

SHELRON GROUP INC.

(OTC BB:SHRN)

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Recent Price: \$0.024
Target Price: \$0.300
(12-month)

SPECULATIVE STRONG BUY RATING

Main Headquarters

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Directing Traffic to Merchant Websites

Company Overview

Shelron Group Inc. (OTC BB:SHRN) is a leading developer of advertising and comparative shopping software, products and services. Activeshopper™ is the brand name of the company's comparative shopping products, which include US, UK and Australia (AU) comparative shopping websites, a mobile website for cell phone and PDA users, and various price-detecting comparative shopping installable clients.

- The **online comparison shopping services market** in the U.S. was worth about **\$400 million in 2004**, with market projections for growth rates of **around 40% per year over the next five years**.
- Shelron Group Inc. creates **revolutionary e-business marketing solutions and products**. The company current focus is **ActiveShopper™**, an innovative, comparative shopping plug-in toolbar that helps users automatically compare prices for products on the web and to date **over 1 million users have downloaded this tool**.
- In addition to ActiveShopper™, the company intends to **develop other revolutionary revenue-generating products for the e-entertainment & e-dating** growing markets.
- In an effort to further increase ActiveShopper™'s revenue, diversify its revenue sources and to prepare for the upcoming holiday shopping seasons, SHRN launched a **new banner activity on its webpages**. **HP & Sony** are among a limited test group of pre-selected advertisers.
- According to the research firm Mintel faster and less expensive broadband services in Europe is **driving an increase of online shopping** with total internet sales in Europe running over **€40 billion** in 2005, an increase of 51% over the prior year. It is estimated that **online sales in Europe will triple by 2010**.
- **Overall Internet advertising revenues in the U.S. grew by 30% in 2005 over the prior year**, reaching a **new record of \$12.5 billion**.
- SHRN announced outstanding revenue growth of ActiveShopper.com in first 6 months of FY2006 operations over the same six-month period of 2005. ActiveShopper.com revenues between **January and June 30, 2006 grew by 383%** versus the same comparative 2005 period, hence posing the **fastest revenue growth of all listed companies in its sector**.
- Following the release of **ActiveShopper UK** earlier this year, the company is now seeking to **expand its worldwide comparative shopping business**. To this end, the company launched its **ActiveShopper Australia (AU) site** in November and similar site launches **non-English speaking** European countries will follow in coming months.
- **SHRN foresees being one of the leaders in comparative online shopping technology and has already done successful pioneering work that placed the company on the map. Despite the sluggishness of retail growth in general, comScore reported that online consumer spending remains strong and that growth in non-travel online spending continues at a rate of 25% yr-o-yr, which suggests that consumers' online purchase behavior has been relatively unaffected by a mid-cycle US economic slowdown. Moreover, comScore forecasts that total online spending in 2006 will reach approximately \$170 billion, which allows ample room for a company like SHRN to capture a portion of this robust industry. Despite low earnings and revenue visibility in the near term, ahead of the point of reaching user critical mass that will improve its attractiveness for online advertisers; we set a 12-month target price of \$0.30 based on our pay-per-click model using our own traffic & PPC pricing assumptions and considering recent industry M&A activity and competitor 'price tags'. See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 10-13).**

Shelron Group, Incorporated.	
<i>(all figures in Millions)</i>	
52 Week Hi/Lo Range	0.085/0.015
Fiscal Year End	31-Dec
Shares Outstanding(11/08/2006)	390.8
Float (approximately)	305.4
Share price (12/18/2006)	0.024
Market Capitalization	9.4
Average Volume (3 months)	0.406
Insider Ownership	2%
Institutional Ownership	23.3
Enterprise Value (EV)	8.94
Long Term Debt (09-30-06)	0.000
Total Cash (09-30-06)	0.441
12/31/2005 12/31/2006	
FY2005 A FY2006 E	
Earnings Per Share (EPS)	-0.004 -0.002
Book Value (\$/share)	0.000 0.000
FY2005 A FY2006 E	
Total Revenue	0.374 1.010
Cost of Sales	0.000 0.000
Gross Profit/Loss	0.374 1.010
Operating expenditures	1.871 1.871
Income/Loss from Operations	-1.497 -0.861
Other Expenses	0.002
Tax Items	
Net Income	-1.495 -0.861
NA = Not applicable/Not Available. A = Actual Reported figures E = Estimates	
Balance Sheet & Financial Statement Extracts (9/30/2006)	
Current Assets	0.685
Current Liabilities	0.649
Total Assets	0.830
Total Shareholders Equity	0.181
Operating cashflow (9mo to 9/30)	-0.357
Capital Structure (as at 09-30-06)	
Authorized Common Stock	500 000 000
Auth Series A Prefs Stock	10 000 000
Issued Series A Prefs Stock	1000

THE COMPANY

Shelron Group, Inc., (**OTC BB: SHRN**) is a Delaware Corporation, which develops business intelligence software, and also e-commerce advertising and comparative shopping software products and services. The company (formerly B-Park Communications LLC and later TTTickets Holding Corp.) was founded in 2001 and its headquarters are based in New York City.

B-Park Communications LLC was formed on August 21, 2001. On October 26, 2001, B-Park Communications LLC changed its name to B-Park Communications Inc. and was incorporated in the State of Delaware. B-Park was formed for the sole purpose of acquiring the controlling interest in TTTickets Holding Corp., (TTTickets). TTTickets was incorporated under the laws of the State of Massachusetts on June 6, 1987 as Professional Brushes, Inc. In September 2002, TTTickets changed its name to Shelron Group Inc. The company changed its name due to the fact that it no longer operated in the business of creating a secondary marketplace for individuals to buy and sell event tickets on the Internet, to which the company's former name was strongly associated.

The company is considered a development stage company which has developed **ActiveShopper**, a free software download that automatically scans, locates, and compares prices for an item that a consumer selects at an e-commerce site and is designed to assist consumers to make purchase decisions by enabling them to find the items they are looking for, compare products, prices and stores, and buy from among various online merchants. The company **provides a service of directing traffic to merchants' Web sites and manages merchants advertising campaigns through ActiveShopper.**

Shelron Group also operates **two comparative shopping Web sites**. The company has been engaged in the **on-line shopping business since March 2004**. Prior to that time, SHRN were engaged in the field of designing and developing business applications software. Shelron generates its revenues primarily from merchants for directing traffic to their websites and revenues associated with managing of advertising campaigns through ActiveShopper for various merchants. Revenues generated originate primarily according to **pay-per-click models** resulting from the directing of traffic to merchants' websites. Secondly, revenues are also generated according to **pay-per-sale model** when a sale derives from the directing of traffic to a merchant website, and from **consulting and management of advertising campaigns** through ActiveShopper.

Vision

Shelron Group Inc. strives to identify Internet market segments that are on the rise, and to offer new and revolutionary revenue-generating products and technologies to those markets. By focusing on innovative ideas and by creating state of the art technologies that bring these ideas to life, Shelron wishes to become a leading player in several revenue-generating markets on the Internet.

PRODUCTS & SERVICES

The company's current focus is on ActiveShopper - a revolutionary comparative shopping solution, which includes both a **comparative shopping website and a downloadable toolbar & sidebar** for Internet Explorer browsers and FireFox. The company released its initial product, ActiveShopper, in August 2004.

ActiveShopper's revenues are generated from referral fees paid by merchants who receive customers coming into their sites, directly from the toolbar, the sidebar, or the website. ActiveShopper is a free software download that automatically scans, locates and compares prices for an item that a consumer selects at an e-commerce site and is designed to assist consumers to make informed purchase decisions by enabling them to find the items they are looking for, compare products, prices and stores, and buy from among thousands of online merchants. SHRN have been and may continue working on additional versions of ActiveShopper that would provide additional functionality. The company is also considering strategic acquisitions of synergistic technologies that management believes will enhance its market positioning.

The ActiveShopper Comparative Shopping Toolbar & Sidebar is a free comparative shopping toolbar that automatically detects lower prices for products while the user shops. After full installation, ActiveShopper will automatically detect when you view product pages on thousands of sites and will suggest e-commerce sites, which offer the same identical product for a lower price.

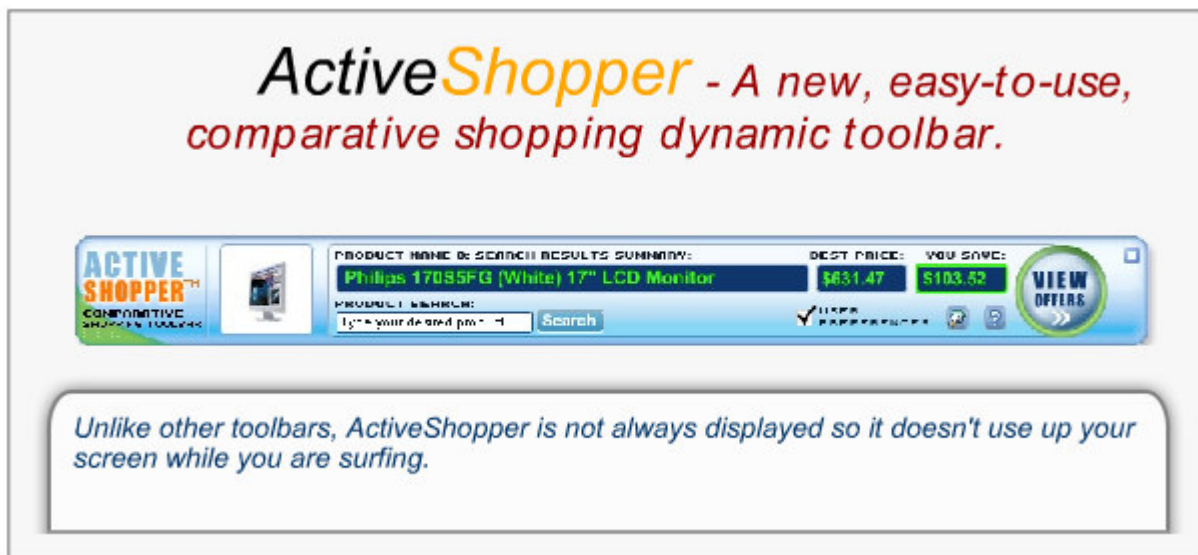
In addition to ActiveShopper, the company intends to develop other revolutionary revenue-generating products for the e-entertainment and e-dating growing markets.

In addition to the **ActiveShopper Toolbar and Sidebar**, Shelron Group now operates two comparative shopping websites: **ActiveShopper USA** and **ActiveShopper UK**, plus **ActiveShopper Mobile Edition**, for cell phone and PDA users. Both of the comparative shopping websites offer an extensive database of products, product specifications, merchants, ratings, and prices.

ActiveShopper UK is already up and running, offering UK products, from UK merchants, where prices are in British Pounds. In addition, the ActiveShopper sidebar is configured to use ActiveShopper UK content when it pops up in UK sites. There is the technical capability to adding more languages and currencies to broaden the usage and audience of this product by making it multi-currency and multi-lingual. This part of SHRN longer-term objectives. Presently, the focus is on building a stronger position in its existing markets, and providing better service to English speaking users. It would be a waste of resources if SHRN were to spread them out over new markets in other countries before the company has entirely realized the full potential of its existing markets.

The **ActiveShopper Mobile Edition** is available to the public through cell phones and PDAs at mobile.ActiveShopper.com. ActiveShopper Mobile Edition Version 1.0 includes a search field, allowing users to type in a keyword and get comparative shopping information, from either ActiveShopper's US or UK comparative shopping databases. Product information was condensed to fit the relatively small screen size that is available in most cell phones and PDAs, yet it still contains the product's full name, the number of online merchants who sell it, and the lowest available online price. In addition, each product screen contains the average online price and the highest price, so that a consumer who is currently in an offline retail facility would be able to quickly and efficiently compare the price that he sees in the shop to various online offerings.

The company is continuously **looking to add new value-added features** or improve existing features to its toolbar. Generally it takes a while to go through some experimenting phases and determine what works best both for its customers and in terms of generating revenue. It is a science of trial and error that takes thought and time. The company still plans to offer travel features. The commission in the travel arena differs from other revenue models and is **based on a percentage of sales and not PPC**. Sheldon is realistic is focused on adding travel to its downloadable applications. It would automatically work for anyone who has ActiveShopper installed.



TRADEMARKS & DOMAIN NAMES

On April 18, 2005, the company entered into an agreement with **Infospace, Inc.** to purchase the rights, title and interest of Infospace, Inc. in the U.S. and foreign trademarks, trade names and service marks for "ActiveShopper" and the domain names activeshopper.com, activeshopper.org, active-shop.com, active-shopper.com, active-shopper.net and active-shopper.org. The company made a one-time payment of \$40,000 for such marks and domain names.

REVENUE MODEL, CUSTOMERS and TRAFFIC

The company's **primary customer base includes online shoppers searching to order from either UK or US based merchants**. As at last published count, **over 1 million people downloaded the toolbar** and there were millions of page views. PPC (Pay-per-Click) averages change throughout the year, based on the season. They are higher during the buying season, as merchants know that users are in a 'buying mood,' and therefore, increase their bid on clicks.

As a result, SHRN's **average click rate last December was even a bit above 50 cents**. During other seasons SHRN's average is between 40 and 50 cents. As for the millions of downloads and page views, the reader needs to understand that the company does not make money from the fact that people views its content. The company earns when a user/visitor clicks and goes to a merchant. SHRN has been running a range of tests to learn what works best, and what increases the click through rate that redirects users to the advertiser's website.

See Appendix A-1 for Analyst Certification and Important Disclosures.

The company is continually making adjustments and improving on this as time goes on. On the other hand, it is also wary not to encourage people to over-click. If they do so, it may have a long-term impact on its ability to maintain high PPCs.

One of the nice things in the comparative shopping arena is that when the offering is wide, little targeting is needed. Most US shoppers who compare prices online also shop online, so SHRN sees little value in targeting users based on gender and age. On the other hand the company does **pay more attention to specific product segments, especially computers and electronics**, as they produce higher ROI.

INDUSTRY & STRATEGY

The **comparison shopping services market in the U.S. was worth about \$400 million in 2004, with market projections for growth of around 40% per year over the next five years.** According to a report published by the Interactive Advertising Bureau and PricewaterhouseCoopers (April 20, 2006), overall Internet advertising revenues in the U.S. grew by 30% in 2005 over the prior year, reaching a new record of \$12.5 billion. The report attributed this continued growth to the "effectiveness of building brands and delivering online and offline sales." New advertising opportunities, resulting from significant improvements in broadband delivery, were also noted as source of future growth. The report noted that keyword advertising represented 41% of U.S. online advertising spending.

comScore, a highly reputable market research firm that is a leader in measuring trends in the digital age and online activity, forecasts **Total e-Commerce Spending by Consumers will reach approximately \$170 billion in 2006.** The company reported in August 2006, that from January through June of this year, total online spending by consumers totaled \$80.8 billion, representing a **20.1 percent increase over the same period in 2005.** Online non-travel (retail) spending increased by 24.6 percent to \$46.1 billion, while travel spending reached \$34.7 billion, marking a 14.7 percent gain.

comScore Online Consumer Spending (US\$ billions)* (excludes Auctions and Large Corporate Purchases)			
[First Half 2006 vs. Year Ago]			
e-Commerce Spending	January – June		Percent Change
	2005	2006	
Non-Travel	\$37.0	\$46.1	24.6%
Travel	\$30.3	\$34.7	14.7%
Total	\$67.2	\$80.8	20.1%

* *Consumer Spending at U.S. Internet sites Source : comScore.com*

Several retail categories achieved significant growth compared to last year. Office Supplies, the top gaining retail category, saw online spending rise 54 percent, while Computer Software grew 39 percent. Also experiencing strong gains in the first half of 2006 were Sport & Fitness (up 38 percent), Home & Garden (up 36 percent), and Toys & Hobbies (up 33 percent).

Overall, comScore forecasts that total online spending in 2006 will reach approximately \$170 billion. Of that total, comScore estimates that non-travel e-commerce spending will hit approximately \$102 billion in 2006, breaking the \$100 billion threshold for the first time. **Approximately \$24 billion is expected to be spent, on non-travel during the 2006 holiday season (November 1st – December 31st).** As of Dec 15, the market research firm reported that online shopping in the US for this period (45 days since Nov 1) stood at \$20 billion, already 25% ahead of the equivalent figure spent on online shopping during same 45 day period in 2005.

The company also said that despite the sluggishness of retail growth in general, online consumer spending remains strong and that growth in non-travel online spending continues at a rate of 25 percent year-over-year, which suggests that consumers' online purchase behavior has been relatively unaffected by the general economic trends. This news certainly bodes well for online retailers for the upcoming holiday season, with online consumer spending expected to reach \$24 billion in the November through December period, which includes Cyber Monday, that follows the Thanksgiving Holidays, one of the biggest online shopping days on the calendar.

See Appendix A-1 for Analyst Certification and Important Disclosures.

comScore : e-Commerce Sales Growth for Selected Retail Product Categories**First Half 2006 vs. Year Ago**

Non-Travel Online Consumer Spending (excludes Auctions and Large Corporate Purchases)

Retail Category	Percent Change
Office Supplies	54%
Computer Software (Ex. PC Games)	39%
Sport & Fitness	38%
Home & Garden	36%
Toys & Hobbies	33%

In Europe and UK the market looks equally strong which bodes well for international online shopping comparison and advertising plans of SHRN.

According to the research firm Mintel, the UK has surpassed Germany to become Europe's largest online shopping market. **Mintel reported that close to 9.8 billion Euros were spent online by UK consumers in 2005**, while German consumers spent in excess of 9.7 Billion Euros. Mintel suggests that faster and less expensive broadband services in Europe have been driving the increase of online shopping. The report continues to note that total internet sales in Europe were at over 40 Billion Euros in 2005, an increase of 51% over the prior year. It is estimated that online sales in Europe will triple by 2010.

All of the above data and forecasts suggest a strong background, which allows a company like SHRN ample opportunity to capture a portion of this robust industry.

Source : comScore.com

RECENT DEVELOPMENTS & OUTLOOK

The company has made noticeable changes to its website that took place during the last month (adding zip code, ability to compare products side by side, etc.). There have been many changes since the beginning of 2006 that has improved the current website, such as:

(a) A **complete change of the URL structure**, including making changes to the sitemap and performing numerous other small changes to make the website **better crawled by Google** and other search engines. This has proven very effective and SHRN now has more than 600,000 pages indexed in Google. **The company is slowly but surely building, it's Google page rank and expect this effort to pay off in the coming months.**

(b) The **opening of ActiveShopper UK.**

(c) **Adding coupons** to its site, as part of a long- term strategy to offer additional types of shopping-related content.

The Sheltron Group, the parent company of ActiveShopper.com, recently announced a syndication partnership agreement with Mezi Media, the parent company of CouponMountain.com, through which CouponMountain's online coupons will be integrated into the ActiveShopper™ Website.

The coupon offering is currently live on ActiveShopper.com and available to the website's growing audience. Coupons can be accessed directly through the ActiveShopper.com's navigation links at the header of each page and are also integrated into the site's search results. In addition, CouponMountain's coupons are also accessible to over one million ActiveShopper™ Toolbar users, through the toolbar's free text search field.

The new coupons section offers a diverse range of categories, including apparel, electronics, banking, sports, health, travel, dating, books, DVDs, and gifts. Coupon Mountain features over 1000 merchants.

Sheltron's natural growth requires building up its content and feature offering. The company strongly believes that partnering with CouponMountain is a huge step forward for its continued growth. In addition, this partnership now allows them to offer new and valuable services to their customers, while helping to diversify revenue streams.

As a separate initiative, ActiveShopper, announced in August 2006, that it has introduced banners into ActiveShopper.com pages. This is an effort to further increase ActiveShopper's revenue and to diversify ActiveShopper's revenue sources. The banners are displayed at the bottom of the site's pages and are relevant to the product or to the product category that the user is viewing. HP and Sony are among the limited test group of pre-selected of advertisers involving this banner introduction. The company plans to expand this list during and after the trial period. SHRN intends to test banners from various credible sources in the coming months and analyze the impact on usage and on ROI. This forms part of a strategy to introduce a series of changes that to its site and toolbar in preparation for the upcoming shopping season.

See Appendix A-I for Analyst Certification and Important Disclosures.

Following the release of ActiveShopper UK in the first quarter of FY2006, the company is seeking to expand its worldwide comparative shopping business. To this end, the company launched (ActiveShopper AU) on November 28, and has targeted similar launches of ActiveShopper websites in non-English speaking European countries in the upcoming months to help the Company to create a worldwide presence. ActiveShopper Australia (<http://au.activeshopper.com>), a **comparative shopping website for Australia and the Pacific region**. ActiveShopper Australia users are able to search for products from merchants in Australia and nearby regions such as Hong Kong. Product categories range from computers, consumer electronics, home and garden, office, media, clothing, gifts and jewellery.

The UK launch proved to be successful and is **already attracting thousands of customers monthly only a few months after its launch**. Management believes that its Q4 FY2006 financial results will show the positive impact resulting from the increased traffic.

On October 24, Sheltron Group announced it signed an **affiliate agreement with Credit-Land, an online credit card application service**, through which Credit-Land's content will be made available through ActiveShopper's website. Credit-Land.com is an online service that features the best credit card applications on the Internet and streamlines management of personal finance. The company partners with leading financial institutions, including banks, mutual funds and brokerage houses allowing them to implement the Total Money Management Initiative, which is a marketplace where businesses bid for business from individual consumers. This includes their proprietary One-Click Credit Application, which simplifies credit management to one form. Sheltron views Credit Land as an excellent partner that will bring greater online exposure to the company and its subsidiary ActiveShopper.com.

FINANCIAL STATEMENTS

The company filed Form 10-QSB with comprehensive financial information and operational discussion with the SEC with regards to financial performance and developments for the first 9 months and third quarter of FY2006 (Q2 FY2006) on November 11, 2006. Sheltron Group Inc. has its fiscal year-end on December 31. The results for the 9 months ended September 30, 2006 were un-audited. Since Sheltron Group Inc. is considered a development stage company it has a limited operating history upon which an evaluation of its prospects can be made. As of September 30, 2006, the Company had an accumulated deficit of \$4,737,224 calculated starting August 21, 2001 the official date of inception.

The company filed Form 10-QSB/A with the SEC on Oct 20, 2006 containing some **restatement to past financials for periods in FY2004 and FY2005**. Subsequent to the issuance of the Company's December 31, 2005 consolidated financial statements, and based upon a further evaluation of the factors utilized in determining the presentation of a January 2005 issuance of 18,500,000 shares of the Company's common stock to an accredited investor in exchange for gross proceeds in the amount of \$1,500,000, SHRN determined that the **issued common stock had to be classified out of its permanent shareholders' equity as such shares were subject to registration penalties commencing June 7, 2005**. On April 24, 2006, the penalties were eliminated and at such date, the issuance was classified as part of the Company's permanent shareholders' equity. The shares had originally been classified, on January 2005, as permanent equity and therefore the Company's third quarterly condensed financial statements are restated and filed in this amended Form 10-QSB/A for the nine and three-month periods ended September 30, 2005.

In addition, the Company determined that **revenue** recognized from the **consulting and management of advertising campaigns** provided by the Company during the three month periods ended September 30, 2005 and June 30, 2005, in the **amounts of \$27,500 and \$45,000, respectively, are to be deferred until actually collected by the Company in 2006**. Accordingly, third quarterly condensed consolidated financial statements were restated by these amounts herein and filed in this amended Form 10-QSB/A, resulting in a decrease of revenues and an increase in the net losses as reported for the respective periods and in the respective amounts.

For the nine months ended September 30, 2006, revenues totaled \$659,266, which were comprised of: (1) \$586,766 generated **from partnership agreements pursuant to which we direct traffic to merchants' websites** through its ActiveShopper software and website, and (2) **consulting fees in connection with advertising campaigns** based on ActiveShopper in the amount of \$72,500 which were deferred at December 31, 2005 until such time as they were actually collected by the Company. During the first nine months of FY2006, revenues generated from two customers accounted for approximately 87% of total revenues accounted for the period, of which one customer accounted for approximately 79% of total revenues for the period. These customers comprise approximately 97% of the Company's accounts receivables at September 30, 2006, of which one customer accounted for approximately 80% of accounts receivable.

The revenues from directing traffic to merchants' websites through the ActiveShopper software and website for the nine months ended September 30, 2006 increased 344% over total restated revenues for the nine months ended September 30, 2005. Such restated revenues in 2005 were \$132,033, primarily generated from an initial and early implementation of a partnership agreement according to which we directed traffic to merchants' websites through ActiveShopper. During the nine month period ended September 30, 2005, revenues generated from one customer were approximately 97% of total revenues accounted for the period.

For Q3 FY2006 ended September 30, 2006, revenues were a total of \$306,751, which generated from partnership agreements pursuant to which we direct traffic to merchants' websites through ActiveShopper software and its websites. During this quarter ended September 30, 2006, the revenues generated from two customers accounted approximately 98% of total revenues accounted for the period. Revenues from directing traffic to merchants' websites through its ActiveShopper software and website for the three months ended September 30, 2006 increased 314% over the Company's total restated revenues for the three months ended September 30, 2005. Such restated revenues were a total of \$74,090, which were generated from a partnership agreement pursuant to which we directed traffic to merchants' websites through its ActiveShopper software. During the three month period ended September 30, 2005, revenues generated from one customer were approximately 96% of total revenues accounted for the period. The increase in revenues is primarily attributable to increased activities through ActiveShopper, as a result of the Company's marketing efforts and additional functionality developed and launched for ActiveShopper on March 31, 2005.

Shelron Group's operating expenses consist of salaries, consulting expenses, research and development, marketing and advertising and other expenses associated with the operations. For the nine month period ended September 30, 2006, the operating expenses were \$1,403,788, an increase of approximately 1% as compared to \$1,389,470 for the nine month period ended September 30, 2005. For Q3 FY2006, operating expenses were \$584,079 as compared to \$435,460 for Q3 FY2005. The increase in the components of operating expenses for the respective periods is discussed below.

For the nine-month periods ended September 30, 2006 and 2005, consulting expenses were \$206,071 and \$456,334, respectively. The decrease in consulting expenses of 55% in 2006 from the comparable period in 2005 is primarily due to a one-time consulting fee rendered in exchange for 4,000,000 shares of SHRN common stock valued at \$324,324. For the quarters ended September 30, 2006 and 2005, the consulting expenses were \$39,700 and \$24,034, respectively.

Research and development expenses consist of subcontracting personnel and related expenses of research and development teams in Israel. For the nine month periods ended September 30, 2006 and 2005, R&D expense were \$117,172 and \$243,948, respectively, a decrease of approximately 52%. For the three month periods ended September 30, 2006 and 2005, the research and development expense were \$43,345 and \$58,650, respectively, a decrease of approximately 26% in 2006 from the comparable period in 2005. The decrease in the R&D activities is primarily attributable to the successful completion of ActiveShopper software's first developing phase.

Marketing and advertising expenses for the nine month period ended September 30, 2006 were \$508,122 and were principally comprised of promoting activities, and advertising campaigns relating to ActiveShopper which were primarily Internet based. Marketing and advertising expenses for the nine month period ended September 30, 2005 amounted to \$216,010 and comprised advertising campaigns Internet based and Company's advertising through radio commercials. For Q3 FY2006 and Q3 FY2005, the Company's marketing and advertising expenses were \$244,580 and \$133,841, respectively. The increase in marketing and advertising expenses is principally attributable to increased current efforts to further promote ActiveShopper and its directing of traffic to merchants' websites. Insurance costs consisted of a Directors and Officers policy that was acquired on July 1, 2005 and expired on June 30, 2006. The policy was not renewed. For the nine-month period ended September 20, 2006, insurance expense amounted to \$22,500. For the three-month period ended September 30, 2005 no insurance expense was incurred.

Shelron Group maintains an office at 29 Broadway, New York and also leases an apartment in New York from an unaffiliated party for approximately \$2,700 per month. In addition, on May 30, 2005, the Company began leasing approximately 180 square meters of office space at 22 a Raul Wallenberg Street, Tel Aviv, Israel from an unaffiliated party for approximately \$2,400 per month in addition to certain occupancy and office maintenance costs. The offices in Tel Aviv serve for the conducting of research and development operations by its subsidiary in Israel. Rent expense for the nine months ended September 30, 2006 and 2005 totaled \$57,402 and \$36,662, respectively, an increase of approximately 57%. Rent expense for the quarters ended September 30, 2006 and 2005 totaled \$21,124 and \$18,951, respectively, an increase of approximately 11% in 2006 from the comparable period in 2005. The increase in rent expenses for the comparative periods is primarily attributable to additional rent expenses in connection with the offices leased in Tel Aviv commencing May 30, 2005.

During the nine-month periods ended September 30, 2006 and 2005, the net loss was \$744,247 and \$1,241,360, respectively, for the reasons stated above, a decrease of 40% in 2006 from the comparable period in 2005. During Q3 FY2006 and Q3 FY2005, the Company reported a net loss of \$275,319 and \$356,795, respectively, for the reasons outlined above. On a per share basis the loss was less than a penny for each of the above-mentioned 3 and 9-month periods in both FY2005 and FY2006.

The loss since inception on a basic and diluted basis per share stood at \$0.02 or \$4.727 million.

Other noteworthy financial and per share statistics are listed in the table found on page 1 of this report.

See Appendix A-I for Analyst Certification and Important Disclosures.

Liquidity and Capital Resources

The company believes its existing cash resources and its ability to generate and collect revenues, will be sufficient to maintain current operations through fiscal year 2006. As of September 30, 2006, SHRN had a cash balance of \$440,614 and current accounts receivables of \$225,909. To date the company financed operations primarily from cash generated through the sale of its common stock in private placements as well as from cash generated from collected revenues earned from operations. In January 2005 and July 2005, SHRN **raised gross proceeds of \$1,500,000 and \$300,000**, respectively, from the **private placement to an investor of 18,500,000 and 4,500,000 shares** of common Stock, respectively.

Cash used in operating activities was \$357,148 for the 9 months ended September 30, 2006 as compared to \$722,568 for the comparable 9 month period ended September 30, 2005 (restated). The decrease in the negative operating cashflow is primarily attributable to the narrower net loss posted for the first 9 months of FY2006 versus the same 9 month period in FY2005. Cash generated from financing activities was \$6,350 during the 9 months ended September 30, 2006 as compared to \$1,785,000 during the 9 months ended September 30, 2005. The cash provided by financing activities consisted of the collection of a note receivable in the 2006 period. The cash provided by financing activities in the 2005 period consisted primarily in proceeds from the issuance of common stock in January 2005.

The Company's current operating plan is based on continuing to promote ActiveShopper downloads, entering into more partnership agreements and affiliation programs, adding more categories of product for which ActiveShopper will provide services, and expanding ActiveShopper activities outside the USA. As of today, SHRN is still depending on one main single line of business with limited revenue generating sources which are subjected to seasonable fluctuations. The Company's relatively low operational costs and cash resources have enabled the continuation of its activities. Although advertising campaigns required to promote ActiveShopper and their related budgets may be expended at management's discretion, competition and the need to more aggressively promote ActiveShopper may require higher budgets than expected and therefore negatively affect SHRN's cash flows. The Company's continuation as a going concern, however, is dependent upon, among other things, the ability to obtain additional financing when and as needed and to generate sufficient cash flow to meet its obligations on a timely basis. No assurance can be given that Sheltron Group will be able to obtain such financing on acceptable terms. Its most recent audited financial statements carry a going concern clause by its auditors. These circumstances could complicate the Company's ability to raise additional capital.

ISSUANCE OF SHARES OF COMMON STOCK FOR SERVICES RECEIVED

During the six and three month periods ended June 30, 2006, the company issued 2,010,479 and 1,463,824 shares of its common Stock to three service providers in consideration of services rendered in the equivalent of \$62,424 and \$45,091 during the respective periods. In addition, the company issued 651,617 shares of its common stock to three service providers in consideration of services rendered in the equivalent of \$14,372, which was accrued at December 31, 2005.

RISK FACTORS / CONCERNS

The longer-term consistency of revenues and profit potential, remain uncertain and the future operating results may continue to fluctuate. The company's ability to execute against its stated business model is not yet fully proven. The company's current operating plan is based on continuing to promote ActiveShopper™ downloads, entering into more partnership agreements and affiliation programs, adding more categories of product for which ActiveShopper™ will provide services, and expanding ActiveShopper™ activities outside the USA. Currently the company is still **depending in one main single line of business with limited revenue generating sources**, which are subjected to **seasonable** fluctuations. Relatively low operational costs and cash resources have enabled the continuation of activities. Although advertising campaigns required to promote ActiveShopper™ and their related budgets may be expended at the company's discretion, competition and the need to more aggressively promote ActiveShopper™ may require higher budgets than expected and therefore negatively affect future cash flows.

The company's continuation as a going concern, however, is dependent upon, among other things, its ability to obtain additional financing when and as needed and to generate sufficient cash flow to meet obligations on a timely basis. No assurance can be given that SHRN will be able to obtain such financing on acceptable terms. Sheltron's independent registered public accounting firm, in their reports on the company's financial statements for the year ended December, 2005 expressed substantial doubt about the company's ability to continue as a going concern. These circumstances could complicate SHRN ability to raise additional capital. Its financial statements do not include any adjustments to the carrying amounts of its assets and liabilities that might result from the outcome of this uncertainty.

In the event that SHRN requires additional capital, the company may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity or convertible debt securities could result in additional dilution to its stockholders. The incurrence of indebtedness would result in an increase in fixed obligations and could result in borrowing covenants that would restrict its operations.

There can be no assurance that financing will be available in amounts or on terms acceptable to the company, if at all. If financing is not available when required or is not available on acceptable terms, SHRN may be unable to develop or enhance its products or services, or, it may potentially not be able to continue its business activities. Any of these events could have a material and adverse effect on its business, results of operations and financial condition. SHRN generates revenues primarily from merchants for directing traffic to their websites and managing merchants advertising campaigns through ActiveShopper™. Revenues are generated primarily according to pay-per-click models resulting from the directing of traffic to merchants' websites. Revenues are also generated according to pay-per-sale model when a sale derives from the directing of traffic to a merchant website, and from consulting and management of advertising campaigns through ActiveShopper™.

Management believes that revenues shall increase as more users install ActiveShopper™ software. Although ActiveShopper™ is a free-download software, promoting it is essential, since there is no assurance that users may keep their ActiveShopper™ download on the long run. In addition, since revenues are subjected to seasonal fluctuations then revenues levels cannot be sustained and growth is not assured. The company is considered a development stage company and has a limited operating history upon which an evaluation of its true prospects cannot be fully ascertained. As of June 30, 2006, SHRN had an accumulated deficit of \$4,461,905. The company's prospects must therefore be evaluated in light of the problems, expenses, delays and complications associated with a development stage company.

Its market is characterized by rapid technological change and frequent new product announcements. Significant technological changes could render its existing technology obsolete. If SHRN is unable to successfully respond to these developments or do not respond in a cost-effective way, its business, financial condition and results of operations will be materially adversely affected. To be successful, SHRN must adapt to the rapidly changing market by continually improving the responsiveness, services and features of its products and by developing new features to meet customer needs. The company's success will depend, in part, on its ability to adapt to rapidly changing technologies, to enhance its existing services and to develop new services and technologies that address the needs of its customers.

The company has **heavy reliance on key executives**, the loss of which could have adverse results. The company has produced little revenue to date and is dependent upon only 2 operational websites and its proprietary technology, which is essential IP, and on the development and commercialization and introduction of shopping search solutions and advertising. Reliance on laws covering trademark rights, U.S. federal registration rights and trade secret laws to protect its technology and trademarks may not be sufficient to protect this intellectual property and could have a material adverse effect on its competitive position. Costs to expand or to maintain its networks and technological infrastructure may exceed current projections and hurt future financial performance.

Referral search revenue is the product of **Clicks times Price-per-Click** and, thus far in the industry's history, both have enjoyed consistent, impressive growth. If one of these two metrics starts to drop, overall revenue growth could stagnate, and then, ultimately, decline. To date the online search industry has grown at very impressive rates and demand for these services and the level of growth does not seem to show any signs of abating. Both market saturation and price pressure will occur naturally someday, as they do with every business and investors need be aware of this potential risk. A slowdown in demand and other industry performance measures could lead to these companies being **revalued from their growth-stock status category and this will result in earnings-multiple compression.**

The online industry has been scrutinized and may be further examined to determine the presence of '**click fraud**'. If Click fraud is not growing (if the search engines have it under control), then there is no reason for concern: It's just a cost of doing business that is already factored **into ROIs**. If fraud is growing, however, which seems likely, then the impact will eventually be felt in several ways:

Margin compression. The more "noise" in click results, the more it will cost search vendors to filter, serve, and analyze click streams, and provide compensatory refunds. The same price per click, in other words, will contribute less to the bottom line. **Higher monitoring costs for advertisers leads to lower ROIs and pressure on keyword prices.** Advertisers will not be able to rely on the search engines to monitor their clicks, so they'll have to pay for software, services, and employees to do it themselves. This will add to their costs and, therefore, hurt their ROIs. In a rational world, keyword prices will start trending down. (A start of this trend would include announcements like that from FTD on Friday: that online advertising costs were so high that they were no longer economically justifiable). **Current glamour and excitement about online advertising replaced with fear, uncertainty and disgust--driving dollars back offline.** If the search engines aren't quick enough to grant discounts and refunds, or if enough advertisers conclude that even the clicks they pay for contain a significant percentage of fraud, the search business could experience the same backlash that crippled the email business back in 2000--a backlash from which it is only now recovering.

The current cash position is likely insufficient to fund acquisitions, and if insufficient operating cashflow is generated in FY2007 it may hurt or limit the company's expansion plans. Despite SHRN's success to date and increased traffic numbers, competition remains fiercely competitive, and SHRN faces opposition from larger and better-funded rivals. Increased competition could result in revenue goals not being achieved and lower penetration of target markets that will expansion plans, website launches, reduced revenues and margins, any of which could materially and adversely affect Sheltron Group Inc. business, financial condition and results of operations.

Trading in the shares will continue to be subject to major fluctuations for the foreseeable future. The stock is thinly traded at prices below \$1.00 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity. The reverse is true if one or more large investors decide to acquire a block of SHRN shares that would result in demand outstripping supply and result in an upward squeeze in the price given **the liquidity and daily trading volume. We caution that historical volume activity on SHRN has been erratic, and we are unable to forecast the direction of trading volume with any degree of certainty in the future.**

Major dilution of common stock can occur if company issues large blocks of common stock or stock options/warrants (should they exist) are exercised into common stock, that can negatively impact on the value of the shares either theoretically or if sold in the open market. In the event that such holders of preferred stock, warrants and options exercise their conversion rights, the holders of the common Stock then issued and outstanding may experience immediate and substantial dilution in the net tangible book value of their shares if earnings and other factors do not compensate for the increased number of shares of such common stock.

SHRN's common stock is listed on the OTC Bulletin Board. NASD and SEC Regulations covering rules on Penny Stocks apply for SHRN, subjecting NASD broker-dealers to additional sales practice and disclosure requirements.

Further elaboration on these above mentioned and other risk factors are likely to be contained in current **SEC filings or Form 10-KSB or 10-QSB.**

MANAGEMENT

The company is in the process of assembling a team of top-level professionals. Earlier this month the company announced that it is presently looking to bring in an experienced CEO to handle the day-to-day management SHRN, including contact with the investment public. Eliron Yaron will continue as Chairman of the company and be responsible for driving the future plans through business development and merger & acquisition activities.

Eliron Yaron – President/Chairman

Eliron Yaron has served as President and Director since November 2001. Since 1997, he acted as the CEO of Shelron internet Ltd., Chairman of Autonet Ltd., and as a consultant to a European Venture Capital fund called Clearsite.

Prior to his employment and service as the chairman of the board of directors of the company, starting November 2001, he held the following positions:

2001 – 1996	CEO and Founder of Shelron Internet Ltd, a web project oriented company and
2001 – 1997	Cofounder of Autonet Ltd.
1995 – 1996	Founder of a private company that built web sites
1993 – 1995	Salesman and Marketing manager of a computer hardware wholesaler
1990 – 1993	Founder of a company that marketed educational technology systems.

Mr. Yaron also served on the boards of Internet in the US and Israel that advises venture capital funds and investment companies on IT and Internet related investments and marketing.

David Becker – Shelron Group's Vice President

INVESTMENT THESIS AND RECOMMENDATION

Our analysis suggests that Shelron Group Inc. is an interesting speculative play among nano-cap companies offering exposure to the investor on a fast evolving segment in e-commerce that focuses on comparative shopping, which holds great promise of high growth. The investor enjoys the benefit of being able to partake in an opportunity to invest in a company that is has done pioneering work and has technology that appears to be an effective, useful and in-demand tool for assisting online shoppers to find the best deal. SHRN provides a comprehensive vehicle to search for various products in various categories over the Internet. Internal tests have shown that ActiveShopper™ can aggregate content at a rate faster than many of its competitors and we expect that people using this software will find their content quicker and with a greater variety of results to base a purchase decision on, than many of its rivals. The company is very proud of this achievement and has taken the appropriate steps to protect this technology through the use of patents.

See Appendix A-1 for Analyst Certification and Important Disclosures.

In the coming year, SHRN will seek to intensify its sales and marketing efforts, as well as seek further strategic syndication partnerships, continue to build its technology and achieve enterprise customer wins through its newly tested banner advertising campaign. We anticipate the company will forge more alliances that can boost future advertising revenues. We see the pace of traffic growth to increase and expect the company to attain the further milestones users to its websites, which is likely to be fuelled by the recent Australian ActiveShopper launch and the planned non-English speaking European countries comparison-shopping websites in 2007.

Both operating and financial risk involved in investing in young technology and e-commerce companies are typically high and should be considered by investors. In this case the risks are tied mainly to the success of its marketing campaigns, systems infrastructure and ability to distinguish and differentiate itself from rival comparison shopping solutions that are attractive to advertisers and companies looking to reach target audiences online with their products. SG&A costs, development, marketing and other costs need to be managed well in order to bring its operating structure in-line to deliver consistent profitability and stabilize margins. Readers should understand that there can be no assurance that the company will be able to fast-track its intended path towards clinching a meaningful slice of the online e-commerce comparison search shopping market and break into new target markets to generate revenue, that will flow through directly to the top and or bottom line to build a consistent longer term profitable track record to enrich shareholder value.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to SHRN should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind the proprietary technology and new websites to be unlocked as new consumer awareness come to the fore and the company raises visibility and build brand recognition in its sector.

Short term we expect that the price of SHRN can recover from the low end of its 52 week hi-lo range, and bottom from a technical point of view and make AT LEAST either a 32.8 or 50% retracement of the recent protracted downmove from the \$0.18 peak set in late 2004. We are cautiously optimistic that the company is able to manage its organic growth and begin to generate meaningful revenues in FY2007, that will ultimately lead to spurring investor confidence, supporting present valuations and fuel price appreciation and aid share price performance.

One of the core reasons, which is pivotal to our bullish argument for upside in SHRN, results from our interpretation of part of several million webpage views that the company experiences in a month and that the ActiveShopper™ tool has been downloaded and is used by over 1 million users, that is allowing a platform for advertisers to access. Additionally, the volume of offerings accessible through the UK and US comparison shopping websites, continues to grow at a fast pace. Under the assumption that any further capital raising activity to finance its business expansion is well-managed to contain any further major I/O (issued and outstanding stock) increases and operating cash flow improve in FY 2007 as more progress is made to streamline and manage all the operations efficiently and meaningful revenue is generated we are of the opinion that SHRN stock has compelling upside potential.

Our view is that the shares are currently underpriced on a peer comparison perspective given its modest market capitalization of less than \$10 million, which is not fully reflecting the expected positive financial improvements we expect in FY 2007. We believe this market capitalization has factored in the worst-case scenario that the company may not be able to continue as viable challenger in its industry. If this assumption is incorrect the stock in our view has limited downside and clear-cut and compelling upside potential. The online search engine industry is very dependent on advertising and when evaluating future prospects for SHRN this is no exception. Pay per click (PPC) is an advertising technique used on websites, advertising networks, and search engines. With search engines, pay per click advertisements, are usually text ads placed near search results; when a site visitor clicks on the advertisement, the advertiser is charged a small amount. Variants include pay for placement and pay for ranking. Pay per click is also sometimes known as Cost Per Click (CPC). While many companies exist in this space, Google AdWords and Yahoo! Search Marketing, which was formerly Overture, are the largest network operators as of 2006. MSN has started beta testing with their own PPC services, MSN adCenter.

Depending on the search engine, minimum prices per click start at \$0.01 (up to \$0.50). Very popular search terms can cost much more on popular engines. Abuse of the pay per click model can result in click fraud. PPC engines can be categorized in "Keyword", "Product", "Service" engines. However, a number of companies may fall in two or more categories. More models are continually being developed. Currently, pay per click programs do not generate any revenue from site traffic to sites using these programs. Only when visitors click on banner advertisements or pop-ups is revenue generated.

□ **Keyword PPCs:**

Advertisers using this bid on "keywords", which can be words or phrases, and can include product model numbers. When a user searches for a particular word or phrase, the list of advertiser links appears in order of bidding. Keywords, also referred to as search terms, are the very heart of Pay per Click advertising. The terms are guarded as highly valuable trade secrets by the advertisers, and many firms offer software or services to help advertisers develop these invaluable words.

As of 2005, notable PPC Keyword search engines include: Google AdWords, Yahoo! Search Marketing, GaZabo.com, LookSmart, Miva, which was formerly FindWhat, SearchFeed, Enhance (formerly Ah-Ha), GoClick, 7Search, Kanoodle, ePilot, Search123, Kazazz, Pricethat, Search FAST, ABCSearch and others. An industry of professional services firms that can assist advertisers in marketing their products and services on search engines has also developed. Many of these firms will be members of various trade bodies such as IABUK, SMA-UK and SEMPO, while other reputable firms have chosen to avoid these bodies, as many of them remain heavily biased toward the firms that first got together and founded them.

□ **Product PPCs:**

"Product" engines let advertisers provide "feeds" of their product databases and when users search for a product, the links to the different advertisers for that particular product appear, giving more prominence to advertisers who pay more, but letting the user sort by price to see the lowest priced product and then click on it to buy. These engines are also called Product comparison engines or Price comparison engines. Some of the PPC Product search engines are: JustCompareIt.com, BizRate, NexTag, PriceGrabber.com, Pricescan, Pricethat, Pricewatch, PriceLeap, Shopping.com, Shoptoit.ca

□ **Service PPCs:**

"Service" engines let advertisers provide feeds of their service databases and when users search for a service offering links to advertisers for that particular service appear, giving prominence to advertisers who pay more, but letting users sort their results by price or other methods. Some Product PPCs have expanded into the service space while other service engines operate in specific verticals. Examples of PPC services include NexTag, Pricethat, Varazo, SideStep, and TripAdvisor.

We have proceeded with our own independent calculation and application of the PPC-based model. Even though this model incorporates several assumptions it serves us better for arriving at a valuation of SHRN stock (under these assumptions) as opposed to other traditional methods such as PE, EBITDA/EV or Price to Sales, or other models. These other models are unpractical given the early company life cycle and absence of revenues and earnings and low visibility of these going forward.

Hence we have started by departing at the assumption that the company can attract several visitors per month to its websites initially, which can translate to 1 million clicks during the first year, say FY2007. Assuming each visitor or userclick is 'worth' \$0.40 to SHRN (which is the lowest end of the historic keyword average), the company is able to generate a revenue stream of \$5.4 million in the 1st year. Assuming also the pay per click growth is sustained and averages a compound annual growth (CAGR) of 2.5% in both cases, and taking these revenue streams over a 30 year horizon and discounting it at the risk free rate of return (we used 8%) to obtain a present value, we arrived at a value of \$112.09 million. (SEE TABLE BELOW)

TABLE

Per User Model (PPC)	
Number of monthly users	1000000
Number of annual users	12000000
Value per visitor (\$US) (PPC)	0.45
Required Rate of Return (%)	8%
Annual Annuity Value (\$ million)	5.40
Present Value of Future revenue Streams	112.09
Shares in Issue	390.77
Value per share (30 year horizon)	0.287

See Appendix A-I for Analyst Certification and Important Disclosures.

This valuation equates to \$0.287 per share given the current amount of shares outstanding. We see this as realistic value when also viewed against some consolidation that has occurred in the comparison-shopping space. For example, EBAY purchased Shopping.com (SHOP) in June 2005 for \$620 million, while credit rating agency Experian paid \$485 million for comparison-shopping site PriceGrabber (who had 17 million monthly visitors and \$60 million annual sales and EBIT of \$25 million) in December 2005. Shopping.com made \$99 million in revenue and net income of \$12.2 million and around the time of its acquisition by eBay the company attracted roughly 22 million unique visitors per month, compared with 63.8 million for eBay (April 2005 data). Shopzilla, another comparison-shopping site was also recently acquired by E.W. Scripps & Company for \$525 million in cash.

Given all these calculations, the M&A activity within the industry and our bottom up analysis; which is more qualitative in nature, we set a 12-month target price for the security of \$0.30 per share. We believe further that there exists a future probability that cannot be dismissed that the company could be a takeover candidate if the technology it has developed proves to differentiate itself from existing search engine technology. This is likely to raise our fundamental valuation and/or target price beyond what we have specified in this report. The recent fantastic revenue growth posted by SHRN in the first 6 months of FY2006 represents the culmination of many expansion activities, including the launching of its UK site, forging of new strategic relationships, the addition of several new features, and targeted keyword advertising. The company plans to build on this success over the coming months. All factors considered, we anticipate a stake in SHRN clearly has compelling upside potential in the coming 12 months and that is risk adjusted and absolute returns will outpace that of the broad market as measured by the S&P 500 index as benchmark.

We HIGHLIGHT to the reader that this forecast is made under the assumption that the company can achieve its milestones of 1000 000 monthly user clicks to merchant websites and also pursue its expansion plan without hindrance. To summarize, we would argue that the share price and corresponding market capitalization is undemanding if the company is able to clinch a meaningful slice of the comparison-shopping space. The dynamics of the OTC-BB is unlikely to consistently support true valuations based on financial performance and in many cases the prices respond 'after the fact' rather than 'ahead of the fact'. Hence, successful companies listed on the OTC-BB often handsomely reward investors if they are able to deliver and exceed expectations.

Given these factors and under these aforementioned assumptions used in our Pay-per-Click (PPC) model, we initiate coverage on SHRN with a SPECULATIVE STRONG BUY rating. The rating assumes that the covered company will deliver returns that outperform that of the broad market (as measured by the S&P 500 index) by 35% or more over the next 12 months. Our rating takes into account the low valuation and re-rating potential that exists for SHRN shares, assuming the company remains a viable competitor that can leverage its current products.

Risk to our recommendation include amongst other: failure of sales and marketing efforts to its targeted customer base and agreement of partnership contacts to offer content to users, a slowdown in growth and demand for online search and e-commerce activity or inability to attract users to its websites can lead to SHRN missing our revenue forecasts and other future revenue stream assumptions. New competition in this niche market segment or pricing and competitive pressures or failure to maintain or establish differentiation of its superior search and advertising offerings, any stringent or bold unforeseen regulatory changes impacting adversely on current and/or prospective market segments that SHRN conduct their business in, any inability to obtain necessary financing from capital markets when needed, to achieve its goal of capturing a its targeted share of the comparison shopping online search market or lack of capital available to pursue acquisitions, expand and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt or paid for services, are some additional factors that will counteract price appreciation potential or cause shares to decline in value.

Any failure to retain qualified staff and talented sales force, management and engineers and IT professionals can restrict future business activity and hurt operations and financial performance, the inability to achieve revenues in the future that depends in significant part upon managements ability to build upon existing and cement new relationships with partners to leverage its Active Shopper™ and website presence with the brand, and low penetration of new enterprise and other markets can hamper share price performance. As a result, any cancellation, reduction or delay in the pursuit of future scheduled plans may materially adversely affect the business, financial condition and results of operations and additional risk factors that could adversely affect the attainment of our share price target include: general economic conditions and a variety of factors that is outside the control of the company. Reduced capital spending budgets by SHRN's customers or online shopping and e-commerce activity in Europe or the United States, a drop in pay-per-click pricing caused by an unanticipated industry downturn or a major contraction in the online search and advertising industry in general, albeit unlikely can lead to soft demand for SHRN's products, which can resulted in decreased revenues, earnings levels or growth rates.

We would caution that given the size of the company (nano-cap security) and risks involved, overall we advise private client positions be limited below 5% of the client's total portfolio size.

Charts For Shelton Group Inc.

SHRN

Last: 0.024

Last Trade: 12/15/06

2 Year Price - SHRN



ANALYST CERTIFICATIONS

APPENDIX A-1

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report.

Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the company's rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in future.

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