiring domestic or foreign corporation, by merger or share exchange of that issuer.
- (3) "*Dissenter*" means a shareholder who is entitled to dissent from corporate action under section 7-113-102 and who exercises that right at the time and in the manner required by part 2 of this article.
- (4) "*Fair value*", with respect to a dissenter's shares, means the value of the shares immediately before the effective date of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action except to the extent that exclusion would be inequitable.
- (5) "*Interest*" means interest from the effective date of the corporate action until the date of payment, at the average rate currently paid by the corporation on its principal bank loans or, if none, at the legal rate as specified in *section 5-12-101, C.R.S.*
- (6) "*Record shareholder*" means the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares that are registered in the name of a nominee to the extent such owner is recognized by the corporation as the shareholder as provided in section 7-107-204.
- (7) "*Shareholder*" means either a record shareholder or a beneficial shareholder.

7-113-102. Right to dissent

- (1) A shareholder, whether or not entitled to vote, is entitled to dissent and obtain payment of the fair value of the shareholder's shares in the event of any of the following corporate actions:
  - (a) Consummation of a plan of merger to which the corporation is a party if:
    - (I) Approval by the shareholders of that corporation is required for the merger by section 7-111-103 or 7-111-104 or by the articles of incorporation; or
    - (II) The corporation is a subsidiary that is merged with its parent corporation under section 7-111-104;
  - (b) Consummation of a plan of share exchange to which the corporation is a party as the corporation whose shares will be acquired;
  - (c) Consummation of a sale, lease, exchange, or other disposition of all, or substantially all, of the property of the corporation for which a shareholder vote is required under section 7-112-102 (1); and
  - (d) Consummation of a sale, lease, exchange, or other disposition of all, or substantially all, of the property of an entity controlled by the corporation if the shareholders of the corporation were entitled to vote upon the consent of the corporation to the disposition pursuant to section 7-112-102 (2).
- (1.3) A shareholder is not entitled to dissent and obtain payment, under subsection (1) of this section, of the fair value of the shares of any class or series of shares which either were listed on a national securities exchange registered under the federal "Securities Exchange Act of 1934", as amended, or on the national market system of the national association of securities dealers automated quotation system, or were held of record by more than two thousand shareholders, at the time of:
  - (a) The record date fixed under section 7-107-107 to determine the shareholders entitled to receive notice of the shareholders' meeting at which the corporate action is submitted to a vote;
  - (b) The record date fixed under section 7-107-104 to determine shareholders entitled to sign writings consenting to the corporate action; or

(c) The effective date of the corporate action if the corporate action is authorized other than by a vote of shareholders.

(1.8) The limitation set forth in subsection (1.3) of this section shall not apply if the shareholder will receive for the shareholder's shares, pursuant to the corporate action, anything except:

(a) Shares of the corporation surviving the consummation of the plan of merger or share exchange;

(b) Shares of any other corporation which at the effective date of the plan of merger or share exchange either will be listed on a national securities exchange registered under the federal "Securities Exchange Act of 1934", as amended, or on the national market system of the national association of securities dealers automated quotation system, or will be held of record by more than two thousand shareholders;

(c) Cash in lieu of fractional shares; or

(d) Any combination of the foregoing described shares or cash in lieu of fractional shares.

(2) (Deleted by amendment, L. 96, p. 1321, § 30, effective June 1, 1996.)

(2.5) A shareholder, whether or not entitled to vote, is entitled to dissent and obtain payment of the fair value of the shareholder's shares in the event of a reverse split that reduces the number of shares owned by the shareholder to a fraction of a share or to scrip if the fractional share or scrip so created is to be acquired for cash or the scrip is to be voided under section 7-106-104.

(3) A shareholder is entitled to dissent and obtain payment of the fair value of the shareholder's shares in the event of any corporate action to the extent provided by the bylaws or a resolution of the board of directors.

(4) A shareholder entitled to dissent and obtain payment for the shareholder's shares under this article may not challenge the corporate action creating such entitlement unless the action is unlawful or fraudulent with respect to the shareholder or the corporation.

#### 7-113-103. Dissent by nominees and beneficial owners

(1) A record shareholder may assert dissenters' rights as to fewer than all the shares registered in the record shareholder's name only if the record shareholder dissents with respect to all shares beneficially owned by any one person and causes the corporation to receive written notice which states such dissent and the name, address, and federal taxpayer identification number, if any, of each person on whose behalf the record shareholder asserts dissenters' rights. The rights of a record shareholder under this subsection (1) are determined as if the shares as to which the record shareholder dissents and the other shares of the record shareholder were registered in the names of different shareholders.

(2) A beneficial shareholder may assert dissenters' rights as to the shares held on the beneficial shareholder's behalf only if:

(a) The beneficial shareholder causes the corporation to receive the record shareholder's written consent to the dissent not later than the time the beneficial shareholder asserts dissenters' rights; and

(b) The beneficial shareholder dissents with respect to all shares beneficially owned by the beneficial shareholder.

(3) The corporation may require that, when a record shareholder dissents with respect to the shares held by any one or more beneficial shareholders, each such beneficial shareholder must certify to the corporation that the beneficial shareholder and the record shareholder or record shareholders of all shares owned beneficially by the beneficial shareholder have asserted, or will timely assert, dissenters' rights as to all such shares as to which there is no limitation on the ability to exercise dissenters' rights. Any such requirement shall be stated in the dissenters' notice given pursuant to section 7-113-203.

#### 7-113-201. Notice of dissenters' rights

(1) If a proposed corporate action creating dissenters' rights under section 7-113-102 is submitted to a vote at a shareholders' meeting, the notice of the meeting shall be given to all shareholders, whether or not entitled to vote. The notice shall state that shareholders are or may be entitled to assert dissenters' rights under this article and shall be accompanied by a copy of this article and the materials, if any, that, under articles 101 to 117 of this title, are required to be given to shareholders entitled to vote on the proposed action at the meeting. Failure to give notice as provided by this subsection (1) shall not affect any action taken at the shareholders' meeting for which the notice was to have been given, but any shareholder who was entitled to dissent but who was not given such notice shall not be precluded from demanding payment for the shareholder's shares under this article by reason of the shareholder's failure to comply with the provisions of section 7-113-202 (1).

(2) If a proposed corporate action creating dissenters' rights under section 7-113-102 is authorized without a meeting of shareholders pursuant to section 7-107-104, any written or oral solicitation of a shareholder to execute a writing consenting to such action contemplated in section 7-107-104 shall be accompanied or preceded by a written

notice stating that shareholders are or may be entitled to assert dissenters' rights under this article, by a copy of this article, and by the materials, if any, that, under articles 101 to 117 of this title, would have been required to be given to shareholders entitled to vote on the proposed action if the proposed action were submitted to a vote at a shareholders' meeting. Failure to give notice as provided by this subsection (2) shall not affect any action taken pursuant to section 7-107-104 for which the notice was to have been given, but any shareholder who was entitled to dissent but who was not given such notice shall not be precluded from demanding payment for the shareholder's shares under this article by reason of the shareholder's failure to comply with the provisions of section 7-113-202 (2).

#### 7-113-202. Notice of intent to demand payment

(1) If a proposed corporate action creating dissenters' rights under section 7-113-102 is submitted to a vote at a shareholders' meeting and if notice of dissenters' rights has been given to such shareholder in connection with the action pursuant to section 7-113-201 (1), a shareholder who wishes to assert dissenters' rights shall:

(a) Cause the corporation to receive, before the vote is taken, written notice of the shareholder's intention to demand payment for the shareholder's shares if the proposed corporate action is effectuated; and

(b) Not vote the shares in favor of the proposed corporate action.

(2) If a proposed corporate action creating dissenters' rights under section 7-113-102 is authorized without a meeting of shareholders pursuant to section 7-107-104 and if notice of dissenters' rights has been given to such shareholder in connection with the action pursuant to section 7-113-201 (2), a shareholder who wishes to assert dissenters' rights shall not execute a writing consenting to the proposed corporate action.

(3) A shareholder who does not satisfy the requirements of subsection (1) or (2) of this section is not entitled to demand payment for the shareholder's shares under this article.

#### 7-113-203. Dissenters' notice

(1) If a proposed corporate action creating dissenters' rights under section 7-113-102 is authorized, the corporation shall give a written dissenters' notice to all shareholders who are entitled to demand payment for their shares under this article.

(2) The dissenters' notice required by subsection (1) of this section shall be given no later than ten days after the effective date of the corporate action creating dissenters' rights under section 7-113-102 and shall:

(a) State that the corporate action was authorized and state the effective date or proposed effective date of the corporate action;

(b) State an address at which the corporation will receive payment demands and the address of a place where certificates for certificated shares must be deposited;

(c) Inform holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received;

(d) Supply a form for demanding payment, which form shall request a dissenter to state an address to which payment is to be made;

(e) Set the date by which the corporation must receive the payment demand and certificates for certificated shares, which date shall not be less than thirty days after the date the notice required by subsection (1) of this section is given;

(f) State the requirement contemplated in section 7-113-103 (3), if such requirement is imposed; and

(g) Be accompanied by a copy of this article.

#### 7-113-204. Procedure to demand payment

(1) A shareholder who is given a dissenters' notice pursuant to section 7-113-203 and who wishes to assert dissenters' rights shall, in accordance with the terms of the dissenters' notice:

(a) Cause the corporation to receive a payment demand, which may be the payment demand form contemplated in section 7-113-203 (2) (d), duly completed, or may be stated in another writing; and

(b) Deposit the shareholder's certificates for certificated shares.

(2) A shareholder who demands payment in accordance with subsection (1) of this section retains all rights of a shareholder, except the right to transfer the shares, until the effective date of the proposed corporate action giving rise to the shareholder's exercise of dissenters' rights and has only the right to receive payment for the shares after the effective date of such corporate action.

(3) Except as provided in section 7-113-207 or 7-113-209 (1) (b), the demand for payment and deposit of certificates are irrevocable.

(4) A shareholder who does not demand payment and deposit the shareholder's share certificates as required by the date or dates set in the dissenters' notice is not entitled to payment for the shares under this article.

#### 7-113-205. Uncertificated shares

(1) Upon receipt of a demand for payment under section 7-113-204 from a shareholder holding uncertificated shares, and in lieu of the deposit of certificates representing the shares, the corporation may restrict the transfer thereof.

(2) In all other respects, the provisions of section 7-113-204 shall be applicable to shareholders who own uncertificated shares.

#### 7-113-206. Payment

(1) Except as provided in section 7-113-208, upon the effective date of the corporate action creating dissenters' rights under section 7-113-102 or upon receipt of a payment demand pursuant to section 7-113-204, whichever is later, the corporation shall pay each dissenter who complied with section 7-113-204, at the address stated in the payment demand, or if no such address is stated in the payment demand, at the address shown on the corporation's current record of shareholders for the record shareholder holding the dissenter's shares, the amount the corporation estimates to be the fair value of the dissenter's shares, plus accrued interest.

(2) The payment made pursuant to subsection (1) of this section shall be accompanied by:

(a) The corporation's balance sheet as of the end of its most recent fiscal year or, if that is not available, the corporation's balance sheet as of the end of a fiscal year ending not more than sixteen months before the date of payment, an income statement for that year, and, if the corporation customarily provides such statements to shareholders, a statement of changes in shareholders' equity for that year and a statement of cash flow for that year, which balance sheet and statements shall have been audited if the corporation customarily provides audited financial statements to shareholders, as well as the latest available financial statements, if any, for the interim or full-year period, which financial statements need not be audited;

(b) A statement of the corporation's estimate of the fair value of the shares;

(c) An explanation of how the interest was calculated;

(d) A statement of the dissenter's right to demand payment under section 7-113-209; and

(e) A copy of this article.

#### 7-113-207. Failure to take action

(1) If the effective date of the corporate action creating dissenters' rights under section 7-113-102 does not occur within sixty days after the date set by the corporation by which the corporation must receive the payment demand as provided in section 7-113-203, the corporation shall return the deposited certificates and release the transfer restrictions imposed on uncertificated shares.

(2) If the effective date of the corporate action creating dissenters' rights under section 7-113-102 occurs more than sixty days after the date set by the corporation by which the corporation must receive the payment demand as provided in section 7-113-203, then the corporation shall send a new dissenters' notice, as provided in section 7-113-203, and the provisions of sections 7-113-204 to 7-113-209 shall again be applicable.

#### 7-113-208. Special provisions relating to shares acquired after announcement of proposed corporate action

(1) The corporation may, in or with the dissenters' notice given pursuant to section 7-113-203, state the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action creating dissenters' rights under section 7-113-102 and state that the dissenter shall certify in writing, in or with the dissenter's payment demand under section 7-113-204, whether or not the dissenter (or the person on whose behalf dissenters' rights are asserted) acquired beneficial ownership of the shares before that date. With respect to any dissenter who does not so certify in writing, in or with the payment demand, that the dissenter or the person on whose behalf the dissenter asserts dissenters' rights acquired beneficial ownership of the shares before such date, the corporation may, in lieu of making the payment provided in section 7-113-206, offer to make such payment if the dissenter agrees to accept it in full satisfaction of the demand.

(2) An offer to make payment under subsection (1) of this section shall include or be accompanied by the information required by section 7-113-206.

#### 7-113-209. Procedure if dissenter is dissatisfied with payment or offer

(1) A dissenter may give notice to the corporation in writing of the dissenter's estimate of the fair value of the dissenter's shares and of the amount of interest due and may demand payment of such estimate, less any payment made under section 7-113-206, or reject the corporation's offer under section 7-113-208 and demand payment of the fair value of the shares and interest due, if:

(a) The dissenter believes that the amount paid under section 7-113-206 or offered under section 7-113-208 is less than the fair value of the shares or that the interest due was incorrectly calculated;



(b) The corporation fails to make payment under section 7-113-206 within sixty days after the date set by the corporation by which the corporation must receive the payment demand; or

(c) The corporation does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares as required by section 7-113-207 (1).

(2) A dissenter waives the right to demand payment under this section unless the dissenter causes the corporation to receive the notice required by subsection (1) of this section within thirty days after the corporation made or offered payment for the dissenter's shares.

#### 7-113-301. Court action

(1) If a demand for payment under section 7-113-209 remains unresolved, the corporation may, within sixty days after receiving the payment demand, commence a proceeding and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the sixty-day period, it shall pay to each dissenter whose demand remains unresolved the amount demanded.

(2) The corporation shall commence the proceeding described in subsection (1) of this section in the district court for the county in this state in which the street address of the corporation's principal office is located or, if the corporation has no principal office in this state, in the district court for the county in which the street address of its registered agent is located, or, if the corporation has no registered agent, in the district court for the city and county of Denver. If the corporation is a foreign corporation without a registered agent, it shall commence the proceeding in the county in which the domestic corporation merged into, or whose shares were acquired by, the foreign corporation would have commenced the action if that corporation were subject to the first sentence of this subsection (2).

(3) The corporation shall make all dissenters, whether or not residents of this state, whose demands remain unresolved parties to the proceeding commenced under subsection (2) of this section as in an action against their shares, and all parties shall be served with a copy of the petition. Service on each dissenter shall be by registered or certified mail, to the address stated in such dissenter's payment demand, or if no such address is stated in the payment demand, at the address shown on the corporation's current record of shareholders for the record shareholder holding the dissenter's shares, or as provided by law.

(4) The jurisdiction of the court in which the proceeding is commenced under subsection (2) of this section is plenary and exclusive. The court may appoint one or more persons as appraisers to receive evidence and recommend a decision on the question of fair value. The appraisers have the powers described in the order appointing them, or in any amendment to such order. The parties to the proceeding are entitled to the same discovery rights as parties in other civil proceedings.

(5) Each dissenter made a party to the proceeding commenced under subsection (2) of this section is entitled to judgment for the amount, if any, by which the court finds the fair value of the dissenter's shares, plus interest, exceeds the amount paid by the corporation, or for the fair value, plus interest, of the dissenter's shares for which the corporation elected to withhold payment under section 7-113-208.

#### 7-113-302. Court costs and counsel fees

(1) The court in an appraisal proceeding commenced under section 7-113-301 shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court. The court shall assess the costs against the corporation; except that the court may assess costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment under section 7-113-209.

(2) The court may also assess the fees and expenses of counsel and experts for the respective parties, in amounts the court finds equitable:

(a) Against the corporation and in favor of any dissenters if the court finds the corporation did not substantially comply with part 2 of this article; or

(b) Against either the corporation or one or more dissenters, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by this article.

(3) If the court finds that the services of counsel for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to said counsel reasonable fees to be paid out of the amounts awarded to the dissenters who were benefitted.

**EXHIBIT 31.1**  
**CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER**

I, Donald B. Wingerter, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Chay Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2010

By: /s/ Donald B. Wingerter, Jr.  
Donald B. Wingerter, Jr.  
Chief Executive Officer  
(Principal executive officer)

**EXHIBIT 31.2**  
**CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER**

I, Donald B. Wingerter, Jr., hereby certify that:

1. I have reviewed this Annual Report on Form 10-K of Chay Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2010

By: /s/ Donald B. Wingerter, Jr.  
Donald B. Wingerter, Inc.  
Acting Chief Financial Officer  
(Principal financial officer)

**EXHIBIT 32.1**  
**CERTIFICATION**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(Subsections (a) and (b) of Section 1350,  
Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Chay Enterprises, Inc., a Colorado corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2009 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2010

By: /s/ Donald B. Wingerter, Jr.

Donald B. Wingerter, Jr.  
Chief Executive Officer  
(Principal executive officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**EXHIBIT 32.2**  
**CERTIFICATION**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(Subsections (a) and (b) of Section 1350,  
Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Chay Enterprises, Inc., a Colorado corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2009 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2010

By: /s/ Donald B. Wingerter, Jr.  
Donald B. Wingerter, Jr.  
Acting Chief Financial Officer  
(Principal financial officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.