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WORLD ENERGY SOLUTIONS, INC.

Form 8-K

November 15, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549  
FORM 8-K  
Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: November 7, 2005

WORLD ENERGY SOLUTIONS, INC.  
(Exact Name of Small Business Issuer in Its Charter)

Florida (State or other jurisdiction of Incorporation)	0-25097 (Commission File Number)	65-078-3722 (IRS Employer Identification No.)
3900A 31st Street North, St. Petersburg, Florida (Address of principal executive offices)		33714 (Zip Code)

Registrant's telephone number, including area code: 727-525-5552

Advanced 3-D Ultrasound Services, Inc.  
(Former Name or Former Address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

SECTION 2 - FINANCIAL INFORMATION

Item 2.01: Completion of Acquisition or Disposition of Assets

On November 7, 2005, Registrant merged with Professional Technical Solutions, Inc., a Florida corporation ("PTS"). Registrant was the surviving entity. Under the terms of the Agreement and Plan of Merger, Shareholders of PTS received one common share of Registrant for each outstanding common share of PTS. 11,617,925 common shares are issuable to PTS shareholders, making the number of Registrant's common shares outstanding following the merger 23,279,488

Professional Technical Systems, Inc. manufactures and sells transient voltage surge suppressors and related products and commercial and residential energy-saving equipment and applications to distributors and customers throughout the United States. PTS is located in St. Petersburg, Florida.

The assets acquired through the merger include cash, accounts receivable, property and equipment, and inventory.

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Benjamin Croxton was President and a board member of both the Registrant and PTS. Mike Prentice was a member of both boards. The principle followed in determining the amount of consideration paid was the relative value of PTS and Registrant, taking into account the advantages to both companies if the merger were consummated.

### SECTION 9 -- FINANCIAL STATEMENTS AND EXHIBITS

#### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
Professional Technical Systems, Inc.  
St. Petersburg, Florida

We have audited the balance sheets of Professional Technical Systems, Inc. as of December 31, 2004 and 2003, and the related statements of earnings, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Professional Technical Systems, Inc. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

Ferlita, Walsh & Gonzalez, PA

October 31, 2005

#### PROFESSIONAL TECHNICAL SYSTEMS, INC. BALANCE SHEETS

	December 31,	
	2004	2003
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash	\$ 101,961	\$ 21,340
Accounts receivable	51,118	61,405
Inventory	144,925	190,351
Prepaid expenses	9,137	21,714

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Other current assets	1,160	870
Land held for resale	486,947	0
	-----	-----
Total Current Assets	795,248	295,680
PROPERTY AND EQUIPMENT, NET	80,100	35,922
DEPOSITS	3,510	1,400
	-----	-----
	\$ 878,858	\$ 333,002
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 28,651	\$ 6,169
Accounts payable	36,292	15,740
Accrued expenses	12,396	10,825
Advance payments from dealers and customers	20,469	5,778
Note payable	210,000	0
Loans payable to related party	214,041	75,387
	-----	-----
Total Current Liabilities	521,849	113,899
LONG-TERM DEBT, less current portion	75,321	135,995
STOCKHOLDERS' EQUITY		
Common stock, \$.001 par value, 100,000,000 shares authorized, 18,884,675 issued and outstanding in 2004, 12,000,000 shares issued and outstanding in 2003	18,885	12,000
Additional paid-in capital	755,690	0
Retained earnings (deficit)	(492,887)	71,108
	-----	-----
	281,688	83,108
	-----	-----
	\$ 878,858	\$ 333,002
	=====	=====

See accompanying notes and accountants' report.

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PROFESSIONAL TECHNICAL SYSTEMS, INC.  
STATEMENTS OF EARNINGS

	Years Ended December 31,	
	2004	2003
	-----	-----
Net Sales	\$ 497,109	\$ 671,441
Cost of Goods Sold	275,540	253,310
	-----	-----
Gross Profit	221,569	418,131
General and Administrative Expenses	415,983	416,588
	-----	-----
Earnings (Loss) From Operations	(194,414)	1,543

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Other Income (Expense)		
Bad debt expense	(11,384)	(3,000)
Impairment loss	(22,555)	0
Interest expense	(13,526)	(6,545)
Miscellaneous income (expense)	(1,506)	47,036
Research and development	(309,967)	0
Warranty expense	(5,227)	(455)
	-----	-----
Total Other Income (Expense)	(364,165)	37,036
	-----	-----
Earnings (Loss) Before Provision for Income Taxes	(558,579)	38,579
Provision for Income Taxes	0	0
	-----	-----
NET EARNINGS (LOSS)	\$ (558,579)	\$ 38,579
	=====	=====
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	10,781,587	12,000,000
	=====	=====
EARNINGS (LOSS) PER SHARE		
Earnings (Loss) from Operations	\$ (0.02)	\$ 0.00
	=====	=====
Net Earnings (Loss)	\$ (0.05)	\$ 0.00

PROFESSIONAL TECHNICAL SYSTEMS, INC.  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2004 and 2003

	Common Stock		Additional	Retained	Stockho
	Shares	Amount	Paid-in Capital	Earnings (Deficit)	E
	-----	-----	-----	-----	-----
Balance at December 31, 2002	12,000,000	\$ 4,000	\$ 0	\$ 40,529	\$ 4
Net earnings	0	0	0	38,579	3
3,000-for-1 forward split	0	8,000	0	(8,000)	
	-----	-----	-----	-----	-----
Balance at December 31, 2003	12,000,000	12,000	0	71,108	8
Net loss	0	0	0	(558,579)	(55
Employee stock bonus award	288,000	0	1,266	0	
Issuance of stock for technology	5,130,000	2	22,553	0	2
3,000-for-1 forward split	0	5,416	0	(5,416)	
Issuance of stock for services	30,000	30	14,970	0	1
Issuance of stock for cash	1,436,675	1,437	716,901	0	71
	-----	-----	-----	-----	-----
Balance at December 31, 2004	18,884,675	\$ 18,885	\$ 755,690	\$ (492,887)	\$ 28
	=====	=====	=====	=====	=====

PROFESSIONAL TECHNICAL SYSTEMS, INC.  
STATEMENTS OF CASH FLOWS

Years Ended  
December 31,  
2004                      2003

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CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	\$ (558,579)	\$ 38,579
Adjustments to reconcile net earnings (loss) to net cash used by operating activities:		
Depreciation expense	8,010	5,913
Bad debt expense	11,384	3,000
Impairment loss	22,555	0
Employee stock bonus award	1,266	0
Stock issued for services	15,000	0
(Increase) decrease in:		
Accounts receivable	5,822	(35,985)
Inventory	45,426	(20,655)
Prepaid expenses	12,577	(20,823)
Other current assets	(290)	3,185
Deposits	(2,110)	0
Increase (decrease) in:		
Accounts payable	20,552	15,740
Accrued expenses	1,571	(760)
Advance payments from dealers and customers	14,691	3,784
	-----	-----
Net Cash Used by Operating Activities	(402,125)	(8,022)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(52,188)	(20,768)
Acquisition of land held for resale	(276,947)	0
	-----	-----
Net Cash Used by Investing Activities	(329,135)	(20,768)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds for issuance of common stock	718,338	0
Proceeds from loans payable to related party	272,000	65,000
Repayment of loans payable to related party	(140,265)	(85,070)
Proceeds from long-term debt	69,142	95,170
Repayment of long-term debt	(107,334)	(58,837)
	-----	-----
Net Cash Provided by Financing Activities	811,881	16,263
	-----	-----
NET INCREASE (DECREASE) IN CASH	80,621	(12,527)
	-----	-----
Cash at Beginning of Year	21,340	33,867
	-----	-----
CASH AT END OF YEAR	\$ 101,961	\$ 21,340
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 15,551	\$ 6,545
Income taxes	\$ 727	\$ 252
Non-cash investing and financing activities:		
Cost of property and equipment acquired through capital lease	\$ 0	\$ 16,073
Cost of land held for resale acquired with long-term debt	\$ 210,000	\$ 0
Common stock issued for technology	\$ 22,555	\$ 0
Employee stock bonus award	\$ 1,266	\$ 0
Common stock issued for services	\$ 15,000	\$ 0

See accompanying notes and accountants' report.

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## PROFESSIONAL TECHNICAL SYSTEMS, INC. SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

	Years Ended December 31,	
	2004	2003
GENERAL AND ADMINISTRATIVE EXPENSES		
Advertising	\$ 14,041	\$ 4,613
Auto expenses	6,005	5,503
Depreciation	8,010	5,814
Dues and subscriptions	5,123	2,475
Freight	2,011	2,223
Insurance	39,714	40,832
Legal, accounting and other professional fees	49,670	5,465
Licenses, fees and other taxes	5,634	3,074
Maintenance and repairs	3,606	4,213
Meals and entertainment	11,287	2,635
Occupancy	25,486	23,821
Office expense	17,689	16,305
Payroll taxes	16,193	20,446
Salaries and wages	192,410	261,200
Travel	3,180	1,908
Utilities	15,924	16,061
	\$ 415,983	\$ 416,588

PROFESSIONAL TECHNICAL SYSTEMS, INC.

### FINANCIAL STATEMENTS

Years Ended December 31, 2004 and 2003

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#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Description of Business

Professional Technical Systems, Inc. (the Company) manufactures and sells transient voltage surge suppressors and related products and commercial and residential energy-saving equipment and applications to distributors and

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customers throughout the United States. Sales revenue reflected in the accompanying financial statements is entirely from the sale of transient voltage surge suppressors. The Company is located in St. Petersburg, Florida.

### Use of Estimates

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

### Accounts Receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts which is based on management's assessment of the collectibility of accounts receivable. Based on management's assessment, an allowance was not required at December 31, 2004 and 2003.

### Inventory

Inventory is stated at the lower of average cost or market and includes costs of materials, labor and manufacturing overhead.

### Property and Equipment

Property and equipment are carried at cost. Depreciation is computed on the straight-line method based on the estimated useful lives of the related assets. Capital leases are included as a component of property and equipment and amortization of assets under capital leases is included in depreciation expense.

### Cash Flow Statement

For the purpose of reporting cash flows, the Company has defined cash equivalents as those highly liquid investments purchased with an original maturity date of three months or less.

### Warranty Costs

The Company provides product warranties for specific product lines and accrues for estimated future warranty costs in the period in which revenue is recognized.

### Freight Costs

The Company includes freight-in costs in cost of goods sold. Total freight-in included in cost of goods sold for the years ended December 31, 2004 and 2003 was \$12,043 and \$13,658, respectively.

### Advertising Expense

The Company expenses advertising as incurred.

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement basis and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted

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tax laws and rates applicable to the periods in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

### Research and Development Costs

Expenditures for research and development activities are charged to expense as incurred. Such expenditures amounted to \$309,967 and \$-0-, in 2004 and 2003, respectively. Research and development expenditures for equipment that has alternative future uses are capitalized.

### Fair Value of Financial Instruments

The carrying amounts reported in the balance sheets for cash, receivables, and payables are a reasonable estimate of fair value.

### NOTE B--INVENTORY

Inventory consists of the following at December 31:

	2004	2003
Raw materials	\$ 98,995	\$ 59,992
Work-in-process	14,346	-
Finished goods	37,206	108,985
Non-manufactured goods	7,435	25,674
	-----	-----
	157,982	194,651
Less allowance for obsolescence	13,057	4,300
	-----	-----
	\$ 144,925	\$ 190,351
	=====	=====

### NOTE C--PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2004	2003
Office equipment	\$ 27,439	\$ 24,285
Manufacturing equipment	42,633	42,633
Furniture and fixtures	6,398	5,692
Vehicles	56,453	49,703
Research and development equipment	43,772	6,000
Leasehold improvements	18,158	14,352
	-----	-----
	194,853	142,665
Less accumulated depreciation	114,753	106,743
	-----	-----
	\$ 80,100	\$ 35,922
	=====	=====

Office equipment at December 31, 2004 and 2003, respectively, includes equipment acquired under a capital lease with a capitalized value of \$16,073. Related amortization included in accumulated depreciation was \$3,885 and \$670 at December 31, 2004 and 2003, respectively.

### NOTE D--BORROWINGS

The Company has a note payable to a bank which is secured by land held for



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resale and the personal guarantee of the Company's President. The loan is payable in one principal payment plus all accrued and unpaid interest on June 30, 2005. The note calls for the payment of monthly interest beginning July 30, 2004. The loans bears interest at the prime rate published by the Wall Street Journal plus 2% (7.25% at December 31, 2004) and had a balance of \$210,000 at December 31, 2004. On March 31, 2005, the Company sold the land held for resale for \$560,000, with an after-tax gain of \$73,053. A portion of the proceeds were used to repay the mortgage on the land. The land was acquired with the expectation of developing a new facility, however, with the change of those plans the land was reclassified to held for sale.

Loans payable to related party represents the balance owed to the President of the Company for short-term informal loans advanced to the Company. The loans are unsecured and until January 1, 2004, were non-interest bearing. On January 1, 2004, the Board of Directors of the Company approved a resolution to accrue interest on these loans payable at the variable rate assessed the Company on its bank line of credit which was 8% at December 31, 2004. At December 31, 2004 and 2003, the loans had a balance of \$214,041 and \$75,387, respectively, including accrued interest of \$6,919 at December 31, 2004.

Long-term debt consists of the following at December 31:

	2004	2003
Stockholder credit cards, monthly payments due based on a percentage of the outstanding balance, including variable interest at the rate of 3.9% at at December 31, 2004; unsecured.	\$ 15,049	\$ 34,217
Stockholder revolving line of credit, monthly payments due based on a percentage of the outstanding balance, including variable interest at the rate of 7.49% at December 31, 2004; unsecured.	39,237	44,164
Revolving bank line of credit, monthly payments due based on a percentage of the outstanding balance, including variable interest at the rate of 8% at December 31, 2004; guaranteed by the Company's President.	37,432	48,788
Capital lease payable, monthly payments of \$325, including interest at 8.3%, due September 2008; secured by equipment.	12,254	14,995
	103,972	142,164
Less current portion	28,651	6,169
	\$ 75,321	\$ 135,995

The Stockholder credit cards and revolving line of credit reflected in the above table are payable to the President of the Company.

### NOTE E--LEASE COMMITMENTS

The Company maintains two facilities: its main office which houses its corporate and manufacturing facilities and a second unit used for research and development within the same industrial complex and has two separate leases. The main office lease has a term expiring on October 15, 2006 and contains a one-year renewal

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option. The research and development facility does not contain a renewal option and the payment of its rent is guaranteed by the Company's President. That lease has a term ending on October 14, 2006.

### NOTE E--LEASE COMMITMENTS (CONTINUED)

At December 31, 2004, the minimum rental payments due under these operating leases are as follows:

2005	\$ 49,200	
2006	45,000	
	-----	
Total	\$ 94,200	=====
-----		

Total rent expense on these leases was \$25,486 and \$25,680 for the years ended December 31, 2004 and 2003, respectively.

### NOTE F--RELATED PARTY TRANSACTIONS

Through September of 2004, the Company leased its main facility from the President of the Company and paid rent of \$21,400 and \$25,680 for the years ended December 31, 2004 and 2003, respectively, to that individual. In September of 2004, the facility was sold to an unrelated party.

During 2004 and 2003, the Company wrote-off \$11,384 and \$3,000, respectively, of accounts receivable for expenses paid on behalf of a company owned by the Company's President that was created for the expansion and furtherance of the Company's research and development activities. In 2004, the Company reflected sales of \$5,000, which were paid for, to this same entity.

Interest expense recorded on debts owed the President of the Company totaled \$10,725 and \$6,323 for the years ended December 31, 2004 and 2003, respectively. See Note D for details of related party debt balances.

As part of the employment agreement with the Company's Chief Financial Officer (CFO), on March 5, 2004, the Company issued 5,130,000 (1,710 pre-split) shares of its common stock in exchange for energy-saving technology valued at \$22,555 developed by the CFO. In accordance with the guidance of SFAS 142, Goodwill and Other Intangible Assets, the acquired asset was written off.

### NOTE G--CONCENTRATIONS OF CREDIT RISK

The Company sells its products to customers on an open credit basis. The Company's trade accounts receivable are due from such customers and are generally uncollateralized. Sales to one customer accounted for approximately 14% of the Company's total sales for the year ended December 31, 2004, and sales to two customers accounted for approximately 27% of the Company's total sales for the year ended December 31, 2003.

At December 31, 2004, the Company's deposits in a financial institution exceeded amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation by \$17,065.

### NOTE H--INCOME TAXES

The provision for federal and state income taxes for the years ended December 31, 2004 and 2003 is as follows:

2004	2003
-----	

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Current	\$ -	\$ 727
Deferred	-	(727)
	-----	-----
Total provision for income taxes	\$ -	\$ -
	=====	=====

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

NOTE H--INCOME TAXES (CONTINUED)

Significant components of the Company's deferred tax assets and liabilities as of December 31 are as follows:

	2004	2003
	-----	-----
Deferred tax assets:		
Net operating loss carryforwards	\$ 102,798	\$ -
Other	4,959	1,907
	-----	-----
Total deferred tax assets	107,757	1,907
	-----	-----
Deferred tax liabilities:		
Book basis of property and equipment in excess of tax basis	221	1,387
	-----	-----
Total deferred tax liabilities	221	1,387
	-----	-----
Net deferred tax asset before valuation allowance	107,536	520
Valuation allowance	(107,536)	(520)
	-----	-----
Net deferred tax asset	\$ -	\$ -
	=====	=====

The Company has recorded a 100% valuation allowance against the net deferred tax asset at December 31, 2004 and 2003 due to the uncertainty of its ultimate realization. The valuation allowance increased \$107,016 from December 31, 2003 to December 31, 2004. At December 31, 2004, the Company has available unused federal net operating losses of approximately \$505,965 that may be applied against future taxable income and if not utilized, will expire by the end of 2024.

A reconciliation of the expected tax provision for income taxes with amounts determined by applying the statutory U.S. federal and state of Florida income tax rate is as follows:

	2004	2003
	-----	-----
Expected provision	\$ -	\$ 5,787
Nondeductible expenses	-	1,318
Decrease in the valuation allowance	-	(6,378)
Effect of net operating loss carryforward	-	(727)
	-----	-----
Provision for income taxes	\$ -	\$ -
	=====	=====

NOTE I--OTHER INCOME

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Included within the Other Income (Expense) section of the Statement of Earnings for the year ended December 31, 2003 is \$45,000 of miscellaneous income for proceeds received on the settlement of customer trade receivables written off in a prior period.

### NOTE J--COMMON STOCK

On March 5, 2004, the Company's stockholders approved an amendment to the Articles of Incorporation reducing the par value of common stock from \$1 to \$.10 per share and increasing the number of authorized shares of common stock from 7,000 to 100,000,000. On that same date, the Company issued 288,000 (96 pre-split) common shares to its employees as a stock bonus award and 5,130,000 (1,710 pre-split) common shares in exchange for technology. On April 30, 2004, the Company's board of directors declared a 3,000-for-1 forward stock split. On June 1, 2005, the Company's stockholders approved an amendment to the Articles of Incorporation reducing the par value of the common stock from \$.10 to \$.001. Stockholders' equity reflects the stock split by reclassifying from "Retained Earnings (Deficit)" to Common Stock an amount equal to the par value of the additional shares arising from the split. All references in the financial statements to the number of shares authorized, outstanding, and per share amounts have been restated to reflect these changes for all periods presented.

### NOTE K--OTHER SUBSEQUENT EVENTS

On May 25, 2005, the Company entered into a letter of intent to be acquired by Advanced 3-D Ultrasound Services, Inc. (ADVU), a company based in Oldsmar, Florida. Under the letter of intent, each stockholder of the Company would receive one share of ADVU common stock for every share of Company common stock held. The letter of intent is nonbinding and subject to the execution of a definitive agreement and customary business and financial due diligence.

On August 16, 2005, World Energy Solutions, Inc. (WESI), a St. Petersburg, Florida company that is owned by the President and CFO of the Company, merged with ADVU. Following the merger, ADVU remained the surviving entity.

During the period January 1, 2005 through August 10, 2005, the Company sold 1,716,250 shares of its common stock at fifty cents per share for a total of \$858,125.

In July of 2005, the Company repurchased 6,000,000 shares of its common stock from the Company's President for \$6,000 and 2,563,500 shares from the Company's CFO for \$2,564.

### Item 9.01: Financial Statements and Exhibits

#### Exhibit 10 - Material Contracts

- 10.1 - Agreement and Plan of Merger Between  
Registrant and Professional Technical Systems, Inc.....\*

\* filed herewith

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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WORLD ENERGY SOLUTIONS, INC.  
f/k/a Advanced 3-D Ultrasound Services, Inc.  
(Registrant)

By: /s/ Benjamin C. Croxton

-----  
Benjamin C. Croxton  
Chief Executive Officer  
Chief Financial Officer  
Dated: November 14, 2005