

MIRENCO INC  
Form 10QSB  
May 22, 2006

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-QSB**

(Mark One)

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

For the quarterly period ended **March 31, 2006**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **333-41092**

**Mirencos, Inc.**

(Exact name of small business issuer as specified in its charter)

**Iowa**

(State or other jurisdiction of incorporation or  
organization)

**39-1878581**

(IRS Employer Identification No.)

**206 May Street, P.O. Box 343, Radcliffe, Iowa 50230**

(Address of principal executive offices)

**(515) 899-2164**

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes [  ] No [  ] **Not applicable**

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: **20,648,878 shares of no par value common stock as of May 22, 2006.**

**Transitional Small Business Disclosure Format (Check one):** Yes [  ] No [  ]

**Cautionary Statement on Forward-Looking Statements.**

The discussion in this Report on Form 10-QSB, including the discussion in Item 2 of PART I, contains forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations, estimates and projections about the Company's business, based on management's current beliefs and assumptions made by management. Words such as "expects", "anticipates", "intends", "believes", "plans", "seeks", "estimates", and similar expressions or variations of these words are intended to identify such forward-looking statements. Additionally, statements that refer to the Company's estimated or anticipated future results, sales or marketing strategies, new product development or performance or other non-historical facts are forward-looking and reflect the Company's current perspective based on existing information. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements. Such risks, and uncertainties include those set forth below in Item 1 as well as previous public filings with the Securities and Exchange Commission. The discussion of the Company's financial condition and results of operations included in Item 2 of PART I should also be read in conjunction with the financial statements and related notes included in Item 1 of PART I of this quarterly report. These quarterly financial statements do not include all disclosures provided in the annual financial statements and should be read in conjunction with the annual financial statements and notes thereto included in the Company's Form 10KSB for the year ended December 31, 2005 filed on May 10, 2006. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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**PART I Financial Information****Item 1. Financial Statements**

**MIRENCO, Inc.**  
**BALANCE SHEET**  
**(unaudited)**  
**March 31, 2006**

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 49,016
Accounts receivable	19,437
Inventories	114,479
Prepaid expenses	13,714
Total current assets	196,646
PROPERTY AND EQUIPMENT, net	525,971
PATENTS AND TRADEMARKS, net	9,348
	\$ 731,965
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
<b>CURRENT LIABILITIES</b>	
Current portion of note payable	\$ 8,732
Current portion of capital lease	3,039
Accounts payable	133,518
Accrued expenses	52,541
Due to officers	176,928
Other current liabilities	30,101
Notes payable to related parties	44,925
Total current liabilities	449,784
<b>LONG TERM LIABILITIES</b>	
Note payable	101,971
Capital lease	4,908
Notes payable to related parties	56,865
Total long term liabilities	163,744
<b>STOCKHOLDERS' EQUITY</b>	

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Preferred stock, no stated value, 50,000,000 shares authorized	-
no shares issued or outstanding	
Common stock, no par value: 100,000,000 shares authorized, 19,420,648 shares issued and outstanding	9,443,815
Additional paid-in capital	1,714,954
Deferred compensation	(1,745)
Accumulated (deficit)	(11,038,587)
	118,437
	\$ 731,965

**See the accompanying notes to the financial statements**

**MIRENCO, Inc.**  
**STATEMENTS OF OPERATIONS**  
**(unaudited)**

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Sales	\$ 114,898	\$ 133,948
Cost of sales	92,822	66,696
Gross profit	22,076	67,252
Salaries and wages	118,696	211,136
Other general and administrative expenses	69,154	107,176
	187,850	318,312
(Loss) from operations	(165,774)	(251,060)
Other income (expense)		
Interest income	1	1
Interest expense	(5,519)	(4,887)
	(5,518)	(4,886)
NET (LOSS)	\$ (171,292)	\$ (255,946)

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Net (loss) per share available for common shareholders - basic and diluted	\$	(0.01)	\$	(0.02)
Weighted-average shares outstanding - basic and diluted		18,369,028		14,448,438

**See the accompanying notes to the financial statements**

**MIRENCO, Inc.**  
**STATEMENTS OF CASH FLOWS**  
**(unaudited)**

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Cash flows from operating activities	\$ (124,412)	\$ (118,153)
Cash flows from investing activities		
Net cash used in investing activities	-	-
Cash flows from financing activities		
Proceeds from issuance of stock	172,350	118,100
Principal payments on long-term debt:		
Banks and others	(2,727)	(2,193)
Related parties	(1,179)	(1,103)
Net cash provided by financing activities	168,444	114,804
Increase (decrease) in cash and cash equivalents	44,032	(3,349)
Cash and cash equivalents, beginning of period	4,984	33,127
Cash and cash equivalents, end of period	\$ 49,016	\$ 29,778

**See the accompanying notes to the financial statements**





**MIRENCO, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**(unaudited)**

March 31, 2006

**NOTE A BASIS OF PRESENTATION**

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and Item 310(b) of Regulation S-B. They do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included.

The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. For further information, refer to the financial statements of the Company as of December 31, 2005, and for the two years then ended, including notes thereto included in the Company's Form 10-KSB.

**NOTE B INVENTORY**

Inventories, consisting of purchased finished goods ready for sale, are stated at the lower of cost (as determined by the first-in, first-out method) or market.

**NOTE C - REALIZATION OF ASSETS**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. Net losses for the three months ended March 31, 2006 and 2005, were (\$171,292) and (\$255,946), respectively, and the Company has incurred net losses aggregating \$11,038,587 from inception, and may continue to incur net losses in the future. In addition, the Company had a working capital deficiency of (\$253,138) as of March 31, 2006. If revenues do not increase substantially in the near future, additional sources of funds will be needed to maintain operations. These matters give rise to substantial doubt about the Company's ability to continue as a going concern.

Management and other personnel have been focused on product exposure and marketing. The Company's management team has diligently explored several market segments relative to the Company's product and service lines over the past 24 months. From that exploration, the Company has decided it is in its best interests to explore the use of existing, well-established distribution channels for marketing and selling the DriverMax® product line. Management also believes a large market exists for the Company's testing and evaluation services and the information resulting from those services. By concentrating the sales efforts within its own reasonable geographical area, management believes it can better provide a professional, consultative approach toward customers needs and prove the value of its products and services. Management will focus on the Company's efforts on the sales of products, services, and programs with sensible controls over expenses. Management believes these steps, if successful, will improve the Company's liquidity and operating results, allowing it to continue in existence.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

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**MIRENCO, Inc.**

**NOTES TO FINANCIAL STATEMENTS**    **Continued**

**(unaudited)**

**March 31, 2006 and 2005**

**NOTE D – STOCKHOLDERS EQUITY**

During the three months ended March 31, 2006, the Company issued 1,460,674 shares of common stock for cash of \$172,350, which shares were issued at a discount to the fair market value of the shares.

During the three months ended March 31, 2006, the Company issued 5,000 options to directors to purchase common stock at \$.1563 per share and 5,000 options at \$.2750 per share. The options are exercisable at those prices until January 31, 2014.

During the three months ended March 31, 2006, the Company issued 135,000 options to employees to purchase common stock at \$.1525 per share. The options are exercisable at those prices until January 31, 2014.

The following summarizes the options outstanding at March 31, 2006:

	Number of shares		Weighted- average exercise price per share
	Outstanding	Exercisable	
Outstanding, December 31, 2005	2,109,210	2,109,210	1.23
Granted	145,000	145,000	0.16
Outstanding March 31, 2006	2,254,210	2,254,210	1.07

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The following table summarizes information about options outstanding at December 31, 2005 under the Compensatory Stock Option Plan:

2005 Compensatory Stock Options and Warrants

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
\$0.12-\$5.00	2,109,210	6.35	\$ 1.23	2,109,210	\$ 1.23

SFAS 123 requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's stock option plans had been determined in accordance with the fair value based method prescribed in SFAS 123. The fair value of the option grants is estimated on the date of grant utilizing the Black-Scholes option pricing model. Had the company charged the fair value of the options issued to operations during the period ended March 31, 2006, there would not be a material difference in the net loss as reported.

**NOTE E NOTES PAYABLE**

Notes payable consisted of the following at March 31, 2006:

	Total	Current Portion	Long-term Portion
\$1,435, including principal and variable interest, currently 7.75%, guaranteed by stockholder, guaranteed by Small Business Administration	\$ 110,703	\$ 8,732	\$ 101,971
Capital lease payable to leasing company in monthly installments of \$375.59, including principal and interest of 20.625%, maturing in July, 2008	7,947	3,039	4,908
	\$ 118,650	\$ 11,771	\$ 106,879

**NOTE F NOTES PAYABLE TO RELATED PARTIES**

Notes payable to related parties consisted of the following at March 31, 2006:

	Total	Current Portion	Long-term Portion
Notes payable to investors, 9% interest payable quarterly, principal due in March and April, 2007	\$ 30,000	\$ 20,000	\$ 10,000
Note payable to stockholder, 9% interest payable quarterly, principal due in March, 2007	20,000	20,000	-
Note payable to related Company in monthly			

installments of \$689, including principal and interest of 6.75% maturing May, 2009	51,789	4,925	46,865
	\$ 101,789	\$ 44,925	\$ 56,865

**NOTE G MAJOR CUSTOMER**

In the first three months of 2006 one major customer accounted for 41% of total sales.

**NOTE H SUBSEQUENT EVENT**

During April and May, 2006, 1,228,250 shares of stock were issued for cash of \$147,540.

**Item 2.**

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

**General and Background**

We have incurred annual losses since inception while developing and introducing our original products and focusing management and other resources on capitalizing the Company to support future growth. Relatively high management, personnel, consulting and marketing expenditures were incurred in prior years in preparation for the commercialization of our products. We expect distribution and selling expenses to increase directly with sales increases, however, as a percentage of sales, these expenses should decline. It is anticipated that general and administrative expenses should remain stable and decline significantly as a percentage of sales.

**Liquidity and Capital Resources**

Cash and equivalents and accounts receivable are currently the Company's substantial source of liquidity. The changes in Cash and Equivalents for the three months ended March 31, 2006 and 2005 can be reviewed in the Statements of Cash Flows in PART I Item 1 above.

According to the terms of our purchase agreement with American Technologies to acquire the patents and trademarks, we will pay a 3% royalty of annual gross sales for a period of 20 years, which began November 1, 1999.

**Results of Operations**

Gross sales of \$114,898, including \$36,046 in product sales and \$78,852 in sales of services, were realized for the three months ended March 31, 2006 and were \$19,050 less than sales for the same period one year ago. Cost of sales for the three months ended March 31, 2006 was \$26,126 resulting in a net decrease of \$45,176 in gross profit margin. In the three months ended March 31, 2006, \$76,814 of employment costs were included in Cost of Sales compared to \$48,833 in the corresponding period in the prior year.

A total of 15 full-time individuals, were employed with the Company at March 31, 2006 compared to a total of 19 at March 31, 2005.



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A comparative breakdown of Other general and administrative expenses per the Statements of Operations included in PART I Item 1 above is as follows:

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005	Note
Royalty	3,405	4,021	1
Advertising	6,782	3,926	2
Depreciation and amortization	10,811	13,311	3
Insurance	15,201	18,699	4
Professional fees	3,809	23,338	5
Office expenses	10,945	9,354	6
Research and development	-	1,200	7
Travel	3,485	18,003	8
Utilities	14,716	15,324	9
Total general and administrative expenses	69,154	107,176	

1.

Royalty expense is proportional to sales and is based on sales of products, services and rights related to patents according to the contractual agreement.

2.

Advertising expense for the three months ended March 31, 2006 increased \$2,856 over the same period in the prior year because of increased recruiting activities.

3.

Depreciation and amortization expense decreased \$2,500 from the corresponding period in the prior year because of computer and other equipment becoming fully depreciated in the prior period.

4.

Insurance expense for the three months ended March 31, 2006 decreased \$3,498 from the corresponding period in the prior year because of a thorough examination of current coverage and obtaining a more competitive bid.

5.

Professional fees expense decreased \$19,529 because of the discontinuance of the services of several outside consultants employed in 2005.

6.

Office expense for the three months ended March 31, 2006 was comparable to the corresponding period in the prior year.

7.

Research and development expenses were none for the three months ended March 31, 2006 compared to \$1,200 for the same period in 2005 because of the Company's emphasis of selling existing products as opposed to the development of new products.

8.

Travel expense for the first three months of 2006 was \$14,518 less than for the first three months of 2005 due to reduced sales activity.

9.

Utilities expense for the first nine months of 2006 was comparable to the expense for the first nine months of 2005.

Interest expense for the three months ended March 31, 2006 and 2005 is a result of obtaining investor loans and bank loans in 2005 and 2004.

The Company uses estimates in the preparation of its financial statements. The estimates used relate to valuation of receivables and the useful lives of its equipment and patents. Since the Company's receivables consist of larger individual accounts, the Company elects to use the direct write off method for those accounts that are deemed to be uncollectible. The Company believes there is no material difference in this method from the allowance method.

There have been no accounts written off in 2006. If it is determined that potential losses of a material amount in receivables, the allowance for doubtful accounts method will be adopted. No such allowance is considered to be required at this time. If it were determined that the depreciated cost of its equipment and the amortized cost of its patents exceeded their fair market value, there would be a negative impact on the results of operations to the

extent the depreciated and amortized cost of these assets exceeded their fair market value. In connection with this, the value of certain real property was reduced in a prior year to conform with an appraisal of the property at that time. No such additional reduction is considered necessary at this time.

The carrying value of long-lived assets is reviewed on a regular basis for the existence of facts and circumstances that suggest impairment. During the first three months of 2006, no material impairment has been indicated. Should there be an impairment in the future, the Company will measure the amount of the impairment based on the amount that the carrying value of the impaired assets exceed the undiscounted cash flows expected to result from the use and eventual disposal of the impaired assets.

The Company accounts for equity instruments issued to employees for services based on the fair value of the equity instruments issued and accounts for equity instruments issued to other than employees based on the fair value of the consideration received or the fair value of the equity instruments whichever is more reliably measurable.

The Company accounts for stock based compensation in accordance with SFAS 123, Accounting for Stock-Based Compensation . The provisions of SFAS 123 allow companies to either expense the estimated fair value of stock options or to continue to follow the intrinsic value method set forth in APB Opinion 25, Accounting for Stock Issued to Employees (APB Opinion 25) but disclose the proforma effects on net income (loss) had the fair value of the options been expensed. The Company has elected to continue to apply APB Opinion 25 in accounting for its stock option incentive plans.

SFAS 123 requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's stock option plans had been determined in accordance with the fair value based method prescribed in SFAS 123. The fair value of the option grants is estimated on the date of grant utilizing the Black-Scholes option pricing model. Had the company charged the fair value of the options issued to operations during the period ended March 31, 2006, there would not be a material difference in the net loss as reported.

In December 2004, the FASB issued SFAS 123(R), Share-Based Payment. SFAS 123(R) amends SFAS 123, Accounting for Stock-Based Compensation, and APB Opinion 25, Accounting for Stock Issued to Employees. SFAS 123(R) requires that the cost of share-based payment transactions (including those with employees and non-employees) be recognized in the financial statements. SFAS 123(R) applies to all share-based payment transactions in which an entity acquires goods or services by issuing (or offering to issue) its shares, share options, or other equity instruments (except for those held by an ESOP) or by incurring liabilities (1) in amounts based (even in part) on the price of the entity's shares or other equity instruments, or (2) that require (or may require) settlement by the issuance of an entity's shares or other equity instruments. This statement is effective (1) for public companies qualifying as SEC small business issuers, as of the first interim period or fiscal year beginning after December 15, 2005, or (2) for all other public companies, as of the first interim period or fiscal year beginning after June 15, 2005, or (3) for all nonpublic entities, as of the first fiscal year beginning after December 15, 2005. Management is currently assessing the effect of SFAS No. 123(R) on the Company's financial statements.

The Company outsources the production of its DriverMax® products to ICE Corporation of Manhattan, Kansas. If, for some reason the relationship between the Company and ICE Corporation should be interrupted or discontinued, the operations of the Company could be adversely affected until such time an alternative supply source could be

located, contracted and begin producing our technology. Such an event could materially effect the results of operations of the Company. The Company continues to review its relationship with this single source and believes there is no need for an alternative source at this time. As sales of product grow the Company will continue to review alternative sources.

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**Item 3.**

**CONTROLS AND PROCEDURES**

An evaluation of the Company's disclosure controls and procedures and internal controls and procedures was performed on April 26, 2006. Based on that review, management concludes that the Company's disclosure controls and procedures adequately ensure that information required to be disclosed by the Company in the reports that it files or submits under the Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the evaluation date. There have been no corrective actions with regard to significant deficiencies and material weaknesses since the evaluation date.

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**PART II. OTHER INFORMATION**

**Item 1.**

**Legal Proceedings**

None

**Item 2.**

**Changes in Securities**

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During the three months ended March 31, 2006, common stock of 1,460,674 shares were issued. Changes in shares outstanding during the first three months are summarized as follows:

Shares Issued

Amount

Shares outstanding January 1, 2006

17,959,954

New shares issued for cash

1,460,674

\$172,350

Shares outstanding March 31, 2006

19,420,628

**Item 3.**

**Defaults upon Senior Securities**

None

**ITEM 6. Exhibits and Reports on Form 8-K**

(a) Exhibits

The following are the exhibits to this report.

3.2(a)

Articles of Amendment to Articles of Incorporation (Incorporated by reference to the Company's 10QSB for the quarter ended June 30, 2004 filed on August 10, 2004).

3.2(b)

Certificate of Incorporation and Certificates of Amendment to the Certification of Incorporation of Registrant (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).

3.3

Bylaws of Registrant (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).

10.2(d)

Stock Option Agreement between Registrant and Betty Fosseen (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).

10.2(f)

Stock Option Agreement between Registrant and J. Richard Relick (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).

10.3

American Technologies LLC, Fosseen Manufacturing & Development, Mirencos, Inc.,



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Ethaco Agreements to Terminate Prior Agreements and Transfer License, respectively (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).

10.4

Purchase Agreement Between Registrant and American Technologies, LLC (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).

10.5

Environmental Regulatory Approvals with the U.S. Environmental Protection Agency and California Air Resources Board (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).

10.6

Summary of Patents and Associated Service Marks (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).

10.7

Copies of U.S. and Canadian Patents Issued to Dwayne L. Fosseen (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).

10.8

Summary of Mexican Patents and Associated Protections Issued to Dwayne L. Fosseen (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).

10.9

Rental Agreement Between Registrant and Fosseen Manufacturing & Development, Inc (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).

10.13(a)

Stock Option Agreement between Registrant and Betty Fosseen (incorporated by reference to the Company's Registration Statement Amendment filed on April 17, 2001).

10.14

2001 Common Stock Compensation Plan (incorporated by reference to the Company's 10KSB for the fiscal year ended December 31, 2001).

10.16

Vehicle Purchase Agreement between registrant and Fosseen Manufacturing Co., Inc. (Incorporated by reference to the Company's 10QSB for the quarter ended September 30, 2002 filed on November 14, 2002).

10.19

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Offer and Acceptance to purchase land from Dwayne Fosseen and spouse. (Incorporated by reference to the Company's 10KSB for the year ended December 31, 2002 filed on April 14, 2003).

10.29

Employment Agreement with Richard A. Musal. (Incorporated by reference to the Company's 10QSB filed November 19, 2004)

10.30            2004 Common Stock Compensation Plan (Incorporated by reference to the Company's 10KSB filed April 15, 2005)

10.31            Company's Code of Ethics . (Incorporated by reference to the Company's 10QSB filed May 13, 2005)

10.32            Distributor Agreement with Stepp Equipment Company (Incorporated by reference to the Company's 10QSB filed August 15, 2005)

\*10.34

Reseller agreement with Network Car, Inc. dated April 12, 2006.

\*31.1

Certificate of Principal Executive Officer dated May 22, 2006.

\*31.2

Certificate of Principal Financial Officer dated May 22, 2006.

\*32.1

Dwayne Fosseen's Certification dated May 22, 2006 pursuant to 18 U.S.C. SECTION 1350, as adopted pursuant to, SECTION 906 of the Sarbanes-Oxley Act of 2002

\*32.2

Richard A. Musal's Certification dated May 22, 2006 pursuant to 18 U.S.C. SECTION 1350, as adopted pursuant to SECTION 906 of the Sarbanes-Oxley Act of 2002

Filed herewith

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The following exhibits which have been filed in previous reports are being deleted having been cancelled or no longer applicable:

10.33 Cancellation of Distributor Agreement with Stepp Equipment Company dated October 31, 2005 (incorporated by reference to the Company's 10QSB, filed November 15, 2005).

(b) Reports on Form 8-K

The Company filed a report on Form 8-K on April 18, 2006, notifying the Commission as to its late filing of Form 10-KSB for the year ended December 31, 2005. The Company's 10-KSB for December 31, 2005, was filed on May 10, 2006.

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Exhibit

10.34

### **Networkfleet Reseller Agreement**

This Is an agreement ("Agreement") between Networkcar and Mirenco, Inc. referred to as "Networkcar Reseller". Networkcar will provide NETWORKCAR RESELLER with the Networkfleet™ Items and Services described herein, under the terms and prices set forth in this Agreement and hereby appoints NETWORKCAR RESELLER with a right to distribute the Networkfleet™ Items and Services under the terms and conditions of this Agreement (as defined below). Defined terms shall be as set forth herein or as defined In Section 16 below.

### **Terms and Conditions**

1. NETWORKCAR ITEMS AND SERVICES. We, (hereinafter

Monday through Friday, excluding Networkcar's holidays). We will "we," "our" or "Networkcar") will provide Networkfleet™ Items and assist you via the telephone to diagnose the problem with the Items or Services which will enable you (hereinafter "you," "your" or Services. We will, on a best-efforts basis, correct errors or "NETWORKCAR RESELLER") to: (a) collect diagnostic and malfunctions In the Licensed Matter to enable the Licensed Matter to locational Information from a motor vehicle using a wireless Internet perform the functions described in the operating manuals as soon as device which is installed in that vehicle; (b) analyze, deliver and postpracticable after you notify us of such error or malfunction. If the the information to the vehicle owner's web page within the Networkcar Equipment is diagnosed as non-functioning during the warranty period, web site and (c) notify the vehicle owner and a designated third party we will repair or replace non-functioning components. If, In our sole by e-mail of certain events or information (hereinafter referred to as determination, the Equipment is deemed unrepairable, then we will "Networkfleet Service"). The Networkfleet Items and Services are send a replacement unit to you. We will pay the Ground shipping designed to provide you with a broad set of automotive diagnostic data charges to return the Equipment to you. You

will pay any additional and data derived from locational information. By entering into this agreement, you are agreeing to become an authorized reseller of functioning Equipment replaced by us will become the property of Networkfleet Items and Services. Networkfleet Items and Services provided by us under this Agreement do not include repair, replacement or correction of any Equipment. What We Provide. During the Term and so long as you comply with damage or malfunctions caused by: the terms set forth in this Agreement (and our other then-current, applicable policies which may change from time to time) we will sell

Your failure to properly install the Equipment as described in the user manual, grant you a non-exclusive, non-transferable right to use the Equipment; distribute Networkfleet Items and Services to your customers under our then-current, applicable policies in accordance with the terms set forth in this Agreement. Accident, negligence, theft, vandalism, operator error or misuse, herein, failure of the Equipment site to conform to specifications, failure of What You Provide. You will provide/do the following in connection with the Equipment: (a) designate an employee other than normal use; and become the key distribution coordinator for the Networkfleet Items and Services; (b) make your key distribution coordinator and designated personnel available for the training we provide; (c) distribute, use and Modifications, attachments, repairs or parts replacements operate the Networkfleet Items and Services in accordance with any instructions provided by us; (d) follow all of the then-current, applicable policies made available to you; and (e) abide by all requirements now or hereafter imposed by us for the Networkfleet Items and Services.

applicable fees set forth in Attachment A (the "Fees"); All other Fees Without our prior written consent, you will not (x) allow the Networkfleet Items to become installed in, affixed to, or made part of any other provision of the applicable Services. You must pay any freight and any sales and/or use taxes. Invoices are due on receipt. You must pay all goods or items or real property other than an automotive vehicle; (y) amounts without offset. We reserve the right to change our Fees or attach to or install on any Networkfleet Items any accessory, attachment, or other device that would impair the originally intended function, operation or good working order of the Networkfleet Items; (z) make any modifications to the Networkfleet Items. It is due, we may impose a late charge on any undisputed amount of the greater of one percent (1%) of the unpaid amount or

2. SCOPE OF SUPPORT SERVICES. Conditioned upon timely highest amount permitted by applicable law. payment of the applicable Support Service Fee set forth herein and

4. TERM AND TERMINATION. The initial term of this Agreement

while you are not otherwise in default under this Agreement,

Networkcar or its designee will provide the Support Services described begins on the date of this Agreement and, unless terminated earlier. as

herein. We will provide to you reasonable amounts of consultation and provided herein continues for twelve (12) months (the "Initial Term").

technical assistance during our regular working hours. If you Thereafter, the Term will be extended on a month to month basis (the

experience a problem with the Network fleet Items or Services, you "Renewal Term."), unless terminated by either party, with or without

may call Networkcar or its designee at I (866) 227-7323 (during cause, upon thirty (30) days prior written notice. The Initial Term and

Renewal Term are collectively referred to as "Term". If you terminate

Networkcar's regular working hours: 8:00 a.m. to 8:00 p.m., EST,

4510 Executive Dr. Ste. 315, San Diego, CA

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Exhibit

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Services under this Agreement and later desire to reinstate Services, agree to indemnify and hold harmless Networkcar, its pari-nt you may receive those Services if you sign another agreement with company, The Reynolds and Reynolds Company and each of its Networkcar and pay Networkcar's then-current, applicable fees.respective employees, directors and agents against any loss, damage, award or expense (Including reasonable attorney's fees) involving a

Either party may terminate this Agreement **at any** time during the claim that you or your Associates have violated applicable state or Initial Term with or without cause by giving sixty (60) days prior federal laws or regulations. If you fail to defend in a reasonably timely written notice to **the other** party,manner, then Networkcar shall have the right to defend or settle such

This Agreement and your parttctpatpn tn the Services as set forthclaim.

herein may be terminated by us prior tothe end of the Term: (i) if you

do not comply with any of your obtlgtions under this Agreement (or8. GUARANTEES. We guarantee that for a period of one (1) year then-applicable policies and terms), Including any failure to pay anyfollowing the Equipment registration on the Networkcar website (the amounts due; (if) for reasons relating to any breach of applicable state"Warranty Period"), the Equipment will not have defects In material and or federal law; or (111) if we are no longer permitted to make theworkmanship and during the Term: (a) Licensed Matter will be able to Services available. In the case of (l)herein, Networkcar ~hall provideperform the data processing functions described in the applicable NETWORKCAR RESELLER with thirty days prior written notice, duringoperating manuals; and (b) Services will be provided In a workmanlike

which time NETWORKCAR RESELLER shall have the opportunity to manner. You may only make claims under this guarantee during the cure any such default so as to bring In substantial compliance with theTerm by promptly notifying us after you learn of the facts supporting terms and conditions set forth herein. In the case of (ii) and (iii) herein,the claim. We will either repair or replace the non-complying Item or Networkcar may terminate this Agreement ~mmedlately provided that itre-perform the Services; **THESE ARE OUR ONLY OBLIGATIONS** provides NETWORKCAR RESELLER with written or email notice of**AND YOUR ONLY REMEDY FOR BREACH OF WARRANTY OR**

termination delivered no later than the day the termination is to take**GUARANTEE**. We do not guarantee Items acquired from others, even effect. In any of the foregoing circumstances, we may, cease providingif acquired with our assistance, The guarantees contained in this Items and Services subject to the notice and cure requirementsSection are void If you default. Downtime, not caused by a known and contained herein, and obtain any other remedies available. In theuncured defect in the software during the warranty period, Is not a event of termination of this Agreement by either party, both partiesbreach of this Agreement by us and will not entitle you to any refunds agree to cooperate to transition end user service fulfillment too credits. If you purchased the Extended Limited Warranty, **the**

Networkcar. All unpaid amounts are Immediately due and payable onWarranty Period shall be extended by such period of time as selected default. All our rights and remedies are cumulative. FAILURE TOin exchange for the payment of the Extended Warranty fees.

MEET THE APPLICABLE REQUIREMENTS OR TO COMPLY WITH

ALL NETWORKCAR POLICIES WILL BE GROUNDS FOR9. LIMITATION OF LIABILITY; DISCLAIMER OF WARRANTIES.

TERMINATION FROM PARTICIPATION IN THE SERVICES,**NEITHER PARTY WILL BE LIABLE FOR CONSEQUENTIAL, SPECIAL, INDIRECT OR INCIDENTAL DAMAGES, INCLUDING**

5. PROPRIETARY RIGHTS. You acknowledge and agree that the**LOST PROFITS OR LOST DATA, EVEN IF THAT PARTY IS TOLD** Networkfleet™ Items and Services are our proprietary property, and**THOSE DAMAGES MAY OCCUR. NETWORKCAR'S LIABILITY** that we are the owner of all copyrights, trademarks, patents, trade**UNDER CONTRACT, TORT, STRICT LIABILITY OR OTHER LEGAL** secrets and other proprietary Information relative to the Networkfleet™**THEORY CANNOT EXCEED THE AMOUNT PAID TO** Items and Services. All information related, directly or Indirectly, to the**NETWORKCAR " UNDER THIS AGREEMENT BEFORE THE** Items and Services, their development, testing and all other matters**LIABILITY ACCRUES~ NETWORKCAR RESELLER LIABILITY** are our trade secrets and may not be disclosed or used by you for any**UNDER CONTRACT, TORT, STRICT LIABILITY OR OTHER LEGAL** purpose except for the performance by you of your obligations under**THEORY CANNOT EXCEED THE UNPAID AMOUNTS OWED TO**

this Agreement. Title to, ownership of and Intellectual property rights in

*NETWORKCAR.*

*EXCEPT AS STATED IN PARAGRAPH 8,*

the Networkfleet™ Items and Services and any and all improvements,

*NETWORKCAR MAKES NO EXPRESS OR IMPLIED WARRANTIES*

modifications, fixes or enhancements to the Networkfleet™ Items and**OR GUARANTIES ABOUT THE ITEMS OR SERVICES INCLUDING**

Services that arise hereunder, regardless of whether such items or**ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS**

services are created or suggested by you, will remain in us. You**FOR A PARTICULAR PURPOSE OR OF INTERRUPTED**

acknowledge such ownership and intellectual property rights and will *OPERATIONS WITHOUT ERROR*. We are not responsible for: (a) not take any action to Jeopardize, limit or interfere in any manner with delays in delivery, Installation or providing Services, except if caused our ownership of or rights with respect to Networkfleet™ Items and by our negligent or wrongful acts; (b) anything outside our reasonable Service. You will not copy, modify, disassemble or decompile any Item, control or resulting from your breach; or (c) the operation of Items if and will not disclose or provide access to the Items or Services to any Item acquired from a third party Is used with the Items. third party for such a purpose. You shall notify us Immediately of any unauthorized use or disclosure of the Networkfleet™

Items and

**10. DEFAULT. Subject to the provisions of Section 4, Term and**

Services (and the Intellectual property relating thereto) that becomes

Termination, you will be In default If you breach this Agreement or any known to NETWORKCAR RESELLER. You may only use the policies we may adopt In connection with the Services, Including any Networkfleet™ Items and Services as specified in Section 1. failure to pay any amounts due. If you default, we may, without liability, terminate this Agreement and cease providing Items and Services and 6. POLICIES. The Items and Services provided under this obtain any remedies available. All unpaid amounts are immediately

Agreement will be governed by our then-current, applicable policies, due and payable on default.

All our rights and remedies are

which are subject to change from time to time. We will provide you cumulative.

with written copies of any changes to the applicable policies. By signing the Agreement, you acknowledge receipt of the current

11. INDEMNIFICATION. You will defend and hold us and our parent policies, company, and the employees and agents, representatives and suppliers of each, harmless against all damages, suits, proceedings, 7. COMPLIANCE WITH RULES AND LAWS. You will comply with liens, penalties and liabilities directly resulting from your possession, all then-current, applicable policies that we may establish and make distribution, Installation or use of the Items and Services In material available to you from time to time. You will also comply with all breach of this Agreement subject always to Section 9, Limitation of

applicable laws and regulations, including privacy laws, relating to the Liability; Disclaimer of Warranties, NETWORKCAR RESELLER agrees

Items and Services and the transactions contemplated under this to allow Networkcar to participate in the defense, however nothing

Agreement. You are responsible for the compliance of your affiliates, herein shall limit the right of NETWORKCAR RESELLER to control the

employees, agents and consultants (collectively "Associates") with the defense, terms of this Agreement and any applicable laws or regulations. You

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We will defend and indemnify you for any claim that the Networkfleet™ *WAY. IF ANY REMEDY FALLS TO FULFILL ITS ESSENTIAL*

Items provided by us infringe on the intellectual property rights of any *PURPOSE, THE LIMITATIONS OF LIABILITY AND EXCLUSIONS*

third party; provided, however, that you have promptly notified us in *OF DAMAGES REMAIN IN EFFECT*. Any notice required under this

writing of the claim when you receive notice, and that you allow us to agree will be in writing and will be delivered by hand, sent by fax

control, and cooperate with us in, the defense and any related (if the sending machine confirms in writing that the fax was received),

settlement negotiations. Networkcar agrees to allow NETWORKCAR or mailed by registered, certified mail or other receipted delivery

RESELLER to participate in the defense, however nothing herein shall service, return receipt requested, to the addresses stated in this

limit Networkcar's right to control the defense. This obligation shall not agree. You may not assign, sublease, sublicense or in any way

be limited by Section 9. dispose of the Items or your rights and obligations under this

Agreement without Networkcar's prior written consent. This

2. TRADEMARKS. You may not use our trademarks, service marks Agreement contains the entire agreement about the Items and

or tradenames without our prior written approval of all aspects of each Services which are the subject of the Agreement and prevails over all

such usage. Subject to your reasonable approval and compliance with oral and written communications or agreements between you and us

your guidelines pertaining to the use of your name and trademarks, we about such Items and Services. No prior statement will be part of this

can use, copy, distribute and publish in connection with the Services Agreement. No action, regardless of form, related to this Agreement

your name and trademarks for the purpose of informing customers that may be brought by you or us more than one year after the cause of

you are an authorized distributor of the Networkcar Items and action has accrued. The obligations of the parties under Section 3, 5,

Services. 6, 7, 9, 11, 12 and 15 will not expire.

13. ARBITRATION. Any controversy between you and us related

16. DEFINITIONS. The following definitions apply: (a) Equipment -

directly or indirectly to the Item or Services will be settled by binding Networkfleet™ device or other equipment Items (other than Licensed

arbitration under the commercial rules of the American Arbitration Matter) as described herein ; (b) Items - Equipment and Licensed

Association. It does not matter whether the controversy is based on Matter; (c) Licensed Matter - Networkcar software, including contract, tort, strict liability or other legal theory. The arbitration will be corrections and any Improvement or modification that we provide to held in Dayton, Ohio (or the home state of our assignee of this you, and anything provided by us for use with the Networkcar software Agreement), by one arbitrator knowledgeable and experienced in their Equipment, such as books or manuals or other printed materials; (d) electronic information services industry who is a licensed attorney and Other Providers - anyone other than us that provides Items or Services a member of the state bar association for the venue in which the to you; (e) Services - Networkcar Services (described In Section 1 arbitration Is to be held above) and support services for the Equipment and Software; (f) Subscriber - any individual or fleet entity that enters into a Subscriber '14. ITEM / VEHICLE REGISTRATION REQUIREMENTS. You agree Agreement with us; (g) us or we or Networkcar- Networkcar, Inc., One to promptly register any Networkfleet Items along with any associated Reynolds Way, Kettedng, OH 45430; and (j) our - belonging to us. vehicle Information using the web-based registration methods we provide to you. Upon registration of the item and vehicle from you, we 17. EXPORT. You agree that you will remain in full compliance with will activate any purchased Network'fleet Services for the applicable applicable export and import laws, regulations orders and policies vehicle. We may change the Item/Vehicle Registration process from (including, but not limited to, securing at necessary clearance time to time In our sole discretion, requirements, export and Import licenses and exemptions, and making al proper filings). We may, at our sole discretion and upon reasonable 15. GENERAL. This Agreement will not be binding on us until our notice, require you to provide us with written certification relating to authorized management or corporate officer signs it. No change, your compliance with applicable export and Import laws or prohibit you waiver or approval by us will be binding unless signed by our from doing business with certain customers in order to ensure that you authorized representative. This Agreement will be read and enforced comply with applicable export and Import laws. NETWORKCAR under Ohio law applicable to contracts executed and performed RESELLER shall not be obligated to submit such a report more completely In Ohio between Ohio residents. If part of this Agreement frequently than twice per calendar year. You will Indemnify us for is held invalid or unenforceable, the Invalid part will be deleted and the damages awarded as a result of claims made against us for your rest will remain in effect. *EACH PART OF THIS AGREEMENT THAT deliberate failure to comply with applicable export and Import laws, LIMITS LIABILITY, DISCLAIMS WARRANTIES OR GUARANTEES, regulations or orders applicable to the sale or delivery of the OR EXCLUDES DAMAGES IS SEVERABLE AND INDEPENDENT Networkfleet™ Items and Services. OF ANY OTHER PROVISION AND IS TO BE ENFORCED THAT*

**NETWORKCAR, INC.**

COMPANY NAME **Mirenc**, Inc.

I certify that I have read and understand the terms and conditions

Included with this agreement

By: \_\_\_\_\_ Date: 4/12/2006

By: \_\_\_\_\_ Date: 4/3/2006

**Paul Washicko    President**

**Dwayne Fosseen, CEO**

Print Name and Title

The signing person represents that he/she is authorized to sign this agreement for you.

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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.

**Mirenc**, Inc.  
(Registrant)

By: /s/ Richard A. Musal

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*Richard A. Musal*

*Chief Financial Officer*

Date: May 22, 2006

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.

By: /s/ Dwayne Fosseen

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*Dwayne Fosseen*

*Chairman of the Board,*

*Chief Executive Officer*

*and Director*

Date: May 22, 2006

By: /s/ Don Williams

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*Don Williams*



*Director*

Date: May 22, 2006

By: */s/ Richard A. Musal*

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*Richard A. Musal*

*Director, Chief Operating Officer,*

*and Secretary*

**PRINCIPAL EXECUTIVE OFFICER CERTIFICATION**

I, Dwayne Fossean, Chief Executive Officer and President of Mirencos, Inc. (the Small business issuer ) certify that:

1.

I have reviewed this report on Form 10-QSB of Small business issuer

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 small business issuer as of, and for, the periods presented in this report;

4.

The small business issuer'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 small business issuer 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 small business issuer, 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)

Evaluated the effectiveness of the small business issuer'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

(c)

Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5.

The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: May 22, 2006

/s/ Dwayne Fosseen

\_\_\_\_\_

Dwayne Fosseen,

President and Chief Executive Officer



**CERTIFICATE OF PRINCIPAL FINANCIAL OFFICER**

I, Richard A. Musal, Chief Financial Officer of Mirengo, Inc. (the Small business issuer ) certify that:

1.

I have reviewed this report on Form 10-QSB of Small business issuer

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 small business issuer as of, and for, the periods presented in this report;

4.

The small business issuer'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 small business issuer 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 small business issuer, 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) Evaluated the effectiveness of the small business issuer'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

(c)

Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5.

The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: May 22, 2006

/s/ Richard A. Musal

Richard A. Musal,

Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Dwayne Fosseen, Chief Executive Officer of Mirencos, Inc. (the "Company"), pursuant to 18 U.S.C. section 1350, certify that, to my knowledge:

(1)

The Company's Quarterly Report on Form 10-QSB for the period ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dwayne Fosseen

Dwayne Fosseen

Chief Executive Officer and President

May 22, 2006



CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard A. Musal, Chief Financial Officer of Mirencos, Inc. (the Company), pursuant to 18 U.S.C. section 1350, certify that, to my knowledge:

(1)

The Company's Quarterly Report on Form 10-QSB for the period ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the Report), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard A. Musal

Richard A. Musal

Chief Financial Officer

May 22, 2006