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SMALL COMPANY OFFERING REGISTRATION – U7

"SCOR"

AN INFORMATIONAL PACKET

FOR

REGISTERING A SECURITIES OFFERING IN NEVADA

A "CAPITAL IDEA" FOR SMALL BUSINESSES *presented by:* **BARBARA K. CEGAVSKE SECRETARY OF STATE**

NOTE: THIS PACKET IS DESIGNED TO PROVIDE ACCURATE AND INFORMAL INSTRUCTION IN REGARD TO THE SUBJECT MATTER COVERED. IT IS DISTRIBUTED WITH THE UNDERSTANDING THAT NOTHING CONTAINED IN THIS PUBLICATION IS TO BE CONSTRUED AS AN OFFICIAL STATEMENT OF THE NEVADA SECRETARY OF STATE OR THE CREATION OF A RULE, LAW, POLICY OR THE RENDERING OF LEGAL ADIVSE. FURTHERMORE, IT IS RECOMMENDED THAT THIS INFORMATION NOT BE USED IN CONNECTION WITH ANY SECURITIES OFFERING WITHOUT THE ADVISE OR OTHER EXPERT ASSISTANCE OF AN ATTORNEY, ACCOUNTANT AND OTHER PROFESSIONAL PERSONS AS NEEDED.

INTRODUCTION

One of the greatest challenges facing small businesses is the ability to raise enough capital to start and develop a business into a lasting and profitable enterprise. Many businesses start with a great idea but fall short because of lack of capital and a good business plan.

The Nevada Securities Division, under the direction of the Secretary of State, is a key state agency for helping small businesses understand what is necessary to access vital capital resources and how to develop an intelligent business plan at the same time.

Nevada has adopted a simplified registration form for small businesses. This is known as the Small Company Offering Registration form (”SCOR” or the Uniform Form 7) which has been adopted in some 47 states, including Nevada. The principle innovation of this form is its question and answer format that permits a businessman to fill in the blanks, file it with the state securities administrator and, upon approval, use it as a disclosure document in a public offering.

SCOR’s straight forward format, if completed properly, will aid the small businessman in developing a thorough business plan that is essential to the success of any enterprise. The added benefit of this form is a clear and concise statement of required disclosures in a very readable format for prospective investors.

The SCOR program was developed by the North American Securities Administrators Association (NASAA) in cooperation with the Securities Exchange Commission (SEC) and the American Bar Association. It contemplates an exemption from federal registration by virtue of Rule 504 of Regulation D. Up to $1 million of securities under state securities law may then be sold every twelve months to the public by approved advertising or other means of general solicitation, and there is no time restriction on the resale of the securities. This form will generally be used in connection with a “Registration by Qualification” under NRS 90.490.

The material covered in this packet is intended to provide the reader with basic information relating to an offering submitted under the SCOR program pursuant to a registration qualification. However, this information should not be used as a substitute for a careful reading of the applicable federal and state securities laws before commencing any securities offering.

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SECTION 1: OVERVIEW OF NEVADA SECURITIES LAW

Before any effort is made to offer or solicit business capital, the reader should have a good understanding of the securities laws at the federal and state levels. While there are similarities between these laws, it should not be assumed that what applies for one will necessarily apply for the other. There are also important differences in laws from one state to another. It is essential to know the legal requirements in all affected jurisdictions in order to avoid both civil and criminal penalties. This section will provide a general overview of Nevada Securities Law. For a more thorough reading, please refer to Chapter 90 of the Nevada Revised Statutes and Chapter 90 of the Nevada Administrative Code.

What is a Security?

A security is defined in our statutes under NRS 90.295 as anything that is commonly known as a security, i.e. stocks, bonds, notes and debentures. Also named are several other kinds of commercial instruments, i.e. partnerships, collateral trust certificates, etc. which are securities.

Perhaps the most important type of security referenced in the statute is an "investment contract". This covers a whole variety of business transactions where there is an investment motive. It's difficult to think of very many business relationships that don't have an investment motive. This should give you some idea of how broad the mission of the Securities Division really is.

The importance of knowing what a security is will help you understand what your obligations are to the investing public when you are seeking to raise money for your business. The Securities Division has the mission of helping you understand these obligations and keeping unscrupulous promoters away from precious capital resources that are essential for legitimate businesses and a healthy economy.

Do I need to Register with the Securities Division?

If you are raising capital for your business, you should assume that you need to register your offering with the Securities Division unless you can find an exemption (See NRS 90.460). This is also true at the federal level as well. You need to consider both federal and state registration requirements when you are thinking of raising investment capital.

When you register an offering you are "going public" with important information about your company. That information is not only important to the initial investor but to any subsequent purchaser of the security when it is traded or resold.

There are 3 types of registrations with the Nevada Securities Division:

(1) **Registration by Filing.** This is the least complicated procedure, but it is limited to established companies that are already publicly owned and have a minimum worth of $4 million. This type of registration is rarely used because most of these companies can qualify for an exemption from registration. (See NRS 90.470)

(2) **Registration by Coordination.** This type of registration is available when a corresponding registration statement has been filed with the U.S. Securities and Exchange Commission (SEC). In most cases, a registration by coordination is one that will be offered simultaneously in several, if not all states. It usually involves larger offerings that exceed $5 million. (See NRS 90.480)

(3) **Registration by Qualification.** This method of registration is generally used when offering a security in the State of Nevada only. It cannot be offered or sold in any other state unless "qualified" there as well. Most of these offerings are small in comparison to coordination filings and are sold on a local basis because of the cost of selling in regional or national markets. (See NRS 90.490)

At the heart of what the Securities Division does with these registrations is to examine the required documentation to see if all material information about an investment offering, or security, is available to an investor before he decides to invest. In other words, full and fair disclosure of anything that would be important for an investor to know in making an intelligent choice.

The four most important disclosures in an offering are: (1) Operating history of the company – including financials; (2) Background and experience of officers and managers; (3) Business plan of the company – how the money will be used; (4) Risk factors – what obstacles there are to the success of the company and what could go wrong.

If you have a new company and are just getting started, you probably don't have much of an operating history to disclose, and you may not have fully developed your business plan. These are called "development stage companies" and are viewed in the industry as having a very high risk of failure. Because of these factors, there are special rules that apply to the registration and development stage company offerings. For example, you must have a minimum capitalization of 5% of the aggregate offering price or $50,000, whichever is less. (See NAC 90.475-492)

Perhaps the most important requirement for a development stage company, is to have specific disclosures about your business plan and intended use of the offering proceeds. Knowing how to develop an intelligent business plan that will not only meet disclosure requirements but help you understand and forecast your business is a critical step toward success.

The overriding theme of registration with the Securities Division is to insure the availability of information to the public. However, the Securities Division does not guarantee the accuracy of such information. That is the responsibility of the company. You should never make any representation that the Securities Division has passed upon the merits or qualifications of, or recommended or given approval to, any person, security, or transaction. To do otherwise is a violation of NRS 90.610 and you could be subject to criminal and/or civil penalties.

In any event, the advantages of a thorough and accurate registration statement for a small business are: (1) development of an intelligent business plan; (2) full and fair disclosure to the investor; and (3) protection of the company against unwarranted claims of ignorance from investors.

Are there any exemptions from registration?

Depending on the nature of your security or transaction, you may not need to register an offering in Nevada. There are some 38 exemptions that fit under two broad categories:

(1) **Securities Exemption** – which focus on that nature of the security being of such a quality as not warranting registration for protection of the public, i.e. certain securities issued by federal, state or local governments, depository institutions (banks), securities listed on the New York and American Stock exchanges, etc. (See NRS 90.520);

(2) **Transaction Exemptions** – which focus on the nature of the transaction as being one that is inappropriate or unnecessary for registration to protect the public, i.e. securities that are published in certain nationally recognized securities manuals, securities issued in connection with certain mergers or reorganizations, etc. (See NRS 90.530).

Perhaps one of the most important transactional exemptions to a small business is the "limited offering exemption" which allows the sale of securities to 25 or fewer purchasers in the state without registration. However, certain conditions apply, i.e. there can be no general advertising or solicitation and commissions are limited to licensed broker-dealers. This exemption is generally used where the prospective investor is already known and has a pre-existing relationship with the company. (See NRS 90.530.11)

There are also additional exemptions that have been adopted by the Administrator of the Securities Division from time to time, i.e. certain exemptions that also qualify for federal exemptions under SEC Regulation D, Rule 505 and 506. You should note that a Rule 504 exemption at the federal level is not exempt from registration in Nevada.

The overriding theme of all exemptions is that acceptable means exist for investors to have ready-access to vital information in making their investment decisions without the necessity of registration.

Before you attempt to rely on any exemption, you should be absolutely certain that you qualify because there are some very grey areas. It is always recommended that you get sound legal advice before proceeding with an offering because there can be significant fines and penalties for not properly registering when required to do so. Furthermore, some exemptions require that you file a notice and fee in order to claim the exemption.

Whether you register or qualify for an exemption, the company is never excused from providing full and fair disclosure to investors. Put yourself in the shoes of an investor. If you were investing your hard-earned savings in a company like yours, what would you want to know?

Do I have to be licensed to sell securities?

It is one thing for the company to have a securities offering properly registered or exempt, it is another thing for the person offering or selling the securities to be properly licensed. Securities laws require a person to be licensed or exempt before engaging in the offer or sale of a security.

There are three broad categories of licensing:

(1) **Broker-dealers** – are usually firms that regularly conduct securities transactions for their clients or for their own accounts. Most of these firms are licensed at the federal level (SEC) and belong to a self-regulatory organization known as the Financial Industry Regulatory Authority (FINRA) and may be members of various stock exchanges, i.e. New York, American, Philadelphia, Pacific, etc. (See NRS 90.310). Oftentimes these firms will "underwrite" or sponsor the entire sale of an offering by either buying all of the securities themselves and reselling or selling on a "best efforts" basis. It is unlikely that a registered broker-dealer would offer securities in an offering of this size.

(2) **Sales representatives** – are agents hired by broker-dealers to sell the securities or they may be hired directly by the company issuing the securities. In any event, a sales representative must have passed certain specific examinations to sell certain securities and can only be employed by one broker-dealer or issuer at a time. (See NRS 90.310)

(3) **Investment advisers** – are persons that are engaged in the business of advising others about securities. While they do not sell securities, they receive compensation for advice on whether to buy or sell or as to the value of securities. (See NRS 90.330)

(4) **Agent of the Issuer** – is a person licensed with the Division to sell only the securities of one issuer at a time and can be licensed only with one issuer. (See NAC 90.355)

The exemptions from licensing are somewhat narrow. For example, a broker-dealer may be exempt from licensing in Nevada if it is licensed in another state, has no place of

business in Nevada and it is selling to no more than five persons in the state in a 12 month period. (See NRS 90.320)

Exemptions also exist on a limited basis for sales representatives. For example, a sales representative may be exempt if he is acting for an issuer and the securities being offered are qualified for certain exemptions from registration, i.e. certain government bonds. (See NRS 90.320)

Because the law prohibits a company from using unlicensed sales representatives, you should be certain that any person offering or selling securities for your company is licensed or demonstrated to be exempt by competent legal advice. Also, keep in mind that even though an employee, officer or director of a company is selling the security without any special compensation, he/she may still have to be licensed.

The central theme of licensing is to insure that those individuals offering, selling or giving advice about securities have certain minimum knowledge and that their conduct will be consistent with established standards.

Conclusion.

For a variety of reasons, the securities markets provide an excellent source of capital for small business. But accessing that capital presents small and large businesses alike the responsibility of compliance with applicable Securities Laws. Understanding those laws is the first step toward raising capital, and the Securities Division is committed to helping legitimate businesses chart an appropriate course in gaining access to public capital.

SECTION 2: THE MAIN FEATURES OF SCOR

The following table describes the main features of SCOR:

AVAILABILITY

MAXIMUM OFFERING	$1 MILLION
U.S. CORPORATIONS	YES
S CORPORATIONS	YES
FOREIGN CORPORATIONS	NO
PARTNERSHIPS	NO
OIL & GAS COMPANIES	NO
MINING & EXTRACTIVE COMPANIES	NO
BLIND POOLS	NO
REPORTING COMPANIES	NO
INVESTMENT COMPANIES	NO
MINIMUM PRICE PER SHARE	$1
FINANCIALS – UNDER $500,000	REVIEWED
FINANCIALS – OVER $500,000	AUDITED (Please see NRS 90.490(8) and NAC 90.470)
BAD BOYS ALLOWED?	NO

MANNER OF OFFERING

ADVERTISING	ALLOWED
COMMISSION TO SELLING AGENTS	ALLOWED
MAXIMUM OFFERING PERIOD	1 YEAR
SPECIAL INVESTOR SUITABILITY	NOT REQUIRED
TIME RESTRICTIONS ON RESALE	NONE
MAXIMUM NUMBER OF PURCHASERS	UNLIMITED * ($1/share)
RESALE IN AFTERMARKET	BY REGISTRATION/EXEMPTION

TYPES OF SECURITIES

COMMON STOCK	YES
PREFERRED STOCK	YES
DEBT	YES
UNITS OF SEVERAL SECURITIES	YES

SECTION 3: CONSIDERATIONS FOR USING SCOR

Before a business decides to “go public” through the use of the SCOR program, several factors should be considered, both pro and con.

Advantages:

1. Access to capital, through both equity and debt financing, is increased.

2. Your company may become more widely known.

3. Future financing may be obtained more easily since the company can offer investors a security that is liquid – more freely tradeable – and that has an ascertainable market value.

4. Controlling shareholders of the company have a ready market for their shares, which means that they can more easily sell their interests (at retirement or for some other reason).

5. Your company may be able to attract and retain more highly qualified personnel if it can offer stock options, bonuses, or other incentives with an ascertainable market value.

Disadvantages:

1. The company assumes additional responsibilities to its shareholders and the general public, the most important of which is its continuing obligation to inform shareholders of the company’s business operations, financial condition, and management. Such disclosure may be expensive and time-consuming; it also exposes your company and its management to certain liabilities.

2. A company may lose some flexibility in managing its affairs, particularly with actions requiring shareholder approval.

3. The company will have to deal with shareholder expectations with regard to earnings, dividends, marketability of securities issued and appreciation of the securities value.

4. Since the shares are easily tradeable, there is the threat of takeover, or at least the possibility of constantly changing stock ownership which increases administrative expenses and reduce shareholder loyalty.

5. If an aftermarket develops for the securities, the market activity of the outstanding shares may adversely affect the company’s ability to complete further financing.

SECTION 4: CLAIMING A FEDERAL EXEMPTION

As discussed previously, the SCOR program was designed to utilize the federal exemption available under SEC Rule 504 of Regulation D. Remember, just because you have registered in a state does not mean that you have fulfilled federal requirements. Ordinarily, the federal securities laws are not invoked unless there has been "interstate commerce" or the utilization of the "means of interstate commerce". In other words, you may not be subject to federal securities law if you restricted your securities offering exclusively to one state. However, it is a good idea to file a claim of exemption as a "safe harbor" under Rule 504 of Regulation D whether or not you are going to cross state lines or use the means of interstate commerce.

The basic requirements of Rule 504 of Regulation D:

1. Exempts offering up to $1,000,000 (no more than $500,000 can be sold without registration under a state's securities laws).

2. Disclosure format is not specified (but states that have SCOR would require the use of Form U-7).

3. May not be used by reporting or investment companies.

4. Unlimited number of investors, no particular investor qualifications are required.

5. General solicitation allowed only if offering is made in states where it is registered or if offered in states not providing for registration and the offerees in those states also get the registration document required by a state in which the offering is registered.

6. Resale of stock issued under Rule 504 is restricted unless general solicitation is permitted.

Filing Requirements:

Once you are clear that you meet the requirements of Rule 504, you should prepare a Form D (See Appendix 1) and forward to:

Securities and Exchange Commission
Branch of Document Control
100 F Street, N.E., Stop 1-4
Washington, D.C. 20549

Form D must be filed not later than 15 days after the first sale, every six months thereafter, and no later than 30 days after the last sale. There is no filing fee.

Other Information:

The SEC publishes several excellent guides available on their website at www.sec.gov

- Small Business Forms and Associated Regulations
- Q & A: Small Business and the SEC.

These and other small business publications regarding securities offerings may be obtained at www.sec.gov under "Small Business".

For information concerning matters relating to small business you can write to:

SEC Office of Small Business
Small Business Ombudsman
Securities and Exchange Commission
450 Fifth Street N.W., Mail Stop 3-4
Washington, D.C. 20549-0304
(Tele: 202-551-3460)

For information concerning alternative ways of financing small business activities go to: www.sba.gov to find a local office of the U.S. Small Business Administration, or write:

Office of Advocacy
U.S. Small Business Administration
409 3rd Street, 7th Floor
Washington, D.C. 20416
(Tele: 202-205-6533)
(Fax: 202-206-6928)
(email: advocacy@sba.gov)

CAUTION: None of the information provided in this section should be construed as representations for and in behalf of the Securities and Exchange Commission nor binding in any way upon the Nevada Securities Division. Any questions or clarification should be obtained directly from the SEC on matters pertaining to federal securities laws.

SECTION 5: REGISTRATION IN NEVADA USING SCOR

1. **Is your Company a Development Stage Company?** If your company fits the following definition, you will need to comply with some special rules before proceeding any further:

> "A development stage company means an issuer which has no public market for its securities and no significant earnings or revenues from operations during the last 5 years". (See NAC 90.475)

This is also a term of art used among accountants and will be used in connection with generally accepted accounting practices (GAAP) in making a determination of whether a company is a "development stage company" when financial statements are prepared.

Because development stage companies represent a high risk to investors, Nevada has instituted certain specific rules:

1. Specific disclosure must be made regarding: (See NAC 90.480)

   a. The intended use of the proceeds of the offering must be set forth with 85% specificity;
   b. The type of business in which the issuer is or will be engaged;
   c. The product or service offered or to be offered by the issuer; and
   d. The name of each principal manager of the business of the issuer;

   * Because SCOR requires these disclosures in the form anyway, there should be little difficulty in complying with these requirements.

2. The amount of dilution in an offering must not exceed 75 percent of the aggregate offering price (See NAC 90.485).

3. The company must have an equity of not less than $50,000 or 5 percent of the aggregate offering price, whichever is less (See NAC 90.490).

2. **Basic Steps For Registration.** Once the development stage company issues have been addressed, the following steps are recommended for registering the offering in Nevada:

STEP 1. Know the Securities Laws and don't do any pre-marketing!

STEP 2. Organize your corporate documents.

Article of Incorporation
By-Laws
Resolutions

STEP 3. Review any prior sales of securities.

STEP 4. Become familiar with the instructions and content of the SCOR form.

See Appendix 2 – Instructions for U-7
See Appendix 3 – Form U-7

STEP 5. Draft a comprehensive business plan with SCOR in mind.

STEP 6. Draft a preliminary response for each question on SCOR.

STEP 7. Gather any financial documents/records of the company.

STEP 8. Consult with an attorney and review documents/plan of action. Have the attorney prepare all final documents, including stock subscription agreement and opinion of counsel. Order stock specimens.

STEP 9. Consult with an accountant to prepare financial statements.

STEP 10. Prepare a marketing plan. You should identify a stock-transfer/escrow agent.

STEP 11. File the following documents and fees with the Securities Division:

1. Form U-1 (Uniform Application to Register Securities – see Appendix 4)
2. Form U-2 and U-2A (Uniform Consent to Service of Process and Corporate Resolution – see Appendix 5)
3. Form U-7 (Small Company Offering Registration form – see Appendix 3)
4. Form of Selling Agency Agreement.
5. Company's Articles of Incorporation or other Charter documents and all amendments.
6. Company's By-Laws, as amended to date.
7. Copy of any resolution by directors setting forth terms and provisions of the securities to be issued.
8. Specimen of security to be offered (including any legend restricting resale)
9. Copy of all advertising or other materials directed to or to be furnished investors in the offering.
10. Any indenture, form of note or other contractual provision containing terms of notes or other debt, or of options, warrants or rights to be offered.
11. Form of escrow agreement for escrow of proceeds.
12. Consent to inclusion in Disclosure Document of Accountant's report.
13. Consent to inclusion in Disclosure Document of Tax Advisor's opinion or description of tax consequences.
14. Consent to inclusion in Disclosure Document of any evaluation of litigation or administrative action by Counsel.
15. Form of any Subscription Agreement for the purchase of securities in this offering.

16. Opinion of Counsel required in paragraph III.D of the Instructions to SCOR.
17. Schedule of residence street addresses of Offices, Directors and principle stockholders.
18. Work sheets showing computations of responses to Questions 6,7(a), 8(a), 8(b) and 17(b).
19. Pay a filing fee in the form of a check to the Secretary of State in the amount of two-tenths of 1 percent of the aggregate offering price registered in Nevada or a minimum of $700 and a maximum of $2,000.

STEP 12. Wait for review and comments by Securities Division. Revise documentation, if necessary. You should plan on at least 30 days for a review and you will receive a “Letter of Effectiveness” upon completion of a satisfactory review.

STEP 13. Commence the Offering – effective for up to 1 year.

SECTION 6: MARKETING CONSIDERATIONS

1. **Who Should Do the Marketing?** The essence of this question is who will be the underwriter of the offering, i.e. the middleman between the company issuing the stock and the buying public. Ordinarily, a licensed broker-dealer or Agent of the Issuer is engaged by an issuer on a "best efforts" basis to sell or "underwrite" the offering.

In selecting a broker-dealer, the following factors should be considered:

a. Is the broker-dealer licensed, credible and reputable? It is advisable to contact the State Securities Division and determine whether they have any public record of disciplinary proceedings against the firm. You may also ask for references.

b. Is the broker-dealer committed to your offering and do they have the capability of being an effective "market maker". You may wish to determine how long they have been in the business and how effective their abilities are to network with other broker-dealers.

c. Is the compensation reasonable? You should be certain that the compensation does not exceed 15% of the aggregate offering price. Total expenses of the offering including the selling commission cannot exceed 20 percent of the aggregate offering price.

If you determine to "self-underwrite" the offering by attempting to sell the securities for your company without the services of a broker-dealer, you need to be certain that you are in compliance with Nevada licensing laws (See NRS 90.310). While there are some exemptions from licensing, it is strongly recommended that you become licensed, in any event. You may become licensed as a sales representative of the issuer by submitting a proper application, paying the required fee and passing the state law exam (Series 63). See NAC 90.355.

2. **What Advertising is Permissible?** One of the most serious, but common, mistakes a businessman makes is to engage in unauthorized advertising for the sale of securities. As a general rule, there should be no advertisement or solicitation prior to the registration of a securities offering. The only exception to this may be the use of a "Tombstone Ad" which merely announces an upcoming offering. A "Tombstone Advertisement" announces a specific securities offering, identifies the name of the issuer, the type of security, the underwriters, and where additional information is available. However, a Tombstone Ad should never be used until there is at least a preliminary prospectus on file with the state or federal securities agency. Unless you are very familiar with the securities laws regarding pre-effective announcements, you should not even use "Tombstone Ads" before you have registered your offering and been declared effective.

Any advertisement following the effectiveness of the registration statement must be consistent with the offering prospectus, must not be misleading and should always be accompanied with the language: “This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by way of the current Prospectus.” The best way to avoid violations of the securities laws is to stick with the “Tombstone Ad” format.

SECTION 7: AFTERMARKET

Actually, one of the first considerations in the planning of your offering should be what happens after the sale of the initial public offering (IPO) is completed? Among other things, the following should be considered:

1. **Is there a market for the re-sale of the securities?** If so, you should consider what exemptions from registration might be available to a shareholder desiring to sell his/her stock. Any re-sale constitutes a new sale and must either be registered or exempt from registration. Fortunately, there are several non-issuer exemptions available, i.e. an "isolated non-issuer transactional exemption" (See NRS 90.530.1). Thought should also be given as to what would be necessary to get the company's shares listed on an exchange. As discussed previously, a liquid aftermarket for the re-sale of outstanding shares of the company, is a very important factor in future financing of the company.

2. **Have there been any changes in the game plan?** If there is any material deviation from the plan of action outlined in the prospectus, the shareholders may need to be advised by way of an Amendment to the Prospectus and their sustaining votes may need to be obtained. Shareholders have a right to rely on what you said you were going to do. You should also notify the Securities Division of any significant changes because they may require State approval as well.

3. **Are there any reporting requirements?** Remember to comply with the reporting requirements of SEC Form D, Regulation D. Also, you should be aware that you may become a reporting company under the Securities and Exchange Act of 1934 if: (a) the company has a class of securities listed on a national securities exchange; or (b) the company has more than 500 shareholders and more that $10 million in assets. If the company is a reporting company, then it must submit periodic reports to the SEC and comply with other shareholder disclosure requirements.

SECTION 8: CIVIL ANDCRIMINAL PENALTIES

Common Violations: There are a number of common violations that get businessman into trouble when offering securities:

1. Unlicensed sales activities;

2. Sale of unregistered securities;

3. Making untrue statements (verbal and written) of a material fact;

4. Omitting to state a material fact that is misleading;

5. Engaging in acts, practices or a course of business which operates or would operate as a fraud or deceit upon a person; or

6. Manipulating the market through various devices, i.e. quoting a fictitious price, purporting to sell but not selling in order to give the appearance of an active market, etc.

Civil and Administrative Penalties. The following are some of the civil penalties which may be imposed for securities violations:

1. Revocation of licenses and registrations;

2. Cease and desist orders, temporary or permanent injunctions;

3. Fines of $2,500 for a single violation or of $100,000 for multiple violations in a single proceeding; and

4. Appointment of a receiver to take control of the defendant's assets.

Civil Liability. An aggrieved person can file claims against the company, or even it's officers and directors, for violations of the securities laws for restitution and damages.

Criminal Penalties. A person who willfully violates the securities laws is subject to the following penalties for each violation:

1. Imprisonment for not less than 1 year and up to 5 years.

2. A fine up to $500,000.

Multiple Jurisdictions. It should be remembered that the federal government and other states might impose both civil and criminal penalties for violations of their respective laws.

FORM D

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

OMB APPROVAL	
OMB Number:	3235-0076
Expires:	April 30,2008
Estimated average burden hours per response.	16.00

FORM D

NOTICE OF SALE OF SECURITIES PURSUANT TO REGULATION D, SECTION 4(6), AND/OR UNIFORM LIMITED OFFERING EXEMPTION

SEC USE ONLY	
Prefix	Serial
DATE RECEIVED	

Name of Offering (☐ check if this is an amendment and name has changed, and indicate change.)

Filing Under (Check box(es) that apply): ☐ Rule 504 ☐ Rule 505 ☐ Rule 506 ☐ Section 4(6) ☐ ULOE

Type of Filing: ☐ New Filing ☐ Amendment

A. BASIC IDENTIFICATION DATA

1. Enter the information requested about the issuer

Name of Issuer (☐ check if this is an amendment and name has changed, and indicate change.)

Address of Executive Offices (Number and Street, City, State, Zip Code)	Telephone Number (Including Area Code)
Address of Principal Business Operations (Number and Street, City, State, Zip Code) (if different from Executive Offices)	Telephone Number (Including Area Code)

Brief Description of Business

Type of Business Organization

☐ corporation ☐ limited partnership, already formed ☐ other (please specify):

☐ business trust ☐ limited partnership, to be formed

Actual or Estimated Date of Incorporation or Organization: Month ☐☐ Year ☐☐ ☐ Actual ☐ Estimated

Jurisdiction of Incorporation or Organization: (Enter two-letter U.S. Postal Service abbreviation for State: CN for Canada; FN for other foreign jurisdiction) ☐☐

GENERAL INSTRUCTIONS

Federal:

Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6).

When To File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, if received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where To File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Copies Required: Five (5) copies of this notice must be filed with the SEC, one of which must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B. Part E and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

State:

This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for the exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix to the notice constitutes a part of this notice and must be completed.

ATTENTION

Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predictated on the filing of a federal notice.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer.
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

(Use blank sheet, or copy and use additional copies of this sheet, as necessary)

B. INFORMATION ABOUT OFFERING

		Yes	No
1.	Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering?	☐	☐
	Answer also in Appendix, Column 2, if filing under ULOE.		
2.	What is the minimum investment that will be accepted from any individual?	$_____	
		Yes	No
3.	Does the offering permit joint ownership of a single unit?	☐	☐

4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) ☐ All States

AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	HI	ID
IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA
RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	PR

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) ☐ All States

AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	HI	ID
IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA
RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	PR

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) ☐ All States

AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	HI	ID
IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA
RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	PR

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if the answer is "none" or "zero." If the transaction is an exchange offering, check this box ☐ and indicate in the columns below the amounts of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt	$_____	$_____
Equity	$_____	$_____
☐ Common ☐ Preferred		
Convertible Securities (including warrants)	$_____	$_____
Partnership Interests	$_____	$_____
Other (Specify _____)	$_____	$_____
Total	$ 0.00	$ 0.00

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Investors	_____	$_____
Non-accredited Investors	_____	$_____
Total (for filings under Rule 504 only)	_____	$_____

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C — Question 1.

Type of Offering	Type of Security	Dollar Amount Sold
Rule 505	_____	$_____
Regulation A	_____	$_____
Rule 504	_____	$_____
Total	_____	$ 0.00

4 a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the insurer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

Transfer Agent's Fees	☐	$_____
Printing and Engraving Costs	☐	$_____
Legal Fees	☐	$_____
Accounting Fees	☐	$_____
Engineering Fees	☐	$_____
Sales Commissions (specify finders' fees separately)	☐	$_____
Other Expenses (identify) _____	☐	$_____
Total	☐	$ 0.00

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

b. Enter the difference between the aggregate offering price given in response to Part C — Question 1 and total expenses furnished in response to Part C — Question 4.a. This difference is the "adjusted gross proceeds to the issuer." ..... $ 0.00

5. Indicate below the amount of the adjusted gross proceed to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C — Question 4.b above.

	Payments to Officers, Directors, & Affiliates	Payments to Others
Salaries and fees	☐ $_____	☐ $_____
Purchase of real estate	☐ $_____	☐ $_____
Purchase, rental or leasing and installation of machinery and equipment	☐ $_____	☐ $_____
Construction or leasing of plant buildings and facilities	☐ $_____	☐ $_____
Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger)	☐ $_____	☐ $_____
Repayment of indebtedness	☐ $_____	☐ $_____
Working capital	☐ $_____	☐ $_____
Other (specify): _____	☐ $_____	☐ $_____
_____	☐ $_____	☐ $_____
Column Totals	☐ $ 0.00	☐ $ 0.00
Total Payments Listed (column totals added)	☐ $ 0.00	

D. FEDERAL SIGNATURE

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

Issuer (Print or Type)	Signature	Date
Name of Signer (Print or Type)	Title of Signer (Print or Type)	

ATTENTION

Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

E. STATE SIGNATURE

1. Is any party described in 17 CFR 230.262 presently subject to any of the disqualification provisions of such rule? ..... Yes ☐ No ☐

See Appendix, Column 5, for state response.

2. The undersigned issuer hereby undertakes to furnish to any state administrator of any state in which this notice is filed a notice on Form D (17 CFR 239.500) at such times as required by state law.

3. The undersigned issuer hereby undertakes to furnish to the state administrators, upon written request, information furnished by the issuer to offerees.

4. The undersigned issuer represents that the issuer is familiar with the conditions that must be satisfied to be entitled to the Uniform limited Offering Exemption (ULOE) of the state in which this notice is filed and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied.

The issuer has read this notification and knows the contents to be true and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person.

Issuer (Print or Type)	Signature	Date
Name (Print or Type)	Title (Print or Type)	

Instruction:
Print the name and title of the signing representative under his signature for the state portion of this form. One copy of every notice on Form D must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

APPENDIX									
1	2 Intend to sell to non-accredited investors in State (Part B-Item 1)		3 Type of security and aggregate offering price offered in state (Part C-Item 1)	4 Type of investor and amount purchased in State (Part C-Item 2)				5 Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
State	**Yes**	**No**		**Number of Accredited Investors**	**Amount**	**Number of Non-Accredited Investors**	**Amount**	**Yes**	**No**
AL									
AK									
AZ									
AR									
CA									
CO									
CT									
DE									
DC									
FL									
GA									
HI									
ID									
IL									
IN									
IA									
KS									
KY									
LA									
ME									
MD									
MA									
MI									
MN									
MS									

APPENDIX

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)		Type of security and aggregate offering price offered in state (Part C-Item 1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
State	**Yes**	**No**		**Number of Accredited Investors**	**Amount**	**Number of Non-Accredited Investors**	**Amount**	**Yes**	**No**
MO									
MT									
NE									
NV									
NH									
NJ									
NM									
NY									
NC									
ND									
OH									
OK									
OR									
PA									
RI									
SC									
SD									
TN									
TX									
UT									
VT									
VA									
WA									
WV									
WI									

APPENDIX									
1	2 Intend to sell to non-accredited investors in State (Part B-Item 1)		3 Type of security and aggregate offering price offered in state (Part C-Item 1)	4 Type of investor and amount purchased in State (Part C-Item 2)				5 Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
State	**Yes**	**No**		**Number of Accredited Investors**	**Amount**	**Number of Non-Accredited Investors**	**Amount**	**Yes**	**No**
WY									
PR									

NASAA SMALL COMPANY OFFERING REGISTRATION (SCOR) MANUAL

This Manual has been prepared to help you complete the Form U-7 Disclosure Document. It contains instructions for completing the Items in the Form. If you need further information, contact your State or Provincial securities regulator or the North American Securities Administrators Association.
(www.nasaa.org)

Cover Page - Page 1

FORM U-7
DISCLOSURE DOCUMENT

Place Company Logo (if any) here or to left or right of Company Name

_____
(Exact name of Company as set forth in Articles of Incorporation or Organizational Documents)

Street address of principal office:

Company Telephone Number:

Person(s) to contact at Company with respect to offering:

Telephone Number (if different from above):

Type of securities offered:

Price per security: $

Sales commission, if any: _____%

Minimum number of securities offered:

Maximum number of securities offered:

Total proceeds: If minimum sold: $

If maximum sold: $

Investment in a small business is often risky. You should not invest any funds in this offering unless you can afford to lose your entire investment. See Item 1 for a discussion of the risk factors that management believes present the most substantial risks to you.

The date of this Disclosure Document is _____.

The first two pages of your Disclosure Document are the COVER PAGE and the EXECUTIVE SUMMARY. These pages summarize and highlight some of the essential information of the offering.

Make sure the Cover Page contains the specified information. Do not add any additional information to the Cover Page.

If you have a problem fitting the required information on this page, contact your securities regulator.

The first two items on the Cover Page are the address of the Company's principal office and the Company's telephone number. You may add other ways to contact the Company, such as a facsimile number, an e-mail address, and a web site address.

The next two items on the first Cover Page are:

Person(s) to contact at Company with respect to offering: Telephone Number (if different from above):

If the Company's officers, directors, or employees will offer and sell its securities, respond to these items with their name(s) and telephone number(s). You may include other ways to reach these people, such as a facsimile number or an e-mail address. Check with the securities regulatory agencies in the jurisdictions where the Company will offer its securities to determine whether these people will need to be licensed or registered.

Delete these two items if the Company will offer its securities through sales persons or finders who are not officers, directors, or employees.

Alternatively, the Company may have someone at the Company available to answer questions about the Company, or the offering, even though it has contracted with other sales persons to offer the securities. In that case, respond to these items with the names, telephone numbers, etc. of those officers, directors, or employees.

The next item on the Cover Page is:

Type of securities offered:

You must describe the security in detail. If the Company, for example, is offering Preferred Stock with non-cumulative dividends, your response should clearly disclose that fact.

Cover Page - Page 2

Executive Summary

The Company
Describe the business of the Company.

Describe how the Company plans to carry out its activities.

This Company:

[ ] Has never conducted operations.
[ ] Is in the development stage.
[ ] Is currently conducting operations.
[ ] Has shown a profit in the last fiscal year.
[ ] Other (Specify):

(Check at least one, as appropriate)

Jurisdiction and date of formation: _____ _____
Fiscal year end: _____ _____
(month) (day)

How the Company Will Use Your Money
Describe how the company intends to use the proceeds of this offering.

For more information about how the Company will use your money, see Item 30.

The Principal Officers of the Company

The principal officers of the Company and their titles are:

Chief Executive Officer:

Chief Operating Officer:

Chief Financial Officer:

For more information about these officers, see Item 77.

The Offering

Name of Sales Person(s):

Address:

Telephone Number:

Is there an impound of proceeds until the minimum is obtained? [ ] Yes [ ] No (See Items 73 - 76)

Is this offering limited to members of a special group, such as employees of the Company or individuals? [ ] Yes [ ] No (See Item 72)

Is transfer of the securities restricted? [ ] Yes [ ] No (See Item 53)

This offering is available for sale in the following states:

You should consider the terms and risks of this offering before you invest. No government regulator is recommending these securities. No government regulator has verified that this document is accurate or determined that it is adequate. It is a crime for anyone to tell you differently.

Make sure the Executive Summary contains the specified information. Do not add any additional information to the Executive Summary.

If you have a problem fitting the required information on this page, contact your securities regulator.

The first section of the Executive Summary contains information about the Company. Be especially brief in your answer to the first two items. Try to limit each response to four sentences or less.

The first item is:

Describe the business of the company.

Briefly describe what business the Company does or plans to do. Include a description of the Company's products, goods or services. Indicate which are currently produced or provided and which are planned for the future.

The second item is:

Describe how the company plans to carry out its activities.

Briefly describe how the Company will produce or provide its products or services and how and when it intends to carry out these activities.

The third item is:

This Company:

[ ] Has never conducted operations.
[ ] Is in the development stage.
[ ] Is currently conducting operations.
[ ] Has shown a profit in the last fiscal year.
[ ] Other (Specify):
(Check at least one, as appropriate)

Be sure to correctly characterize the Company's stage of development. You may need to check more than one box.

Generally, a company is in the development stage if substantially all of its efforts are devoted to establishing its business. A development stage company generally has commenced principal operations, but has not yet produced significant revenues. Development stage activities include: establishing a business plan; raising capital; engaging in research and development; establishing supply sources; acquiring property, plant, and equipment; recruiting and training personnel; developing markets; and starting up production.

After you have completed the entire Disclosure Document, review the Cover Page and Executive Summary for accuracy.

The Company has included in this Disclosure Document all of its representations about this offering. If anyone gives you more or different information, you should ignore it. You should rely only on the information in this Disclosure Document.

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A TABLE OF CONTENTS is a required feature of the Disclosure Document.

After you have completed the entire Disclosure Document, review the page numbers in the Table of Contents against the actual content of the rest of the Disclosure Document as printed. Be particularly careful to check the page numbers in the Table of Contents of the document you file with securities regulatory agencies.

When the Company makes its offering document available in other types of media, such as when the Company e-mails it as an electronic document or places it on its web site, the page numbers will change. Add a note to each page of the Table of Contents

stating that the page numbers correspond to the printed version of the Disclosure Document.

RISK FACTORS

1. List in the order of importance the factors that the Company considers to be the most significant risks to an investor.

PURPOSE. The purpose of risk factors is twofold

- To warn investors of the risks involved in purchasing the security; and
- To protect the Company from later claims that investors were not told all of the material risks.

AVOID GENERALIZED STATEMENTS. You should avoid generalized statements and include risk factors that are specific to the Company and the offering. No specific number of risk factors is required to be identified. Do not respond to Item 1 with a statement that there are no risks to purchasing securities in the offering. Every offering of securities involves risks. Additionally, do not qualify statements of risk in any manner that is intended to minimize the importance of the risks.

RISK FACTORS COMMON TO SMALL COMPANIES. There are several risks that are common to most small companies, especially those in the development stage. These risks include:

- cash flow and liquidity problems
- inadequate capitalization
- inexperience of management
- absence of operating history
- absence of a market for the company's products or services; and
- absence of a market for its stock or other securities.

OTHER RISK FACTORS. Other risk factors commonly appearing in connection with a securities offering address absence of profitable operations in recent periods, an erratic financial history, the overall financial position of the Company, the nature of the business in which the Company is engaged or proposes to engage, conflicts of interest between the Company and Management, arbitrary establishment of offering price, and reliance on the efforts of a single individual for success in operating the business. This listing is not intended to be inclusive as risks vary according to the nature of the Company's business and the type of security offered.

SPECIAL RISK FACTORS RELATED TO SALES OF PREFERRED STOCK OR DEBT. When a Company sells preferred stock or a debt security, generally the purchaser expects to receive a preference on payments of dividends or interest.

Consequently, additional risk factors are required addressing the ability of the Company to pay the preference or repay the debt and the possibility that the preference may not be paid or the debt repaid at all. These risks may be the most important risks disclosed in connection with the offering and you should place them in an appropriate position.

PLACEMENT OF RISK FACTORS. Each risk factor should be stated in a separate concise paragraph. The title of the paragraph should state in specific language the risk discussed in the risk factor. The risk factors should appear in order of importance with the most important risk factors appearing first. If the Company has no operating history or a limited operating history, generally, risks addressing the Company's financial condition should appear first. This is especially true in a debt or preferred stock offering.

You should include cross-references at the end of each risk factor to the place in the Disclosure Document where the risk is discussed in detail. You may find it helpful to write your risk factors and determine their priority after you have completed all the other Items in the Disclosure Document.

Examples of risk factors can be found in Appendix A.

BUSINESS AND PROPERTIES

GENERAL DESCRIPTION OF THE BUSINESS

2.	Describe the business of the Company, including its products or services.

DESCRIPTION OF THE BUSINESS. Describe the Company's business, focusing on the products or services the Company will be selling. Be brief, but include enough information that a person who knows nothing about the Company's business can understand what the Company does or will do. If the nature of the Company's business is technical, you should consider whether to include definitions or an explanation of terms in your response to this Item.

Cover the Company's main product or service and explain the context in which the Company provides the product or service. Answers that discuss how the Company intends to produce the products belong in Item 3; answers about the Company's competitive strategy belong in Items 13 and 14 and answers that discuss the Company's marketing strategy belong in Item 15.

In describing the business you should answer these questions:

- Who does the Company sell its products or services to?
- Why are customers using the Company's products or services?
- Is the Company's business retail or wholesale?
- Are products made to customer specifications or mass-produced?

PRESENT v. FUTURE OPERATIONS. Your response to this Item must be broken down into its parts:

- What products or services the Company produces or offers now; and
- What products or services the Company proposes to produce or offer in the future.

Generally, you should limit your answers to activities the Company presently engages in and activities in which it intends to engage in the next 12 months. If the Company plans to engage in activities using money from sources other than the proceeds from this offering of securities, your answer should disclose this fact. You should consider discussing these activities in a separate paragraph.

MULTIPLE PRODUCTS OR BUSINESSES. If you disclose that the Company will undertake to manufacture a number of products or provide more than one service, the disclosure must be directed to the Company's first (or most important) product or service. You should emphasize the product or service covered by the proceeds from the offering. Generally, the time frame for the development of a small company should correspond to the use of its available resources and the use of the offering proceeds.

3. Describe how the Company produces or provides these products or services and how and when the Company intends to carry out its activities.

MANUFACTURING COMPANIES. Your answer should address manufacturing, assembly, and marketing. It is important to disclose what the Company does itself and what it relies on others to do. For example, the Company might manufacture the final product; it might manufacture components and sell them to others who will produce the final product; or it might assemble a product from components it purchases. You should disclose who markets and distributes the Company's product and what resources (plant, inventory, employees, capital) the Company will need to start or continue manufacturing, assembling, marketing and/or distributing the product.

If the Company plans to offer a new product, disclose the present stage of development, including whether or not the Company has a working prototype. Indicate if the Company will use a material amount of its resources to complete development of the product, and estimate the amount of resources the Company will need to complete development of the product.

If the Company already is producing a product, emphasize how the production of the product will change when the Company has access to the offering proceeds. Discuss what will happen if the Company raises the maximum offering proceeds and what will happen if the Company raises the minimum offering proceeds. The disclosure should be consistent with Item 30, Use of Proceeds.

You should avoid using technical terms to describe the production process, but if you must use them, they should be defined.

SERVICE COMPANIES. If the Company provides a service or intends to provide a service in the future, you should discuss promotion activities, including advertising, public relations, publicity and networking. With respect to an existing service, you should disclose how the service would change when the Company has access to the offering proceeds. Discuss what will happen if the Company raises the maximum proceeds and what will happen if the Company raises the minimum proceeds. The disclosure should be consistent with Item 30, Use of Proceeds.

FOREIGN OPERATIONS. If the Company has a plant, an office or other operations in a foreign country, or is dependent upon foreign suppliers or companies, summarize matters particular to its international operations.

SUPPLIERS

4. Does the Company have any major supply contracts? [ ] Yes [ ] No
If yes, describe.

Describe the material terms of major or sole source contracts. Material terms include such Items as a requirement to purchase a minimum amount of raw materials or supplies, a requirement to purchase at a specified price, or other performance requirements.

5. (a) Is the Company dependent upon a limited number of suppliers?
[ ] Yes [ ] No If yes, describe.

5. (b) Does the Company expect to continue to be dependent upon a limited number of suppliers? [ ] Yes [ ] No If yes, describe.

Items 5 (a) and (b) are included for the purpose of disclosing the impact on the Company's business should it lose its ability to obtain essential raw materials or other supplies or services. Disclose whether the Company depends on or expects to depend

on one or a limited number of suppliers for essential raw materials or other supplies. Discuss the impact on the Company if its supplier(s) drastically raises prices, or interrupts or discontinues supplies. You should answer the following questions:

- Are there other sources of supply?
- How long will it take to replace the supplies?
- At what cost?

You should disclose the consequences of the impact in this Item and you should further consider if a special risk factor should be included in Item 1, Risk Factors.

CUSTOMER SALES AND ORDERS

6.	Does the Company have any major sales contracts? [ ] Yes [ ] No. If yes, describe.

Describe the material terms of major existing sales contracts, including the quantity or quality of the goods and services, or performance dates. If a major contract is oral or informal, you should disclose that fact and the difficulty of enforcing the contract.

If the status of any major contract is uncertain or subject to cancellation, include disclosure in Item 1, Risk Factors.

7. State the total amount of the Company's sales of products or services for the most recent 12 month financial reporting period.

If the Company has not had sales, state so here, and state that you will not be responding to Items 8 through 11.

8. State the dollar amount of a typical sale.

You should be careful to point out if the figure disclosed represents an average rather than actual order size.

9. Are the Company's sales seasonal or cyclical? [ ] Yes [ ] No If yes, explain.

If the Company has sales, disclose what percentage of the Company's annual sales revenues are received in each financial quarter. If the pattern of sales shows significant variation among the quarters, disclose the reasons for the variation.

10. State the amount of foreign sales as a percent of total sales for last fiscal year: _____%. Explain the nature of these sales, including any anticipated changes.

If the Company sells its product or service in a foreign country, summarize matters particular to that country that may have a negative impact on the ability of the Company to conduct business in the country. Such matters may include: devaluation of currency, political instability, or international trade agreements. Describe the impact on the Company. If the impact on the Company's operations is or might be substantial, disclose that in Item 1, Risk Factors.

11. Name any customers that account for, or based upon existing orders will account for, a major portion (20% or more) of the Company's sales.

Disclose any special legal or business relationship the Company has with the customer. Also disclose whether the loss of the customer would have a material adverse effect on the Company. You should consider whether the impact of the loss warrants a special disclosure under Item 1, Risk Factors.

In applying the 20% test, a group of affiliated customers should be regarded as a single customer.

12. State the dollar amount of firm orders.

A firm order is an order that has been confirmed and is not subject to cancellation in the usual course of business. If the Company does not have firm orders, state that you have not completed this Item because the Company has no firm orders.

COMPETITION

13. (a) Describe the market area in which the business competes or will compete.

Generally, limit the discussion of competition to the Company's geographic area. For example, if the Company is building budget motels in a particular city it should discuss competition in the surrounding metropolitan area and not address competition across the state or the United States. If, however, the Company truly competes with businesses outside its geographic area, you should discuss those businesses. An example of a company whose market is outside its geographic area is a company that does business mainly over the Internet.

You should not include information from segments of the market in which the Company does not or will not operate. For example, if the Company is in the business of operating a budget motel, it should not include information relating to resort hotels.

You should not use industry information to project how much the Company could sell if it achieves a certain market share. If you disclose facts and figures, you may be required to file information to document their source.

13. (b) Name the Company's principal competitors and indicate their relative size and financial and market strengths.

Identification of the Company's principal competitors requires a two-step analysis. First, identify the Company's customers and potential customers. Then determine whether other companies exist that are likely to fulfill the needs of the Company's customers and potential customers. You should not forget that another company might use a different method or product to satisfy customers' needs. These companies are competitors and should be included in the response to this Item. An example of two companies that provide the same service in different ways is the company that produces the yellow pages of the phone book and the company that operates an 800 number providing telephone listings.

14. (a) Does the Company compete, or expect to compete, by price?
[ ] Yes [ ] No If yes, describe its competitive strategy.

If the Company's strategy is to compete on price, you should describe the strategy. If the Company has new technology that will allow it to compete on price, you should generally describe how it will be done.

If competition is by price, disclose the price or price range of the product or service. The price or price range of the product or service may be broken down in a number of ways:

- the cost of the product or services;
- the market price of the product or service; or
- the negotiated price of the product or service.

Disclose if the product is at a stage of development in which it is too early for you to determine its price. If the product has not been produced yet, discuss how you have made the determination that the Company can compete on price? You will need to explain how the Company will go about pricing the product.

14. (b) Does the Company compete, or expect to compete, by service?
[ ] Yes [ ] No If yes, describe its competitive strategy.

14. (c) Does the Company compete, or expect to compete, on some other basis?
[ ] Yes [ ] No If yes, state the basis and describe the Company's competitive strategy.

If your response to both Items 14(a) and 14(b) is "no", then you must explain on what other basis the Company expects to compete. Other common bases of competition include a unique product or service, a narrow market, or a product or service warranty.

MARKETING

15. (a) Describe how the Company plans to market its products or services during the next 12 months, including who will perform these marketing activities.

MARKETING STRATEGY v. TACTICS. You should describe how the Company intends to make its products or services known to potential customers. Typically you should disclose whether the Company will make direct sales at retail or wholesale, or sell through distributors or franchises. You need not include every tactic the Company intends to use in its marketing campaign. For example, if the Company will market its product through advertising inserted in telephone bills, it is not necessary to disclose the details of how many households will receive the advertising in each mailing. However, if the advertising is targeted to a certain demographic group, this should be disclosed. In general, it is the fact that the Company targets a particular group for advertising that is relevant, not the details of the targeting method.

MARKETING STUDIES. You should not refer to marketing studies unless you show that there is a basis to believe the marketing study is reasonable and accurate. You should not disclose marketing studies that contain unfounded projections; if a reference is made to a marketing study, you should set out the key assumptions, methods and findings. If the Company has not conducted any formal or scientific marketing studies, this fact should be disclosed.

If the Company has no marketing study or marketing plan, you should disclose this in Item 1, Risk Factors.

15. (b) State how the Company will fund these marketing activities?

If marketing activities are to be paid for with offering proceeds, set out the expenditure in Item 28, Milestones and in Item 30, Use of Proceeds. If the offering involves a minimum and maximum amount, describe the marketing activities to be undertaken at both the minimum and the maximum offering amounts.

EMPLOYEES

16. (a) State the number of the Company's present employees by type of employee (i.e., clerical, operations, administrative, etc.).

16. (b) State the number of employees the Company anticipates it will have within the next 12 months by type of employee (i.e., clerical, operations, administrative, etc.).

DEFINITION OF EMPLOYEE. If a person is within the normal work group for the Company's type of business, you should treat that person as an employee for disclosure purposes regardless of what the Company calls the person (e.g., employee, independent contractor, consultant).

You should disclose the number of the Company's existing employees and the number of employees the Company anticipates it will hire during the next 12-month period. The number of employees the Company will hire will be dependent upon the amount of money the Company anticipates it will have available to fund these positions.

Distinguish between employees to be added during the next 12-month period based upon the success of the offering and the number of employees that might be added regardless of whether the offering is successful. Distinguish between part time and full time employees. In an offering with a minimum and maximum offering amount, set out the number and type of employees (e.g., clerical, operations, and administrative) to be added if the Company raises the minimum offering amount as well as if the Company raises the maximum offering amount.

17. Describe the Company's labor relations.

Discuss whether the Company has experienced any problems in finding and retaining suitable employees and whether the Company anticipates any similar problems in the future.

If any of the Company's employees are subject to collective bargaining agreements, you should disclose the nature of the agreements. Include the dates the collective bargaining agreements expire.

If the Company's employees are on strike, or have been on strike in the past 3 years, or are threatening to strike, describe the dispute.

18. Indicate any benefits or incentive arrangements the Company provides or will provide to its employees.

You should first cover those benefits that the Company is presently giving its employees and then, those that it expects to give its employees in the future. If the Company intends to offer benefits, disclose whether the board of directors or stockholders must approve them.

Benefits or incentive arrangements can vary widely. Employee fringe benefits usually cover medical insurance, dental insurance, life insurance, vacation leave, sick leave and pension. Incentive arrangements include stock options, stock appreciation rights, low cost loans, bonuses, deferred compensation, profit sharing plans, employment agreements, commissions and royalties on product sales. Incentive arrangements in small businesses more often benefit officers, directors and key employees.

Emphasize benefits to all employees or rank and file employees. Benefits that are available to Officers, Directors and key persons only, should be disclosed in Item 83, Compensation.

You should discuss stock purchase agreements, stock options, rights or warrants that benefit current stockholders or employees in Item 101, Options and Warrants.

PROPERTIES

19. (a) Describe generally the principal properties that the Company owns or leases.

GENERAL. Item 19 (a) relates both to tangible property such as real estate, plant and equipment, and to intangible property such as patents, licenses, copyrights, trademarks, service marks, trade names, trade secrets, and other intellectual property that the Company owns prior to the offering and will use in the business. Generally, you should describe the important types of property the Company owns or leases.

Focus on the principal properties owned or leased. You should include only the amount of detail necessary to inform investors as to the suitability, adequacy, productive capacity and extent of utilization of the properties and facilities owned or leased by the Company. Descriptions of real estate such as office or warehouse space should be on a square-footage basis. You should disclose the location and character of the property, if this is important to the offering.

If any of the Company's properties are not owned outright, you should disclose the extent of the encumbrances or installment payments. If the terms of purchase constitute long term debt, you should disclose this fact.

You may need to disclose separately the Company's property that is subject to depreciation or obsolescence. If, for example, computer systems constitute an essential part of the business plan, you should discuss obsolescence, replacement and the method of financing replacements. If the Company does not have a plan for replacing plant and equipment, you should disclose this fact.

LEASES. If the Company leases property, you should include a summary of the terms under the leases, including the amount of payments, expiration dates and the terms of any renewal options. If the Company has decided to lease instead of own its property, you should disclose the reasons for the decision. A short term or annual lease raises the questions: What if the Company cannot renew the lease? What will the Company do next? What can the Company afford to do next?

INTELLECTUAL PROPERTY. Indicate the extent to which the Company's operations depend upon or are expected to depend upon patents, copyrights, trade secrets, know-how, or other proprietary information. Discuss how the Company will use intellectual property, such as a patent, copyright or trade secret to become profitable. Describe the steps the Company has undertaken to secure and protect this intellectual property, including any use of confidentiality agreements, covenants not-to-compete, and efforts taken to protect rights under state, federal and foreign laws. The Company may find it costly to perfect and protect these rights. If such rights have not been secured, you should disclose the cost and time period it will take to secure them. Foreign rights, patents, trade secrets, trademarks and copyrights can exist, but such protection does not always exist to the same extent as in the United States. You should disclose any limitations on foreign rights, patents, trade secrets, trademarks and copyrights. If important, you should discuss each right separately.

Additionally, you should disclose the value the Company has placed on these intangibles and explain how the Company determined that value.

NEGATIVE DISCLOSURE. If the Company has chosen not to protect intellectual property, you should disclose this fact and explain why the Company has chosen not to try to protect its property.

DESCRIPTION OF TYPES OF INTELLECTUAL PROPERTY

Patent. A patent is a right granted by the government to make, use or sell an invention for a period of years.

Copyright. A copyright is a right granted by the government to an "author" of a work in a tangible medium for the exclusive publication, production, sale and distribution of the

work. A “work” includes writings, literature, art, drama, motion pictures, and other electronically produced materials.

Trade Secret. A trade secret consists of any formula, pattern, device or calculation of information used in business to obtain a competitive advantage. The owner must take precautions to keep the process or device secret. Examples of possible trade secrets include, but are not limited to, blue prints, production formulas, manufacturing processes, customer lists, price and cost information and computer programs. Precautions might include confidentiality agreements and restrictions on access to the information.

Know-how. Know-how usually means being able to perform successfully, known processes that go to the heart of the production of the product or the operation of the enterprise. For instance, a process may be known by only one employee. An example is winemaking.

Trademark. A trademark is a word, logo, symbol, design or shape used on or in connection with the sale or distribution of a company’s product.

Service Mark. A service mark is a word, logo, symbol, design or shape used to identify or in connection with the rendering of a service.

Trade Name. The name of a company that is used in commerce.

LICENSE AGREEMENTS. A license is a grant of rights from the owner of a patent, trademark, trade secret or copyright to another person. Summarize the principal terms and expiration dates of any significant license agreements, including the amount the Company expects to spend during the year. Disclose the relationships with the other party under the license agreement. A license agreement may be exclusive or shared. The Company must be certain before it uses the term "exclusive" license agreement. License agreements often do not assign all of the rights and interests involved.

RISK FACTORS. Many possible risk factors arise out of the treatment, valuation and protection of intangible rights. For example, essential computer software or customer lists may become obsolete within a short period of time. Loss of a key employee may be critical to the Company. Patent or trademark infringement actions either by or against the Company may be very expensive and beyond the means of the Company. You may need to include a general or specific risk factor with regard to the inability of the Company to protect its intellectual property even though the Company has made required filings under law or taken other precautions. If the Company decides not to protect important intellectual property, disclose this fact in Item 1, Risk Factors.

CONFLICTS OF INTEREST. In the event the Company has purchased or leased properties from its officers, directors, stockholders or other key persons, disclose the relationship and, if relevant, the conflict of interest. You also should disclose whether the transactions were on terms at least as favorable to the Company as those generally available from unaffiliated third parties.

19. (b) Indicate what properties the Company intends to acquire or lease.

Generally, you should limit your answer to properties the Company intends to acquire in the next 12 months. In addition to describing a proposed acquisition, you should describe why it is being considered and how it will be accomplished. If property is to be acquired with offering proceeds, set out the acquisition in Item 28, Milestones and Item 30, Use of Proceeds. If the offering involves a minimum and maximum amount, describe properties to be acquired at both the minimum and the maximum offering amounts.

Include the cost of such acquisitions and the sources of financing the Company expects to use in obtaining these properties; whether by purchase, lease or otherwise. Address whether the Company will have the cash, credit worthiness, or capital stock available to purchase or lease the property. Disclose sources of financing available to the Company other than the offering proceeds or bank financing.

If you disclose acquisitions of property, you should distinguish between mere intentions, oral agreements, and written obligations.

If the Company has not yet identified properties to be acquired, you should disclose the criteria or standards the Company will use to select and acquire the properties.

If no properties are going to be acquired, you should disclose that the Company does not plan to acquire any properties in the immediate future.

In the event the Company is purchasing or leasing, or intends to purchase or lease, properties from officers, directors, stockholders or other key persons, you should disclose the relationship and, if relevant, the conflict of interest. Disclose whether the Company has established a policy with respect to affiliated transactions.

RESEARCH AND DEVELOPMENT

20. Indicate the amounts that the Company spent for research and development during its last fiscal year.

Research is the planned effort of a company to discover new information to help create a new product, service, process or technique or vastly improve a current one. Research does not include market research and market testing as this activity relates to the selling and marketing operations of the company. Development takes the findings generated by research and formulates a plan to create the desired item or improve the existing one.

Research and development implies a future benefit. You should disclose how the knowledge gained through research and development will be valuable to the Company and how the Company is likely to be able to derive a commercial benefit from that knowledge. The Company might exploit the knowledge by producing the product or offering the service or by licensing or selling the technology to others.

In discussing historical research and development expenditures, you must identify any expenditures that relate to products or processes that the Company no longer expects to pursue. Additionally, you should distinguish between cumulative research and development and research and development for the last fiscal year.

If the Company has engaged in research and development and had revenues in the last fiscal year, disclose the percentage of the Company's fiscal year revenues these amounts represent.

21. (a) Will the Company expend funds on research and development during the current fiscal year? [ ] Yes [ ] No

21 (b) If yes, how much does the Company plan to spend on research and development during the current fiscal year?

21. (c) How does the Company intend to fund these research and development costs?

Disclose all sources of funding. If the Company intends to apply proceeds from the offering to research and development costs, set out the use in Item 28, Milestones and Item 30, Use of Proceeds. If the offering involves a minimum and maximum amount, include the amount of proceeds to be applied to research and development at both the minimum and the maximum offering amounts.

GOVERNMENTAL REGULATION

22. (a) Is the Company's business subject to material regulation by any governmental agency? [ ] Yes [ ] No

22. (b) Are the Company's products or services subject to material regulation by any governmental agency? [ ] Yes [ ] No

22. (c) Are the Company's properties subject to material regulation by any governmental agency? [ ] Yes [ ] No

22. (d) Explain in detail any "yes" answers to Items 22(a), 22(b), or 22(c), including the nature and extent of the regulation and its effect or potential effect upon the Company.

Concentrate on regulations that extend to the core of the Company's business. Avoid disclosing regulations that are not material or important to the Company's business. The key question is: Does the regulation have a substantial impact on the Company at this phase of the Company's business? If the answer is yes, you should disclose it.

Regulations can be imposed on a company by federal, state, provincial or local government agencies. In completing your response to this Item, you should first identify the type of regulation and then, if it is material, disclose the impact of the regulation. In determining the impact or the potential impact of regulation upon the Company, consider whether a capital expenditure may be necessary, earnings may be curtailed, the competitive position of the Company may be changed, or the continuation of the business may be imperiled.

Discuss regulatory related expenditures that the Company anticipates will be significant. If proceeds of the offering are to be used to pay for them, disclose the expenditure in Item 30, Use of Proceeds.

If the Company is highly dependent upon compliance with a certain governmental regulation in order to do business, disclose this fact in Item 1, Risk Factors.

If compliance with a certain government regulation is a key to the Company's near term profitability, you should include compliance with that regulation as a step in Item 28, Milestones.

The Company must look at indirect and direct impact of a regulation upon the Company's business, products or properties. An example of an indirect regulatory impact would be a decline in the business of a company that makes wood pellets for

wood pellet stoves due to the fact that its customers become subject to strict environmental regulation for emissions.

23.	(a)	Is the Company required to have a license or permit to conduct business?
[ ] Yes		[ ] No

23.	(b)	If yes, does the Company have the required license or permit?
[ ] Yes		[ ] No

23. (c) If the answer to Item 23(b) is "yes," describe the effect on the Company and its business if it were to lose the license or permit.

23. (d) If the Company has not yet acquired a required license or permit, describe the steps the Company needs to take to obtain the license or permit. Estimate the time it will take to complete each step.

To respond to this Item ask yourself the following questions:

- What licenses, permits or other authority does the Company already have?
- What licenses, permits or other authority must the Company have in order to conduct business?
- How long will it take the Company to obtain the license or permit?
- What if the Company does not obtain the license or permit?
- What if the Company loses its license or permit?

If the Company is highly dependent upon obtaining a license or permit in order to do business, this fact should be disclosed as a risk factor.

If obtaining a license or permit is a key to achieving profitability in the near term, disclose that fact as a step in Item 28, Milestones.

COMPANY HISTORY AND ORGANIZATION

24. Summarize the material events in the development of the Company.

Why was the Company started? What was the initial strategy of the Company? If the strategy of the Company changed from its initial concept, explain.

If the Company history includes a merger, acquisition, spin-off, recapitalization, or other similar corporate or company transaction, disclose that event.

25. Describe any recent stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization.

When you respond to this Item, you should cover the past five (5) years, or the period the Company has been in existence, if less than five (5) years. If the Company recently has undergone a stock split, stock dividend or recapitalization in anticipation of this offering, describe the transaction (and adjust historical per share figures elsewhere in this Disclosure Document accordingly). You should disclose major transactional and financial milestones and include significant stock sales. State the purpose for each transaction. If the Company has been in business for some time, the materiality of the disclosure should be treated on a sliding scale. Earlier events should be disclosed only if they are important and continue to be relevant.

26. Discuss any pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization.

You should disclose any type of pending or anticipated corporate or company reorganization.

27. State the names of any parent, subsidiary, or affiliate of the Company. For each, indicate its business purpose, its method of operation, its ownership, and whether it is included in the Financial Statements attached to this Disclosure Document.

CORPORATE STRUCTURE. You should answer this question so that the corporate or organizational structure is clear to the investor. A chart showing the relationship between affiliates may be a valuable supplement to narrative disclosure.

PARENT. Generally, a parent of the Company is a company that controls the Company, directly, or indirectly through one or more intermediaries.

SUBSIDIARY. Generally, a subsidiary of the Company is a company that the Company controls, directly, or indirectly through one or more intermediaries.

AFFILIATE. Generally, an affiliate of the Company is a company that directly or indirectly through one or more intermediaries controls the Company, or is controlled by the Company, or is under common control with the Company.

A person is said to control a company when that person has the power to direct or influence the direction of the management of the company through the ownership of voting securities, by contract or otherwise.

METHOD OF OPERATION. To understand the risks of the investment, the investor should know how the Company actually will be operated in relation to its parent, subsidiaries or affiliates. Consider the following questions in preparing your response:

- In which company are the proceeds of the offering to be used?
- In which company are the significant assets to be held or deployed?
- Which company will have significant revenues and earnings ?
- How will earnings of a parent, subsidiary, or affiliate be distributed to or benefit the Company?
- If a parent owns less than 100% of the Company, who owns the rest?

FINANCIAL STATEMENTS. If the Company has a parent, subsidiary or affiliate, you should consider the effect of accounting standards. Generally, a company that controls 50% or more of the stock of another company must have consolidated financial statements. If an affiliate is not included in the financial statements attached to the Disclosure Document, or is included, and the financial statements are not consolidated, you should include an explanation.

MILESTONES

28. Describe in chronological order the steps management intends to take to achieve, maintain, or improve profitability during the 12 months following receipt of the offering proceeds.

If management does not expect the Company to achieve profitability during that time period, describe the business objectives for that period and the steps management intends to take to achieve those objectives.

Indicate the probable timing of each step.

PURPOSE OF MILESTONES. The Milestone Section lists step- by-step future events that management believes must occur in order for the Company to become profitable or to meet its business objectives, and describes the activity management will undertake to complete each step. Your response to Items 28 and 29 should provide sufficient information so that an investor is able to assess the likelihood that the Company's resources will prove adequate to accomplish its goals.

MAJOR STEPS. List the major steps in your business plan. A company that is opening a new business needs to describe the specific steps to open the business. For example, you might list steps such as obtaining a state license; entering into construction contracts; purchasing specific equipment; and hiring a specific number of personnel. This example is particularly useful for development stage companies. It outlines the important steps the Company must take to reach its goal of opening the business.

The following are examples of typical milestones for small business offerings:

- acquiring a specific piece of equipment,
- registering a trademark,
- granting a license
- acquiring a specific contract for goods or services
- achieving a specific level of net sales,
- reaching a specific number of new markets,
- generating a specific level of manufacturing output,
- reaching a specific level of inventory purchases, or
- implementing the next stage of a business plan (e.g., hiring a marketing staff and creating a new marketing department or creating a new production line).

METHOD OF ACHIEVING THE STEPS. You should describe what the Company must do to complete each step. For example, if you have listed “obtain a patent on its product” as a Milestone, the expected manner of occurrence might be to hire an

attorney to file an application with the US Patent and Trademark Office. If you have listed "purchase machinery" as a Milestone, the expected manner of occurrence might be to contact a dealer in that type of machinery and to enter into a contract for its purchase.

ORDER OF THE STEPS. List the steps of the Company's business plan in chronological order. To determine the sequence of disclosure here, ask the following questions:

- What are the most important things the Company must do?
- What things must the Company do first?
- What things are dependent upon others?

To the extent possible you should determine the "critical path" of the steps. What is the last point in time when a step can take place or a condition can be fulfilled before the entire plan is off schedule? What steps are dependent upon others? For instance, should leasing the premises come before or after hiring staff and purchasing equipment? Finally, you should not include past events in the Milestone Section.

The sequence of the steps also must be consistent with the Use of Proceeds Section, Item 30. The Use of Proceeds Section sets out the categories and amounts of funds for use by the Company. The Milestone Section shows the sequence in which the Company will use those funds.

TIMING OF THE STEPS. You should disclose when each step will occur. While a date may be given, it is preferable to state a range or number of months in which the Company expects to accomplish the business objective. In addition, you should indicate when the steps begin, such as upon completion of the minimum offering. The period of disclosure should not exceed 12 months.

COST OF COMPLETION OF THE STEPS. You should indicate the monetary cost to achieve each step. You may express this amount as a range. If the Company does not have access to funds from sources other than the proceeds of the offering, your response should track the Use of Proceeds table. If the Company will exhaust the offering proceeds prior to completing a step, you should indicate whether the Company has access to other sources of funds, identify the sources and disclose whether they are contingent or firm.

BE SPECIFIC. You should be detailed in describing what the Company needs to do to meet its business objectives. You should state a specific numerical amount or range when you describe certain steps. -Examples of specific disclosure include:

"Reach sales of $100,000," for a manufacturing and merchandising company;
"Acquire 40 large account customers," for a service provider; and

"Sign up 10,000 new subscriptions," for a magazine publisher.

OPERATING COMPANIES. If the Company has already been operating for some time, the Company's disclosure should accurately reflect:

- the current stage of the Company's business plan, and
- how the achievement of a particular business plan objective will have a positive effect on the Company's operations or profits.

TABULAR FORMAT. Describe in tabular form:

- what the steps are,
- what the Company must do to achieve each step;
- the order in which the Company will perform each step,
- the time it will take to complete each step; and
- how much money the Company will spend to complete each step.

Example Milestone Table

Milestone or Step	Expected Manner of Occurrence or Method of Achievement	Date, or Number of Months after Receipt of Offering Proceeds When Step Should be Accomplished	Cost of Completion
Formation and Setup of Company	Find and Lease Location for Company, Purchase Equipment, Hire Employees	2 months	$150,000
Start Operations	Purchase Materials, Start Assembling Widgets	2 – 4 months	$250,000
Start Marketing Phase	Develop Sales Materials, Start Mailings and Product Presentations	2 – 4 months	$200,000
Reach Sales of 3,000 Widgets	Finish and Ship Widgets	6 – 9 months	$150,000

29. (a) State the anticipated consequences to the Company if any step is not completed as scheduled.

State the consequences to the Company if there are delays in achieving any of the steps listed in Item 28. You should emphasize the effect on the Company's available funds. In addition, state whether the steps in the Milestone Section are based on receipt of the minimum or maximum offering proceeds. If the steps are based on receipt of the maximum offering proceeds, you should also disclose the effect on the Company of raising only the minimum offering amount.

29. (b) Describe how the Company will deal with these consequences.

After the Company states the probable consequences of delay, identify how the Company will deal with the delays. If the Company has a liquidity problem, disclose how the Company will cut down on expenses. If the lack of funding will impact the Company's business plan, provide detailed disclosure. For example, if the Company is unable to turn a profit in the first year of operation, disclose that the "Company would have insufficient funds to open the second store discussed in the Disclosure Document."

NOTE: After reviewing management's discussion of the steps it intends to take, potential investors should consider whether achievement of each step within the estimated time frame is realistic. Potential investors should also assess the consequences to the issuer of any delays in taking these steps and whether the Company will need additional financing to accomplish them.

USE OF PROCEEDS

30. Show how the Company intends to use the proceeds of this offering:

	If Minimum Sold		If Maximum Sold	
	Amount	%	Amount	%
Total Proceeds	$	100%	$	100%
Less: Offering Expenses				
Commissions and Finders Fees				
Legal & Accounting				
Copying & Advertising				
Other (Specify):				
Net Proceeds from Offering	$	%	$	%
Use of Net Proceeds				
	$	%	$	%
	$	%	$	%
	$	%	$	%
	$	%	$	%
	$	%	$	%
Total Use of Net Proceeds	$	100%	$	100%

USE OF PROCEEDS SECTION. This Item requires you to disclose in a table how the Company will use the proceeds from the offering. You start with the total amount of the offering and show how much it is reduced by the offering expenses. Next show how the Company expects to spend the Net Proceeds.

OFFERING EXPENSES. Calculate and disclose the direct costs associated with the offering. These costs usually include: commissions, legal and accounting, printing and copying, and advertising. Also disclose any miscellaneous fees and costs connected with the offering, such as filing, consulting, impound and escrow accounts, travel, postage, and sales meeting expenses.

Carefully check the figures in this part of the Table to avoid mistakes. Make sure that the percentages listed for the offering expenses are based on a percentage of the Total Proceeds of the offering, not the Net Proceeds.

TOTAL NET PROCEEDS. In the second part of the Table, disclose in order of priority the use of the Net Proceeds. Check the figures and percentages. Make sure the percentages are based on the Net Proceeds of the offering.

SPECIFIC LINE ITEMS FOR THE USE OF NET PROCEEDS. Disclose the principal purposes for the use of the net proceeds and the amount to be used for each purpose. Consider using the following categories: leases, rent, utilities, payroll (by position or type), purchase or lease of specific items of equipment or inventory, payment of notes, accounts payable, etc., marketing or advertising costs, taxes, consulting fees, permits, professional fees, insurance and supplies. The categories you use will depend on the Company's plans. Replace general labels, such as marketing or research and development, with specific items, such as purchases or salaries.

RELATED PARTY TRANSACTIONS. Disclose all payments that the Company will make to any officer, director, principal stockholder, or key person. Include payments to acquire assets from or to reimburse an officer, director, stockholder, or key person for services already rendered, assets previously transferred, or moneys loaned or advanced. Make sure that your answer is consistent with the information in Items 108 and 109. If the Company has contractual agreements with its officers or employees to pay salaries, show those payments in this Item, unless the Company is profitable and has on-going operations.

ALLOCATION OF THE NET PROCEEDS TO UNSPECIFIED PURPOSES. This Disclosure Document is intended as a vehicle to raise capital for particular business purposes. The net proceeds should be allocated to specific business purposes following the Company's business plan. In the event that the Company is in the development stage and has no specific business plan or purpose, the Company may be disqualified from using this Disclosure Document under the NASAA Statement of Policy Regarding Small Company Offering Registrations (SCOR)(April 28, 1996). The Company may also be disqualified from using this Disclosure Document if it allocates a substantial amount of the offering proceeds to working capital or reserves.

ALLOCATION OF THE NET PROCEEDS TO ACQUISITION OF OTHER BUSINESSES. If the Company is raising capital for a merger or acquisition, you need to make specific disclosures about the planned acquisition. Simply reserving a substantial amount of the proceeds for "acquisition of other businesses" is not sufficiently specific and may cause the Company to be disqualified from using this Disclosure Document.

If the Company has identified the business it intends to acquire, identify the business and the status of any negotiations. Describe the business in detail and attach a copy of its financial statements to the Disclosure Document. Disclose whether the enterprise has business operations similar to the Company's core business and describe the business plan for expanding the business. You may need to discuss the acquisition in other sections of the Disclosure Document.

If the Company plans to use the offering proceeds to acquire another business but has not yet identified a specific enterprise, disclose the type of business the Company is seeking. Disclose whether the Company plans to acquire an enterprise with business operations similar to the Company's core business and describe the business plan for expanding the business. You may need to discuss the planned acquisition in other sections of the Disclosure Document.

SETTING THE MINIMUM OFFERING AMOUNT. State law often authorizes the state securities administrator to require the Company to set a minimum offering amount and to place all offering proceeds into an impound account at a bank until a minimum offering amount is raised. This ensures that the Company does not spend the offering proceeds until a sufficient amount is raised to carry out the Company's business objective. Most small businesses are asked to set a minimum offering amount. If the minimum offering amount is not reached, the offering will be cancelled.

How you set the minimum offering amount is important. If the Company needs the proceeds to purchase a specific piece of property, or to complete a project, you must set the minimum offering amount at (or above) the cost of the property or project plus the costs of the offering. In some cases the minimum amount will be 100% of the offering proceeds.

In other circumstances the amount of the required minimum may be difficult to determine. In these instances, assess the Company's cash needs under a variety of assumptions and provide for a minimum based on its cash needs for the next twelve months under the least favorable assumptions. In some cases the 12 month period may be too long or too short. You will need to make adjustments for the time it takes to conduct the offering. For many small companies the minimum offering amount is simply: How much money will the company need to stay in business over the next 12 months?

To set the minimum, carefully review each item in the Use of Proceeds Section and the Milestone Section and decide which expenditures and purchases the Company must make to get the business plan off the ground, or to keep it from totally failing. With the help of the Milestone Section, recheck the "critical path" to determine the minimum amount of proceeds necessary.

RIGHT TO CHANGE THE USE OF PROCEEDS. If the Company intends to change the use of proceeds after the offering has started, you must reserve the right to do so. You should discuss the alternatives under which the Company may alter the use of proceeds.

After the offering has started, a material change in the Use of Proceeds Section may require the Company to offer a refund of money to investors who purchased before the change. As a matter of course, material changes during the ongoing offering require the Company to change the Disclosure Document on file with the securities regulators.

31. (a) Is there a minimum amount of proceeds that must be raised before the Company uses any of the proceeds of this offering? [ ] Yes [ ] No

31. (b) If yes, describe how the Company will use the minimum Net Proceeds of this offering.

Do not respond to this Item if you answered "no" to Item 31(a).

Give a detailed breakdown of each item listed in the "Use of Net Proceeds" part of the minimum offering column in the table in question 30. Describe each planned use in sequence and in order of priority.

Be specific. For example, identify a building or piece of property to be purchased or leased by its size, location, and the general terms of the purchase agreement or lease. Identify each specific piece of equipment the Company plans to purchase or lease and the general terms of the purchase or lease agreement. If the Company is hiring new personnel, identify each position by title, salary, and expected hiring date.

If the Company plans to use any material part of the proceeds to discharge indebtedness, describe the terms of that indebtedness, including the interest rates. If the Company incurred the indebtedness within the current or previous fiscal year, describe how it used the proceeds of the indebtedness.

Make sure that your answer to this Item is consistent with the information in Items 28 and 30.

31. (c) If the answer to Item 31(a) is "yes," describe how the Company will use the Net Proceeds of this offering that exceed the amount of the minimum offering proceeds.

Do not respond to this Item if you answered "no" to Item 31(a).

Give a detailed breakdown of how the Company plans to spend the offering proceeds that exceed the minimum offering amount. Describe each planned use in sequence and in order of priority. Be specific and make sure that your answer to this Item is consistent with the information in Items 28 and 30. See the discussion of Item 31(b) for more specific instructions.

31. (d) If the answer to Item 31(a) is "no," describe how the Company will use the Net Proceeds of this offering.

Do not respond to this Item if you answered "yes" to Item 31(a).

Give a detailed breakdown of each item listed in the Net Proceeds part of the Maximum offering column in the table in question 30. Describe each planned use in sequence and in order of priority. What expenses will the Company pay first, after the offering expenses? Be specific and make sure that your answer to this Item is consistent with the information in Items 28 and 30. See the discussion of Item 31(b) for more specific instructions.

When there is no minimum offering amount set, you may need to include a special risk factor in Item 1 with respect to the use of the proceeds and the ability of the Company to meet its business objectives. For instance, if only a small amount is raised, all or substantially all of the offering proceeds may be applied to cover the offering expenses and the Company will not otherwise benefit from the offering.

32. (a) Will the Company use other funds, together with the offering proceeds, to fund any project or activity identified in Item 31? [ ] Yes [ ] No

32. (b) If yes, state the amounts and sources of the other funds.

32. (c) Indicate whether the availability of the funds is firm or contingent. If contingent, explain.

FIRM OR CONTINGENT FUNDING. In this Item disclose whether the source of the other funds is firm or contingent. You should disclose material conditions or contingencies even if the agreements are called firm commitments. For example, the bank may have promised its loan only if the Company completes the securities offering or hires a specific manager. In the case of a bank line of credit, you must disclose that it is due on demand or short notice and may not be available when the Company needs it. Likewise leases may be terminated, sales of assets may fall through, and private investment loans may never be made.

What will the Company do or what will happen if the Company does not receive the other funds? You should disclose whether or not the Company has a back up plan.

If the funds are critical to the business objectives disclosed or the continued operation of the business, include the contingent nature of the financing as a risk factor.

NOTE: See the answer to Item 70 for information about proceeds used to compensate sales agents. See the answer to Items 108 and 109 for information about proceeds used to purchase assets from officers, directors, key persons, or principal stockholders or their associates or to reimburse them for services previously provided or moneys borrowed.

SELECTED FINANCIAL INFORMATION

NOTE: The Company has adjusted all numbers in this section to reflect any stock splits or recapitalizations.

GENERAL

33. What were net, after-tax earnings for the last fiscal year? (If losses, show in parenthesis.)

Total $
Per share $

EARNINGS PER SHARE. You should first disclose the total earnings (or losses) of the Company and then disclose the earnings (or losses) on a per share basis.

Sample Calculation: **Earnings per Share** = Net after Tax Earnings ÷ Outstanding Shares = $183,246/863,020 = $0.22/Share

In disclosing the per share data, you must include all outstanding shares. In determining what shares to include, you should include the shares outstanding prior to the offering and should not include shares being offered in this offering. For the purposes of this Item you are required to treat all outstanding options, warrants and rights as exercised. You use the exercise price in the option or warrant agreement to determine the number of shares to be issued. If the Company has issued a significant number of shares during the year, you should check with your accountant to determine whether a weighted average per share would be more appropriate. If so, you should disclose that the number reflects the weighted average per share.

FISCAL YEAR. You should disclose the after-tax earnings for the last fiscal year. The net after-tax earnings for the last fiscal year should be available from the Company's income statement. Even though the Company may not have operated for a full fiscal year, you must still disclose, its earnings or losses. The disclosure for this Item should reflect the fact that the Company has not been in existence for a full fiscal year, either by setting forth the dates in a parenthetical or by narrative. A typical disclosure might read: "The Company commenced operations in June 1999. The losses as of October 31, 1999 totaled $195,000."

INTERIM ACTIVITY. If operations have substantially changed since the end of the last fiscal year, you also should show those interim earnings or losses.

CHANGES IN FORM OF ENTITY. If the Company recently has reorganized or changed the form of its business entity, such as from a sole proprietorship or partnership, you should show the changes from the old entity to the new one.

LACK OF OPERATIONS. If the Company is a start-up or development stage company that has had no operations, state: "The Company has not yet operated."

ACCOUNTING REVIEW. Net after tax earnings must be based on generally accepted accounting principles.

34. If the Company had profits, show offering price as a multiple of earnings.

Offering Price Per Share _____ = _____(price/earnings multiple)
Net After-Tax Earnings Per Share for Last Fiscal Year

OFFERING PRICE/EARNINGS MULTIPLE. The price/earnings multiple simply reflects the ratio of the offering price of the common stock (or other equity security) to the Company's historical earnings. To respond to this Item use the earnings per share calculation in Item 33 and take into consideration some of the other points discussed under Item 33. The price/earnings multiple must be based on financial statements prepared according to generally accepted accounting principles for the Company's last fiscal year. If you disclosed interim earnings in Item 33, you should complete the price/earnings multiple for the interim period.

Sample Calculation: **Price/Earnings Multiple** = Offering Price per share/Net After Tax Earnings per Share $5.00/$0.22 = 22.7x

If the Company has no earnings, you cannot calculate the price/earnings multiple. In this event, you should disclose that the Company was not profitable.

CAPITALIZATION

35. Indicate the capitalization of the Company as of the most recent balance sheet date, and as adjusted to reflect the sale of the minimum and maximum amount of securities in this offering and the use of the net proceeds from this offering.

	Amount Outstanding		
	As of: / / (date)	As Adjusted Minimum	Maximum
Debt:			
Short-term debt (average interest rate ___%)	$	$	$
Long-term debt (average interest rate ___%)	$	$	$
Total debt	$	$	$
Stockholders equity (deficit):			
Preferred stock - par or stated value (by class of preferred – in order of preferences)			
_____	$	$	$
_____	$	$	$
_____	$	$	$
Common stock - par or stated value	$	$	$
Additional paid in capital	$	$	$
Retained earnings (deficit)	$	$	$
Total stockholders equity (deficit)	$	$	$
Total Capitalization	$	$	$

Number of preferred shares authorized to be outstanding:

Class of Preferred	Number of Shares Authorized	Par Value Per Share
		$
		$
		$

Number of common shares authorized: shares.
Par or stated value per share, if any: $

Number of common shares reserved to meet conversion requirements or for the issuance upon exercise of options, warrants or rights: shares.

CAPITALIZATION TABLE. In the format provided, you must set forth the short and long term debts owed by the Company, equity of the stockholders, paid in capital for common and preferred shares, earnings retained or earnings deficits, and the number of preferred and common shares authorized. You may want to ask your accountant to help you with this Item.

COMPARISON TO FINANCIAL STATEMENTS. The figures in the Capitalization Table must be consistent with those in the Company's most recent Financial Statements. If the Company has mandatory redeemable preferred stock, include the amount of the redemption in “long term debt” instead of under the preferred stock heading and so indicate by footnote to that category in the Capitalization Table.

ANALYSIS OF FINANCIAL STATEMENTS. In addition to comparing the figures in the Capitalization Table to the Financial Statements, you should check whether the Company's balance sheet accurately reflects the Company's capitalization in accordance with generally accepted accounting principles. You or your accountant should consider whether debt is correctly classified as short-term or long-term, whether leases should be capitalized, and whether a corporate combination should be treated as a pooling of interest or as a purchase. See the Financial Statements in Item 118.

REVIEW OF AUTHORIZED CAPITAL. To answer the portion of this Item concerning the number of shares authorized, you should refer to the articles of incorporation or organization of the Company, and any amendments to the articles. Make sure your answer to this Item is consistent with the current articles.

DILUTION

36.	(a)	The price of the securities in this offering has been arbitrarily determined.
[ ] Yes		[ ] No

RISK BASED ON ARBITRARY PRICING. If you have not done financial or market analysis to arrive at the price, you should answer yes, that the selection of the offering price was arbitrary. Even if you have considered certain financial indications of value, such as net tangible book value per share or earnings per share, you still may want to disclose that pricing is arbitrary.

If your answer is yes, disclose in Item 1, Risk Factors, that the Company arbitrarily decided the offering price. The following are two examples of such risk factor disclosures:

> Arbitrary Offering Price. The offering price of $5.00 per share was determined by the Company and the selling agent. The price bears no relationship to established value criteria such as net tangible assets, or a multiple of earnings per share and accordingly should not be considered an indication of the actual value of the Company.
>
> Arbitrary Offering Price. The price for the shares of stock of this offering has been established in an arbitrary manner and is not related to net tangible assets per share or any price previously paid for the Company's stock by others. The price is 10 times that paid by the founders of the Company. The offering price may not be justified by the ultimate results of operations of the Company.

36.	(b)	If no, explain the basis on which the price of the securities was determined.

Disclose the various factors you considered in arriving at the offering price. Typical factors include: the established public trading market that dictates the price; the net tangible book value per share or the earnings per share (if the Company has any earnings); the stock prices of other similar companies; or the amount of money required by the Company to fund the product or project.

37.	(a)	The net tangible book value per share before offering is:	$

NET TANGIBLE BOOK VALUE PER SHARE. The net tangible book value of a company is the accounting value of all assets on the balance sheet of the Company after subtracting all liabilities and all intangible assets. Intangible assets that appear on the balance sheet usually include such items as patents, copyrights, franchises, trademarks, operating rights and goodwill. Various costs incurred in the formation of the Company are also treated as intangible assets.

GAAP. You must base net tangible book value on the Company's most recent balance sheet prepared according to generally accepted accounting principles consistently applied. Calculating the net tangible book value depends upon the integrity of the balance sheet. If the assets or liabilities are improperly characterized, the net tangible book value may be materially inaccurate.

COMPUTING NET TANGIBLE BOOK VALUE PER SHARE. To compute the net tangible book value per share of common stock, you divide the total number of common shares outstanding immediately prior to the offering, by the net tangible book value related to common stockholders. The net tangible book value shall be computed based on the latest balance sheet.

You should take into consideration any shares issued between the date of the last balance sheet and the time of the offering when determining the number of outstanding shares.

Sample Calculation: **Net Tangible Book Value per Share** =

Net Tangible Assets:	$827,115
Less Total Liabilities:	$684,260
Net Tangible Book Value:	$142,855
Shares Outstanding (Before Offering):	524,920
$142,855/524,920 =	$0.27/share

PREFERRED STOCK. If the Company has issued preferred stock, you must determine the amount of the total net tangible assets (capital) attributable to preferred stockholders. Subtract the net tangible assets attributable to preferred stockholders from the total net tangible assets. The remainder is the net tangible assets available to common stockholders.

37. (b) For the minimum offering:

The net tangible book value per share after the minimum offering will be: $

The amount of increase in net tangible book value per share as a result of receipt of cash from purchasers in this offering will be: $

The dilution per share to purchasers will be: $

37. (c) For the maximum offering:

The net tangible book value per share after the maximum offering will be: $

The amount of increase in net tangible book value per share as a result of receipt of cash from purchasers in this offering will be: $

The dilution per share to purchasers will be: $

38. For each share purchased in this offering a purchaser will pay $ _____ but will receive a share representing only $ _____ in net tangible book value, if the minimum offering is achieved, or $ _____, if the maximum offering is achieved.

The difference between the amount a purchaser pays for a share and the amount of net tangible book value that share represents is the dilution to the purchaser.

39. In a table, compare the existing stockholders' percentage ownership in the Company and the consideration paid for that ownership with that of purchasers in this offering.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing holders;					
New Purchasers:					
Minimum offering					
Maximum offering					

In this Table you compare the effective cash cost of the shares held by existing stockholders to the contribution of the purchasers in this offering. The calculation of the average price per share should be on a fully diluted basis.

40. Using the offering price of these securities, what value is the Company's management attributing to the entire Company before the offering?

$ _____

EVALUATION OF THE COMPANY. Multiply the total number of shares outstanding before the offering by the offering price. For the purpose of this calculation assume that all rights to convert into the shares of the Company have been exercised.

NOTE: You should consider carefully whether the Company actually has this value at the present time. Some issues you should think about include: (1) the risks to which the Company is subject before it achieves success (see Item 1, Risk Factors); (2) the exercise prices of outstanding options (see Item 101); and (3) the prices that the Company's officers, directors, and principal stockholders paid for their shares (see Items 104 and 105).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CERTAIN RELEVANT FACTORS

41. Is the Company having or does the Company anticipate having within the next 12 months any cash flow or liquidity problems? [ ] Yes [ ] No If yes, explain.

CASH FLOW PROBLEMS. If the Company is having current cash flow problems, you need to explain what is causing those problems and what the Company intends to do about them. If the Company anticipates having any cash flow problems in the next twelve months, you should explain the anticipated problems and what the Company intends to do about them.

In completing this Item, you should focus on the possibility that everything will not go according to plan. You also should consider whether the minimum offering amount is adequate to give the Company a reasonable chance of surviving a cash flow problem within the next twelve months.

PREDICTING FUTURE CASH FLOW. To predict whether the Company will have future cash flow problems, you need to do a cash flow analysis. You should start by considering the Company's stage of development and the extent to which it intends to change its operations in the near term. How fast will it burn up the money from the offering together with any funds available to it from other sources? When will the Company begin production of its product? When will it begin to sell its product or its services to the public? What level of sales must it achieve to reach its break even point?

You should be prepared to discuss your fixed costs. Rent is often a fixed cost as is depreciation of equipment. Variable costs are much more difficult to estimate for a Company that has not begun production. You should estimate your variable costs.

Until the Company can pay its expenses from its own operations, it will need some other source of funds to pay those expenses. Salaries are one of the main expenses the Company will have to pay. The discussion of the Company's work force in answer to Items 16, 17 and 18 should provide indications as to its cash needs. Items 83 and 84, dealing with compensation to officers, directors, and key persons, also are relevant. If officers and directors will be drawing salaries from the proceeds of the offering, how long will they be allowed to do so at their proposed rates of pay?

You should discount the possibility of substantial contributions from operations to the Company unless the results of the Company's prior operations demonstrate its earning power. Even if the Company is currently profitable in limited operations, you should consider the effect of any proposed expansion of the scope of those operations, including the addition of new product lines and new processes on the Company's cash flow. Coordinate the prediction of future cash flow with Items 28 and 29, Milestones.

42. (a) Is the Company in default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the Company to make payments?
[ ] Yes [ ] No

42. (b) If yes, explain, identifying the creditor stating the amount in default or the term that the Company has not complied with, and describing any consequences to the Company resulting from the default.

43. Are a significant amount of the Company's trade payables more than 90 days old?
[ ] Yes [ ] No

44. Is the Company subject to any unsatisfied judgments, liens, or settlement obligations?
[ ] Yes [ ] No If yes, state the amounts.

45. Describe the Company's plans to resolve the problems identified in Items 41 - 44.

PLANS TO RESOLVE EXISTING OVERDUE OBLIGATIONS. If the Company has existing overdue obligations to persons other than insiders that it will not pay before the completion of the offering, you may want to include in the amount of the offering the sum necessary to pay these obligations. In this case you would also disclose the payment of the

obligations in the use of proceeds for the offering. As to the obligations to insiders, you would disclose any plan to defer payment on these obligations.

46. (a) Do the Company's financial statements show losses from operations?
[ ] Yes [ ] No

46. (b) If yes, explain the causes underlying these losses and what steps the Company has taken or is taking to address these causes.

CAUSES OF LOSSES FROM OPERATIONS. If the Company has shown losses from operations, you need to explain the causes of the losses and how the Company has or expects to address these causes. Why does the Company believe that its losses will not continue? Is the Company going to change its competitive strategy? Is the Company going to introduce a new product? Is it going to change its manufacturing or service delivery process? Is it going to trim its general and administrative expenses? Is it going to launch a new marketing program to attempt to achieve a sales level that will allow it to break even? It may be useful to review your answers to the Business and Properties Section, especially Items 13, 14, and 15.

This Item is not applicable if the Company's Financial Statements do not show losses from operations. You should, however, be sure that you are properly applying the definition of "losses from operations." Generally, the definition means the loss before interest expense, interest income, or gains, and losses on sales of assets, and other extraordinary items.

If one or more of the Company's promoters has operated a predecessor or similar business that failed or was abandoned, address how the Company intends to avoid a similar fate. The probability of continuing losses requires a special risk factor disclosure in Item 1.

47. (a) Describe any trends in the Company's historical operating results.

47. (b) Indicate any changes now occurring in the underlying economics of the Company's business which, in the opinion of Management, will have a significant impact upon the Company's results of operations within the next 12 months.

47. (c) Describe the probable impact on the Company.

47.	(d)	Describe how will the Company will deal with this impact.

TRENDS. This Item focuses on how the Company's business plan addresses the effects of external forces (primarily trends in the Company's industry) on the Company's operating results. Generally you will be looking for matters that either would have an impact on future operations and have not had an impact in the past or that have had an impact in the past and are not expected to have an impact in the future. This Item is especially important for companies in industries experiencing rapid change, whether that change is technological, regulatory, or market related.

If the Company has financial statements available for more than one fiscal period, you can compare the operating results to look for trends. You also may use general economic trends to answer this Item. For example, if the Company offers luxury goods, it may have difficulty surviving an economic downturn. How does the Company intend to address this type of problem?

RAISING ADDITIONAL FUNDS. If the Company cannot satisfy its cash needs for the next twelve months, you must disclose the consequences of not having sufficient cash. Include a special risk factor in Item 1, the Risk Factor Section. If the Company's answer involves raising further funds, you must disclose in detail the source or sources of these funds. If the Company will borrow money from a financial institution or other lender, disclose the details of the lender's commitment. If the Company does not have such a commitment, you must disclose that there is no assurance that the Company will be able to obtain a loan.

If the Company intends to use internally generated funds to provide additional necessary funds during the next twelve months, the Company's current operating results must support this claim.

If the Company plans to raise funds through the sale of additional shares or upon the exercise of outstanding warrants, you must state that there is no assurance that the Company will be able to successfully conduct such an offering or that the warrants will be exercised.

If the Company contemplates raising additional funds through the sale of assets, you must state that there is no assurance that the Company will be able to sell its assets at prices sufficient to raise the needed funds.

48. (a) Will the proceeds from this offering and any available funds identified in Item 32, satisfy the Company's cash requirements for the 12 month period after it receives the offering proceeds? [ ] Yes [ ] No

48. (b) If no, explain how the Company plans to satisfy its cash requirements. State whether it will be necessary to raise additional funds. State the source of the additional funds, if known.

INTERNALLY GENERATED FUNDS. Another source of financing may be internally generated funds (i.e., the (future) cash flow of the business.) If the Company has been operating at a steady profit for many years, it may be realistic to rely on internally generated funds combined with the offering proceeds to accomplish a further business objective. You may include future profits in your response to this Item only if the Company has a reasonable basis to support the disclosure and you discuss the assumptions and limitations on which the disclosure is based.

OTHER SOURCES OF FUNDS. Describe material sources of other funds that will be employed in conjunction with the offering funds. The Company may combine investor funds with other funding sources. Some of the typical outside sources of financing: bank loans and lines of credit; asset sales; lease financing; and consignment inventories.

In some cases the true capital needs of the Company are much larger than the maximum offering amount. This frequently occurs when the Company is relying on Securities and Exchange Commission Rule 504 of Regulation D that limits the Company's securities offering to one million dollars. To make up for the short fall the Company may attempt to raise additional amounts through other methods of financing, such as bank loans or private financing. When the other financing the Company intends to rely on is concurrent with the securities offering, you should enlarge, Item 30, the Use of Proceeds Section, to include these funds as part of the Total Use of Net Proceeds. This will correctly reflect both the need for and the use of those funds. This will require adjusting Item 30.

MATERIALITY. Disclose "material" amounts of funds from other sources. Generally, you should consider any source of financing that is 10% or more of the net offering proceeds to be material. Financing sources of less than this may also be material if they are critical to the Company's operation or business objective. For example, if bank financing is necessary to make a purchase in conjunction with funds from the use of proceeds, the amount (regardless of the percentage of the net offering proceeds) would be material, and you would need to disclose the financing in this Item. Also if the amount of outside financing is an item disclosed in the Company's Milestone Section, you should treat it as material. In disclosing the sources of financing, such as bank loans or lines of credit,

disclose not only the amounts, but also the terms and conditions and timing of the receipt of the funds by the Company.

DESCRIPTION OF SECURITIES OFFERED

GENERAL

49. The securities being offered are:

[ ] Common Stock
[ ] Preferred or Preference Stock
[ ] Notes, Debentures, or Bonds
[ ] Limited Liability Company Membership Interests
[ ] Units of two or more types of securities, composed of:

[ ] Other (specify):

If the company is offering more than one type of security or the security has unusual features that make it hard to classify, you cannot simply use the name the company has chosen for the security but must look behind that name to see how the security will function. An example is if the shares offered are called preferred stock, but the shares are actually inferior to the company's common stock in dividend or liquidation preferences. Disclose the specific preferences that the security has (and doesn't have).

PREFERRED STOCK. Normally, call stock "preferred stock" only if it has an unqualified preference over all outstanding classes of stock of the company as to both liquidation and dividends. Disclose if the dividends on preferred stock are cumulative. (See discussion of Item 54, Cumulative Dividends.) If the stock offered has certain preferences over some but not all outstanding classes of stock as to liquidation or dividends, you may refer to it as preference stock. In this case you must prominently disclose the exact nature of the preference and any limitations on the preference granted.

DEBT SECURITIES. For debt offerings, you should check the box "Notes, Debentures or Bonds" regardless of what the Company calls the debt instrument. In responding to Item 56, Interest Rate and Item 57, Maturity Date, discuss all the special characteristics of the debt being offered. You should be very careful when disclosing that a debt security is insured or guaranteed to ensure that those claims are accurate.

LLC MEMBERSHIP INTEREST. If the Company is a Limited Liability Company, check this box. Summarize the material provisions of a Limited Liability Company' governing agreements under Item 11, Other Material Factors.

UNITS OF MORE THAN ONE TYPE OF SECURITY. If the Company is offering securities consisting of two or more types of securities, include an explanation of whether, and if so, when and under what conditions, the parts of the unit can be transferred independently of each other.

OTHER TYPES OF SECURITIES. If the Company is offering a security other than a stock, a debt instrument or a membership interest (such as an interest in a cooperative), disclose the special features of the security being offered.

50. These securities have:

Yes	No	
[ ]	[ ]	Cumulative voting rights
[ ]	[ ]	Other special voting rights
[ ]	[ ]	Preemptive rights to purchase any new issue of shares
[ ]	[ ]	Preference as to dividends or interest
[ ]	[ ]	Preference upon liquidation
[ ]	[ ]	Anti-dilution rights
[ ]	[ ]	Other special rights or preferences (specify):

Explain any yes answers.

To help you respond to this Item, you or your attorney should review the statute under which the Company was organized as well as the Company's corporate or governance documents. Incorporation statutes typically set default provisions for voting rights and preemptive rights. If the Company has not specified particular rights for the securities being issued, the rights will generally be those specified by statute. Disclose the rights of holders of preferred stock, notes or other securities being offered. You may do this by summarizing the charter, bylaw or other provision that gives rise to those rights.

LACK OF RIGHTS. You also should state if the securities offered lack any rights typically granted to securities of the type offered. For example, if the securities offered are called “common shares” but lack equal voting rights, you should provide information about the shares that have the voting preference.

ANTI-DILUTION. Anti-dilution rights generally provide that the conversion price of a security that is convertible into common shares will be adjusted if the Company issues additional common shares at a price that is less than the conversion price. If the

securities carry anti-dilution rights, describe the anti-dilution formula applied and why the rights might be beneficial to the investor. If the securities carry a combination of different anti-dilution provisions, describe that combination and the relative benefits to the investor.

51. Are there any restrictions on dividends or other distributions? [ ] Yes [ ] No
If yes, describe.

Describe any restrictions to be imposed at the termination of the offering as well as those in place at the time the offering begins. For example, the Company may intend to use all or part of the offering proceeds to acquire a business and the seller of the business may be taking a loan back. If the loan agreement includes any restrictions on dividends, disclose those restrictions in responding to this Item even though the restrictions will not be in force until after the offering.

52. Are the securities convertible? [ ] Yes [ ] No
If yes, state conversion price or formula.

Date when conversion becomes effective: ___/___/___
Date when conversion expires: ___/___/___

This Item applies to any security convertible into another security at the option of the investor. A typical example is a note or preferred stock that is convertible into the Company's common stock. Describe securities convertible at the option of the Company in your response to Item 55, Preferred Stock) or Item 60, Debt Securities.

If the Company is issuing warrants that are part of a unit, disclose those warrants as convertible securities even if the warrants are or will be traded separately from the other securities to be issued.

The "date when conversion becomes effective" is the first date when the purchaser may convert the securities into other securities. Similarly, the "date when conversion expires" means the last date on which the purchaser may convert the securities into other securities. If the purchaser becomes entitled to convert the securities or loses the right to convert the securities because an event has occurred, describe that event.

53. Describe any resale restrictions on the securities and when the restrictions will terminate.

Securities regulatory agencies or the Company itself may impose resale restrictions for a variety of reasons. Resale restrictions affect an investor's ability to resell the security

and, therefore, the value of the security. Be thorough and accurate when you describe the restrictions so that the investor is aware of any resale limitations before purchasing the security.

LEGEND CONDITIONS. Legends are statements printed on the certificate representing the security that describe resale and other restrictions. Legend conditions inform securities purchasers of these restrictions. Many jurisdictions have specific requirements concerning where and how the legend conditions are to be placed on the certificate. You should be familiar with these requirements before placing the legend on the securities.

OFFERING TO LIMITED GROUP. The Company may want to restrict ownership of the securities. For example, it may want to limit ownership to employees, independent contractors, or franchisees of the Company, property owners in a certain area, members of a social organization, etc. If the group that can buy the securities is restricted, disclose this as a resale restriction because it will affect whether an investor will be able to find a member of that group when the investor wants to sell the securities.

RESTRICTIONS IMPOSED BY SECURITIES REGULATION. If a securities regulatory agency imposes any restrictions on the sale or resale of these securities, disclose those restrictions.

RESTRICTIONS FOR INTRASTATE OFFERINGS. If you only want to sell the securities within one state and intend to rely on an exemption from registration with the Securities and Exchange Commission as an intrastate offering, you must disclose the restrictions imposed on the securities by federal securities legislation.

RESTRICTIONS IMPOSED BY OTHER AUTHORITIES. Laws the Company must comply with may restrict the resale of the securities. For example, you may need to restrict transfer to meet Internal Revenue Code requirements (such as for an S corporation or a limited liability company), or to satisfy regulatory bodies governing the Company's industry. A licensing authority, for example, may restrict the resale of the securities so that the authority can check the background of new stockholders to determine whether they have any criminal history.

REQUIRED RESALE TO COMPANY. If the Company requires that shares be sold back to it, disclose the resale price or formula with a description of how any formula operates. If the stockholder is guaranteed a return, answer the following questions: Will the Company set aside a reserve for this purpose? What is the basis for predicting that it will have the cash to make the payment? Is this basis reasonable?

REQUIREMENT THAT COMPANY CONSENT TO RESALE. If stockholders wishing to transfer their shares must obtain the consent of the Company to the transfer, specify the conditions under which the Company will consent to a transfer.

PREFERRED STOCK

If the securities being offered are Preference or Preferred stock:

If the Company is not offering preferred or preference stock, state that you will not be responding to Items 54 and 55. Otherwise, respond to these Items.

54. Are unpaid dividends cumulative? [ ] Yes [ ] No

Dividends are cumulative if, when dividends are not paid when due, these unpaid dividends accumulate and must be paid before any dividends may be paid on the Company's common shares. If the dividends are not cumulative, disclose this in Item 1, Risk Factors, and on the Cover Page.

55.	(a)	Are the securities callable?	[ ] Yes	[ ] No	If yes, describe.

55.	(b)	Are the securities redeemable?	[ ] Yes	[ ] No
If yes, describe, including redemption prices.				

A security is callable if the Company has the option to repurchase it. You should explain the terms and conditions under which the Company may call the securities. A security is redeemable if the Company is required to repurchase it. You should explain the terms and conditions under which an investor may redeem the securities, including the redemption price.

If the Company is required to repurchase preferred stock (rather than having an option to do that), you should treat the preferred stock as if it were debt and should answer Item 65, Ratio of Earnings to Fixed Charges.

DEBT SECURITIES

If securities being offered are notes or other types of debt securities:

If the Company is not offering notes or other types of debt securities, state that you will not be responding to Items 56 to 64. Otherwise, respond to these Items.

56. What is the interest rate on the debt securities? _____%
If the interest rate is variable or there are multiple interest rates, describe.

If the Company is offering securities with a variable interest rate, and the rate is based on the rate of a financial institution, clearly identify the institution and the name of the rate. If the rate is to be adjusted at intervals, explain when and how the Company will adjust the rate. Even after disclosing that the rate is based on a specific institution or index, you should choose a method of adjustment in the event that the rate base is discontinued. Describe when interest will be paid to investors (for example, monthly, quarterly, annually, or on the maturity of the debt security.)

57. What is the maturity date? ___/___/___
If the securities will have serial maturity dates, describe.

Debt instruments have serial maturity dates if a predetermined amount of the principal becomes due and payable at specified intervals or if individual instruments have different due dates or redemption dates. Explain the due dates for the instruments and the method by which the Company expects to pay the instrument when due. A prospective investor should know the date his or her instrument will fall due or be considered for redemption.

58. Is there a sinking fund? [ ] Yes [ ] No If yes, describe.

Sinking funds are established so that the Company can make periodic payments for the purpose of accumulating funds to retire a debt issue. The Company uses the funds (as specified in the indenture or contract establishing the fund) for periodic partial redemption of debt, for periodic retirement of serial bonds, or for the repayment of the debt at maturity. Describe the payment schedule, how the fund may be used, and whether the Company or an independent trustee will administer the fund.

If the required payments to the fund are not of a sufficient size and regularity for the Company to pay the debt as agreed, you should disclose this. Even if the required payments would be adequate, disclose whether the Company's financial position will permit it to make these payments.

59. Is there a trust indenture? [ ] Yes [ ] No
If yes, state the name, address, and telephone number of Trustee.

A trust indenture establishes a trust relationship in which a trustee is appointed to represent the interests of the debt holders. You should determine if securities regulators will require that the Company enter into a trust indenture.

Disclose the material terms of any trust indenture and discuss what protections the trust will provide to investors. The federal Trust Indenture Act of 1939 requires trust indentures to meet certain standards.

If there will be no trust indenture in connection with the issuance of debt, you should disclose in Item 1, Risk Factors, the lack of a trust indenture and the lack of an independent trustee representing the interests of the debt holders.

60.	(a)	Are the securities callable?	[ ] Yes	[ ] No	If yes, describe.

60.	(b)	Are the securities redeemable?	[ ] Yes	[ ] No
If yes, describe, including redemption prices.				

A security is callable if the Company has the option to repurchase it. You should explain the terms and conditions under which the Company may call the securities. A security is redeemable if the Company is required to repurchase it. You should explain the terms and conditions under which an investor may redeem the securities, including the redemption price.

61.	Are the securities secured by real or personal property?	[ ] Yes	[ ] No
If yes, describe.			

If the securities are secured by property, describe fully both the property and the security arrangement, including the value of the property. Disclose if the property will be purchased with the proceeds of the offering, and whether the purchase was made from Officers, Directors, or affiliates of the Company.

You should emphasize the degree to which any secured interest in property protects the debt holders. Disclose if there are any other creditors with secured interests in the property superior to or equal to the interest of the debt holders? If so, disclose details of the prior claim. You should disclose any arrangement that allows the Company to further encumber the property and to what degree. Disclose if the secured interest of the debt holders in the property has been perfected (through filing of a financing statement or otherwise under the Uniform Commercial Code) or if it will be perfected prior to the release of the offering proceeds from escrow. If not, disclose that, both in the answer to this Item and in Item 1, Risk Factors.

62.	(a)	Are the securities subordinate in right of payment of principal or interest?			
[ ] Yes		[ ] No	If yes, explain the terms of the subordination.		

Securities are subordinated if the right of the holders to receive payment is subordinated to prior payment of other indebtedness of the Company. Disclose fully the terms of any subordination agreement or subordination clause in an indenture or agreement. You may need to disclose in Item 1, Risk Factors, that the debt offered is subordinated.

In addition, discuss the protections, if any, given to the purchasers in the present offering if the Company incurs future debt. Protections might include limitations on

additional borrowing or a pledge that if the Company incurs any secured debt it will provide equivalent security to the holders of the debt offered under this Disclosure Document. If the Company will not provide investors with significant protection against subsequently incurred debt, you may need to disclose that in Item 1, Risk Factors.

62. (b) How much currently outstanding indebtedness of the Company is senior to the securities in right of payment of interest or principal? $

Check the figures here against the Company's most recent Financial Statements and the notes to those statements.

63. How much currently outstanding indebtedness ranks equally in right of payment with the securities? $

Check the figures here against the Company's most recent Financial Statements and the notes to those statements.

64. How much currently outstanding indebtedness is junior (subordinated) to the securities? $

Check the figures here against the Company's most recent Financial Statements and the notes to those statements.

RATIO OF EARNINGS TO FIXED CHARGES

65. (a) If the Company had earnings during its last fiscal year, show the ratio of earnings to fixed charges on an actual and pro forma basis for that fiscal year.

	Actual		Pro Forma	
	Last Fiscal Year	Interim Period	Minimum	Maximum
"Earnings" / "Fixed Charges" =				

65. (b) If no earnings, show "Fixed Charges" only

If the Company is not offering debt securities or preferred stock that the Company is required to repurchase, state that you will not be completing this Item.

“Fixed Charges” means interest (including capitalized interest), amortization of debt discount, premium and expense, preferred stock dividend requirements of majority owned subsidiary, and the portion of rental expense that can be demonstrated to be representative of the interest factor in the particular case. The pro forma ratio of earnings to fixed charges should include incremental interest expense as a result of the offering of the securities.

“Earnings” means pretax income from continuing operations plus fixed charges and capitalized interest.

If the Company cannot show a ratio of earnings to fixed charges, on a pro forma basis, of at least 1:1, the Company may not have sufficient earnings to fulfill its obligations to debt holders. Unless the Company has other means to repay investors, you must disclose the Company's limited ability to repay its obligations in Item 1, Risk Factors.

You may find the following sample calculation of earnings/fixed charges ratio helpful to you in completing this calculation.

Assume that earnings for the last fiscal year were $300,000
Assume that fixed charges were $50,000
Assume that the Company is issuing debt that will require it to pay $100,000 per year if the minimum amount of the offering is sold and $200,000 per year if the maximum amount of the offering is sold.
Assume that there are no other changes to fixed charges and that earnings do not change as a result of the offering.

Sample Table. The actual numbers for the Company will be different.

		Actual		ProForma	
		Last Fiscal Year	Interim Period	Minimum	Maximum
“Earnings”	=	300,000	150,000	300,000	300,000
Fixed Charges”		50,000	25,000	150,000	250,000
Ratio		6:1	6:1	2:1	1.2:1

NOTE: See the Financial Statements and especially the Statement of Cash Flow. Exercise care in interpreting the significance of the ratio of earnings to fixed charges as a measure of the "coverage" of debt service. The existence of earnings does not necessarily mean that the Company will have cash available at any given time to pay its obligations. See Items 41 - 48. Prospective purchasers should not rely on this ratio as a guarantee that they will receive the stated return or the repayment of their principal.

HOW THESE SECURITIES WILL BE OFFERED AND SOLD

COMPANY SALESPERSONS

66. Provide the following information for each officer, director, or Company employee who intends to offer or sell the securities:

Use the format in 66(a) to identify the officers, directors, and/or Company employees that will be offering or selling the securities. Repeat the format as often as necessary, using (a), (b), (c), etc. to label each person.

66. (a) Name:

Title:

Address:

Telephone Number:

67. Describe any compensation that the Company will pay each person in addition to his or her customary salary and compensation.

Include cash, securities, contracts, bonuses, rewards or other consideration as part of the compensation.

Contact the securities regulators for information concerning licensing requirements and other related matters.

OTHER SALES PERSONS AND FINDERS

68. Provide the following information for each salesperson who is not an officer, director, or employee of the Company:

Use the format in 68(a) to identify the persons that will be offering or selling the securities who are not officers, directors, and/or employees of the Company. Repeat the format as often as necessary, using (a), (b), (c), etc. to label each person.

68. (a) Name:

Company:

Address:

Telephone Number:

SALESPERSON AND BROKER-DEALER DISCIPLINARY HISTORY. Check the disciplinary history of each person the Company intends to use as a salesperson or broker-dealer. You may determine whether a sales person or broker-dealer has disciplinary history by contacting the appropriate securities regulatory agency.

BROKER-DEALER LICENSING. If the salesperson the Company is planning to use to sell the offering is not affiliated with a licensed broker-dealer, the securities regulator may require the sales person to be registered as a broker-dealer. If the salesperson is a member of the National Association of Securities Dealers, Inc. (NASD), file the Disclosure Document with NASD Regulation. NASD Regulation will review compensation to be paid to the salesperson to determine whether it complies with NASD rules. The jurisdictions in which you want to sell your offering cannot register the offering until NASD Regulation has completed its review. NASD Regulation will need time to complete its review, so you should file the Disclosure Document with NASD Regulation at the same time you file it with the jurisdictions in which you want to sell the offering.

69. Provide the following information for each person who is a finder:

Use the format in 69(a) to identify the finders that will be assisting in the offer or sale the securities. Repeat the format as often as necessary, using (a), (b), (c), etc. to label each person

69. (a) Name:

Company:

Address:

Telephone Number:

"Finders" are persons who are compensated for acting as intermediaries in obtaining salespersons or otherwise making introductions to help the offering succeed. Certain securities regulators may require finders to be registered as securities salespersons.

70. Describe all compensation that the Company will pay to each person identified in Items 68 and 69.

Disclose compensation as well as contractual and indemnification arrangements. Include cash, securities, contracts, bonuses, rewards or other consideration as part of the compensation, in addition to the cash commission that you disclosed as a percent of the offering price on the cover page of this Disclosure Document. Indicate whether the Company will indemnify the sales persons or finders against liabilities under the securities laws and summarize the terms of any agreement to provide that indemnity.

Disclose all contracts between sales persons and the Company whether in the form of underwriting agreements with broker-dealers, employment contracts, or contracts with independent contractors. Where the Company is compensating them with additional securities, disclose.

71. Describe any material relationships between any of these sales persons or finders and the Company or its management.

Discuss any material relationships between sales persons or finders and the Company or its management so that an investor could understand possible conflicts of interest. You will even need to disclose relationships without formal written agreements if they are material. Because the idea of “materiality” is sometimes subjective, you should

consider most relationships that the Company has with its sales persons material and disclose them.

The sales person may be related to an officer, director or controlling stockholder of the Company by blood or marriage. If so, you should disclose the identity of the related person and nature of the relationship.

PURCHASER LIMITATIONS

72.	(a)	Is the offering limited to certain purchasers?	[ ] Yes	[ ] No

72.	(b)	Is the offering subject to any other purchaser limitations?	[ ] Yes	[ ] No

72.	(c)	If the answer to either 72(a) or 72(b) is yes, describe the limitation.

Typical limitations are based on sales only to employees, independent contractors, or franchisees of the Company; property owners in a certain area; residents of a single state; members of a social organization; or investors meeting specified financial suitability standards or number.

Describe what steps the Company will take to ensure that the purchasers will meet the offering limitations.

IMPOUND OF OFFERING PROCEEDS

73.	(a)	Will the Company impound the proceeds of the offering until it raises the minimum offering proceeds?	[ ] Yes	[ ] No

73.	(b)	If yes, what is the minimum amount of proceeds that the Company must raise and place in an impound account before the Company can receive and use the proceeds? $

73.	(c)	If the answer to Item 73(a) is "yes," state the date on which the offering will end if the Company has not raised the minimum offering proceeds. _____ date

An impound account is an account at a financial institution where proceeds of the offering will be held, generally until the minimum amount of proceeds is raised.

The primary purpose of placing funds raised in a securities offering into an impound account is to protect investors in the event that the Company's offering objectives are not met. If the proposed business of the Company requires a minimum amount of proceeds to commence or proceed with the business in the manner proposed, most states require that an impound account be established with a bank or other similar depository institution acting as independent impound agent. Refer to the discussion under Item 30, in the Use Of Proceeds section, on setting the minimum amount. The Company and its sales persons will deposit all proceeds received from investors into the impound account until the minimum amount of proceeds has been raised. Before spending significant time and expense, you should determine whether the securities regulators will accept the intended impound holder and the proposed terms and conditions of the impound agreement.

If a securities regulator requires that an impound agent be used to hold the offering proceeds, the agent generally must obtain the permission of the securities regulator before it can release the funds. Generally, these agreements provide for release of the funds when the minimum amount has been raised.

RELEASE OF IMPOUND CONTINGENT ON ANOTHER EVENT. In some circumstances, the Company may want to have the release of impound contingent on occurrence of some other event in addition to raising the minimum offering amount. Often, the other event will be the receipt of funds from another source. The Company might need both the minimum offering amount and the funds from the outside source to complete its objectives. You might want to keep the funds in an impound account until a government agency provides the Company with an approval or the Company acquires a license necessary for the Company to begin operations or to engage in a particular activity.

RELEASE OF PROCEEDS. If the Company does not raise the minimum proceeds during the offering period, investors that purchased securities will be entitled to a return of their investment. State the date on which the proceeds will be returned to investors if the Company has not raised the minimum offering amount.

74.	(a)	Does the Company reserve the right to extend the impound period? [ ] Yes [ ] No

74.	(b)	If yes, describe the circumstances under which the Company might extend the impound period.

Summarize any provisions in the impound agreement that allow the Company to extend the offering period. If no provision exists in the agreement that allows the Company to

extend the period, you will need to apply to the securities regulators to request an extension. In that event, the Company will need to offer to rescind any sales made during the initial offering period.

75. State the name, address, and telephone number of the bank or other similar depository institution acting as impound agent.

76. If the offering proceeds are returned to investors at the end of the impound period, will the Company pay any interest earned during the impound period to investors?

[ ] Yes [ ] No

MANAGEMENT

OFFICERS AND KEY PERSONS OF THE COMPANY

77. Provide the following information for each Officer and key person. The term "key person" means a person, other than the chief executive officer, chief operating officer, and chief financial officer, who makes a significant contribution to the business of the Company. Identify who performs the functions of Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer.

Use the format in Item 77(a) to provide background information on the Company's chief executive officer, chief operating officer, chief financial officer, and other key employees. Repeat the format as often as necessary, using (a), (b), (c), etc. to label each person. Identify positions by title.

77. (a) Name: Age:

Title:

Office Street Address:

Telephone Number:

Names of employers, titles, and dates of positions held during past five years, with an indication of job responsibilities.

Education (degrees, schools, and dates):

Also a Director of the Company [ ] Yes [ ] No

Indicate amount of time to be spent on Company matters if less than full time:

OFFICERS AND KEY PERSONS OF THE COMPANY. Identify all executive officers and the positions they hold in the Company. Also identify key persons who are not executive officers and their significance to the Company. Describe the responsibilities of all officers and key persons in enough detail to show whether their experience and abilities are relevant to their designated management positions.

EXECUTIVE OFFICERS AND KEY PERSONS DEFINED. When completing this Item, use the following definitions:

The "chief executive officer" has the overall authority to run the Company. In the small business context, the chief executive officer usually is the Company's president or general manager and is often the owner or principal stockholder.

The "chief operating officer," generally is entrusted with supervising the day-to-day business of a Company. Depending on the Company's size and structure, the chief executive officer may also be the chief operating officer.

The "chief financial officer" is usually the Company's "treasurer," the person who has custody of the Company's funds and financial records.

The term "key person" means a person, other than your chief executive officer, chief operating officer, and chief financial officer, who makes a significant contribution to the business of the Company. Examples of key persons are vice presidents, production managers, sales managers, and research scientists. A key person may be an employee, independent contractor, or consultant.

EMPLOYMENT HISTORY. For each executive officer and key person, describe all employment for the past five years, including each position held and the type of business involved. Include a complete five-year history of all prior occupations. Do not omit past ventures, successful or not. Securities laws require full disclosure of all material information. In addition, potential investors will notice gaps in employment history and may assume that the Company intentionally omitted information.

Note: When you respond to this Item, review Items 87 and 88. If Item 87 or 88 contains a detailed discussion of someone's employment history from the last five years, you do not need to provide a lot of information in this Item. Name the employer and the position held and refer the reader to Item 87 or 88, as appropriate, for more information.

EDUCATION. Briefly describe the education of executive officers and key persons. Do not include information about honorary degrees or training certificates unless it is relevant to the Company's business. Similarly, do not disclose outside affiliations with fraternal, charitable, or community organizations unless they are relevant to the Company's business.

DIRECTORS. Indicate which officers also serve as directors of the Company. State whether they have been elected for a specific term and whether they are serving under any special circumstances or arrangements.

PART-TIME OFFICERS AND KEY PERSONS. Indicate whether the Company's executive officers and key persons work less than full time. Disclose the approximate amount of time each part-time officer and key person devotes to Company matters. In addition, if an officer spends less than full time on Company matters, disclose why. Does the Company lack resources to pay his or her salary? Is the officer involved in other enterprises that demand his or her time? Is the officer engaged in another activity that is a conflict of interest?

If the reason that an executive officer or key person is part-time could have a negative impact on Company operations, disclose that information in detail in this section and summarize it in Item 1, Risk Factors.

DIRECTORS OF THE COMPANY

78.	(a)	Number of Directors:

78.	(b)	Are Directors elected annually?	[ ] Yes	[ ] No	If no, explain.

If directors are not elected annually, disclose how and when they are elected.

78.	(c)	Are Directors elected under a voting trust or other arrangement?
[ ] Yes	[ ] No	If yes, explain.

If there is a voting trust, stockholder agreement, or other agreement relating to the election of directors, describe all material provisions of the agreement.

Include in the description:

- the class of the securities held;
- the amount of securities held;
- the duration of the agreement;
- the names and addresses of the voting trustees; and
- the voting rights and other powers of the voting trustees.

If a voting trust, or similar arrangement, controls 10% or more of the Company's shares, disclose its impact on the ability of new investors to elect directors and exercise control over the Company. Also, you may need to summarize this information in Item 1, Risk Factors.

79. Provide the following information for each Director not described in Item 77:

Use the format in Item 79(a) to provide background information on each such Director. Repeat the format as often as necessary, using (a), (b), (c), etc. to label each person.

79. (a) Name: Age:
Office Street Address:
Telephone Number:
Names of employers, titles, and dates of positions held during past five years, with an indication of job responsibilities.
Education (degrees, schools, and dates):

Identify all directors not described in Item 77, their term of office, and the period of time that they have already served. Describe their business experience for the past five years and identify other directorships they hold, naming each company and any affiliation with the Company. If a director holds a special title or serves in a special capacity, such as a member of a committee of the board of directors to review employee compensation or internal controls of the Company, briefly describe his or her responsibilities. Describe the background and responsibilities in enough detail to allow potential investors to determine whether their experience and abilities are relevant to their directorship.

CONSULTANTS

80.	(a)	Are all key persons employees of the Company?	[ ] Yes	[ ] No

80.	(b)	If no, state the details of each contract or engagement.

This Item requires you to disclose the terms of contracts or agreements for the services of key persons who are not employees of the Company. Disclose why these persons are not employees and describe the terms of the consulting agreement. Explain whether the terms of the consulting agreement reflect standard industry practice and whether the agreement favors one party over the other. Does the agreement permit a consultant to also work for a competitor of the Company or to go into the business of the Company on his or her own? Also disclose any past relationships between the consultant and any officers, directors, or key employees of the Company.

If any aspect of the arrangement with a consultant may negatively impact the Company, provide appropriate risk disclosure and add to Item 1, Risk Factors.

ARRANGEMENTS WITH OFFICERS, DIRECTORS, AND KEY PERSONS

81. Describe any arrangements to ensure that Officers, Directors, and key persons will remain with the Company and not compete with the Company if they leave.

Disclose the Company's arrangements to ensure the continued availability of officers, directors, and key persons through long-term contracts, non-compete agreements, or other arrangements. Also disclose the lack of such an arrangement with an officer, director, or key person.

REQUIRED DISCLOSURES. Describe the terms and conditions of any of the following contracts, plans, or arrangements:

- Any employment contract between the Company and an officer, director, or key person;
- Any compensatory arrangement activated by the resignation, retirement, or other termination of an officer, director, or key person; and
- Any compensatory arrangement activated by a change in the person's responsibilities after a change in control of the Company.

Disclose the amount involved, including all periodic payments or installments.

DISCLOSURE OF AGREEMENTS NOT TO COMPETE. Disclose the terms of any agreements of the Company's officers, directors, and key persons not to compete with the Company if they leave the Company. Describe the steps the Company might take to enforce each agreement.

82. (a) Describe the impact on the Company if it loses the services of any Officer, Director, or key person due to death or disability.

The loss of an officer, director, or key person represents a significant risk to the on-going operations of the Company. This is particularly true if a few people manage the Company. Discuss the potential impact of such a loss on the business of the Company and the risk this poses to investors. Also disclose any relevant factors, such as age or health of an officer, director, or key person, which may increase the risk that his or her services will become unavailable. Consider whether to include additional disclosure in Item 1, Risk Factors.

82. (b) Has the Company purchased key person life insurance on any Officer, Director, or key person? [ ] Yes [ ] No

82. (c) Has the Company made any arrangements to replace any Officer, Director, or key person it loses due to death or disability? [ ] Yes [ ] No

82. (d) If the answer to either Item 82(b) or 82(c) is "yes," describe.

Disclose whether the Company has established any procedures to deal with the loss of its officers, directors, and key persons. These procedures might include searching for a replacement for the key person or winding up the Company.

INSURANCE OF PERSONNEL. Disclose whether the Company has purchased "key person" life insurance on any of its personnel, payable to the Company upon the death of the person. Describe the terms and coverage of each insurance policy, including:

- the name of the person insured,
- the amount of the policy,
- to whom the proceeds are payable, and
- any arrangements that require the proceeds to be used to redeem securities or pay benefits to the estate of the insured person or to a surviving spouse.

Disclose how the Company intends to use the proceeds payable to it.

If the Company has not purchased “key person” life insurance, or if the Company will not benefit from the insurance, include the appropriate disclosures in Item 1, Risk Factors.

COMPENSATION

83. List all compensation that the Company paid to its Officers, Directors, and key persons for the last fiscal year:

	Cash	Other
Chief Executive Officer	$	$
Chief Operating Officer		
Chief Financial Officer		
Key Persons:		
Total:	$_____	$_____
Officers as a group (number of persons ___)	$	$
Directors as a group (number of persons ___)	$	$
Key Persons as a group (number of persons ___)	$	$

Disclose the salaries and other benefits, such as life insurance, paid to the Company's officers, directors, and key persons during the last fiscal year. Disclose the total compensation paid to the chief executive officer, chief operating officer, chief financial officer, and each key person. Also disclose the total compensation paid to any other officer, director, or employee whose total compensation was more than that paid to a manager or key person.

List each person by title.

COMPENSATION. Include anything provided by the Company that directly or indirectly benefits an officer, director, or employee. Compensation includes both cash and non-cash items.

“Cash” includes:

- salary,
- bonus,
- consulting fees,
- non-accountable expense accounts, and
- other similar items.

“Other” includes:

- the value of any options granted or securities given,
- any annuity, pension, or retirement benefits,
- bonus or profit-sharing plans, and
- personal benefits, including club memberships, company cars, insurance benefits not generally available to employees, etc.

Itemize these benefits in a footnote to the column.

If you paid compensation in some form other than cash, and it is impractical to determine the cash value, state the nature and amount of the compensation in a note to the table. An example of non-cash compensation that may be difficult to value is the use of a company car.

COMPENSATION UNDER AN ONGOING PLAN. Briefly describe all proposed future compensation the Company will pay pursuant to ongoing plans or arrangements with the individuals and groups specified. Include in the description:

- a summary of how each plan operates,
- any performance formula or measure or other criteria used to determine payment amounts,
- the time periods used to determine the measurements of benefits,
- payment schedules, and
- any recent material amendments to the plan.

Include disclosure about life, health, or hospitalization insurance or medical reimbursement plans that discriminate in scope, terms, or operation in favor of officers or directors. Include the cost of key person life insurance if the proceeds are not payable to the Company.

Do not furnish Information about group life, health, or hospitalization insurance or medical reimbursement plans generally available to all salaried employees. Disclose this information in Item 18.

State the number of persons in each group and their total compensation.

84.	(a)	Has compensation been unpaid in prior years?	[ ] Yes	[ ] No

84.	(b)	Does the Company owe any Officer, Director, or employee any compensation for prior years?	[ ] Yes	[ ] No

84.	(c)	Explain any "yes" answer to Item 84(a) or 84(b).

Do not respond to this Item if you answered "no" to Items 84(a) and 84(b)

85.	Is compensation expected to change within the next year?	[ ] Yes	[ ] No
If yes, explain.			

86.	(a)	Does the Company have any employment agreements with Officers, Directors, or key persons?	[ ] Yes	[ ] No	If yes, describe.

86.	(b)	Does the Company plan to enter into any employment agreements with Officers, Directors, or key persons?	[ ] Yes	[ ] No	If yes, describe.

Describe the provisions of each agreement. Include:

- the title and name of the officer, director, or employee;
- the date of the agreement and its beginning and end dates;
- the compensation and/or benefits the Company agreed to provide; and
- terms for terminating the agreement.

If the Company has contractual agreements with its officers or employees to pay salaries, disclose how the Company plans to make these payments, including using the proceeds from the offering. Make sure your response to this Item agrees with Item 30, Use of Proceeds.

PRIOR EXPERIENCE

87. Has any Officer or Director worked for or managed a company (including a separate subsidiary or division of a larger enterprise) in the same type of business as the Company?
[ ] Yes [ ] No If yes, explain in detail, including relevant dates.

You must disclose information about all past business ventures in the same business, particularly if they were unsuccessful.

Disclose in detail each officer's and each director's prior experience with the same type of business as the Company. For each business or venture, disclose:

- the officer or director;
- the company,
- the position held,
- his or her areas of responsibility,
- any significant contributions to the company,
- whether the company is still operating,
- if the company is no longer operating, why not,
- why the prior experience is relevant and how it will enhance the management of the Company, and
- any on-going relationship with the business or venture partners.

Include in Item 77 or 79, as appropriate, any business venture disclosed in this Item.

If the officers and directors lack experience with the same type of business, briefly state that and identify the potential risk this may pose to investors. Consider whether you should add a similar statement to Item 1, Risk Factors.

88. (a) If the Company has never conducted operations or is otherwise in the development stage, has any Officer or Director managed another company in the start-up or development stage? [ ] Yes [ ] No

88. (b) If yes, explain in detail, including relevant dates.

Answer this Item only if the Company is in the start-up or development stage.

Disclose all information about past start-up or development stage business ventures, even if they were unsuccessful. If a prior start-up venture failed, explain why and whether the Company has formulated a plan to avoid a similar failure.

Disclose each officer's and each director's prior experience dealing with the problems and risks associated with a start-up venture. For each business or venture, disclose:

- the officer or director;
- the company,
- the position held,
- his or her areas of responsibility,
- any significant contributions to the company,
- a general description of the type of business engaged in,
- whether the company is still operating, and
- if the company is not still operating, why not.

You may also describe problems common to development-stage companies that were encountered in the venture, how those problems were handled, and how the experience gained is relevant to the Company.

If the Company is in the start-up or development stage and its officers and directors lack relevant experience with start-up ventures, provide a brief statement to that effect and identify the potential risk this may pose to investors. Add a similar statement to Item 1, Risk Factors.

CERTAIN LEGAL PROCEEDINGS

In responding to Items 89-95, see the discussion under Item 77 for definitions of some of the terms used in these Items.

Insolvency

89. Has a petition for bankruptcy, receivership, or a similar insolvency proceeding been filed by or against any Officer, Director, or key person within the past five years, or any longer period if material? [ ] Yes [ ] No

90. Was any Officer, Director, or key person an executive officer, a director, or in a similar management position for any business entity that was the subject of a petition for bankruptcy, receivership, or similar insolvency proceeding within the past five years, or any longer period if material? [ ] Yes [ ] No

A "similar insolvency proceeding" includes the court appointment of a custodian, trustee, fiscal agent, or similar officer for the business or property of any of the Company's officers, directors, or key persons or of a business entity related to any of them.

91. Explain in detail any "yes" answers to Item 89 or 90.

Do not respond to this Item if you answered "no" to Items 89 and 90.

PERSONAL INSOLVENCY PROCEEDINGS. Disclose all relevant issues about each personal bankruptcy or insolvency proceeding. Include:

- the name of the officer, director, or key person,
- the date of the initial proceeding,
- the name of the court that heard the proceeding,
- the docket number of the case,
- the current status of the case, and
- the current financial condition of the officer, director, or key person (i.e. is he or she insolvent?).

Also disclose whether any officer, director, or key person has substantial outstanding debts (including debts that were accelerated due to default).

INSOLVENCY PROCEEDINGS FOR OTHER VENTURES. Disclose all relevant issues about each proceeding. Include:

- the name of the officer or director;
- the company,
- the position held,
- his or her areas of responsibility,
- the date of the initial proceeding,
- the name of the court that heard the proceeding,
- the docket number of the case,
- the current status of the case, and
- any similarity between the business venture and the Company.

If any of the Company's officers or directors owned or managed a business in the same industry as the Company and that business has been the subject of a bankruptcy or insolvency proceeding, explain the prior business failure in Item 87. Also explain how the Company intends to avoid a similar failure. Make these disclosures whether or not the entity involved in the bankruptcy or insolvency is technically a predecessor of the present Company. Review your answers to Items 24-27 to determine whether you have adequately disclosed the relationship between the failed entity and the Company.

Give an evaluation by management or legal counsel, to the extent feasible, of the merits of any current proceedings and the potential impact on the Company's business, financial condition, or operations. Identify any potential risk to investors or the Company's operations that may result from the bankruptcy or insolvency of the officers, directors, or key employees. Consider whether to add a similar statement to Item 1, Risk Factors.

Criminal Proceedings

92. (a) Has any Officer, Director, or key person been convicted in a criminal proceeding, excluding traffic violations or other minor offenses?
[ ] Yes [ ] No

92. (b) Is any Officer, Director, or key person named as the subject of a pending criminal proceeding, excluding traffic violations or other minor offenses? [ ] Yes [ ] No

92. (c) Explain in detail any "yes" answer to Item 92(a) or 92(b).

Do not respond to this Item if you answered "no" to Items 92(a), and 92(b).

Disclose all relevant issues about each criminal proceeding. Include:

- the name of the officer, director, or key person,
- the crime or alleged crime,
- the prosecuting agency,
- the date of the initial proceeding,
- the name of the court,
- the docket number of the case,
- the current status of the case, and
- the penalty imposed or sought.

Give an evaluation by management or legal counsel, to the extent feasible, of the merits of any pending criminal proceedings and the potential impact on the Company's business, financial condition, or operations.

Identify any potential risk to investors or the Company's operations that may result from these proceedings. Consider whether to add a similar statement to Item 1, Risk Factors.

Civil Proceedings

93. (a) Has any Officer, Director, or key person been the subject of a court order, judgment, or decree in the last five years related to his or her involvement in any type of business, securities, or banking activity?
[ ] Yes [ ] No

93. (b) Is any Officer, Director, or key person the subject of a pending civil action related to his or her involvement in any type of business, securities, or banking activity?
[ ] Yes [ ] No

93. (c) Has any civil action been threatened against any Officer, Director, or key person related to his or her involvement in any type of business, securities, or banking activity?
[ ] Yes [ ] No

93. (d) Explain in detail any "yes" answer to Item 93(a), 93(b), or 93(c).

Do not respond to this Item if you answered "no" to Items 93(a), 93(b), and 93(c).

Disclose all relevant issues about each civil action. Include:

- the name of the officer, director, or key person,

- the person bringing the action,
- a summary of the allegations,
- the date of the initial proceeding,
- the name of the court,
- the docket number of the case,
- the current status of the case, and
- the relief granted or sought.

Give an evaluation by management or legal counsel, to the extent feasible, of the merits of any pending civil litigation and the potential impact on the Company's business, financial condition, or operations of any pending or threatened civil actions.

Identify any potential risk to investors or the Company's operations that may result from these proceedings. Consider whether you should add a similar statement to Item, 1 Risk Factors.

Administrative Proceedings

94. (a) Has any government agency, administrative agency, or administrative court imposed an administrative finding, order, decree, or sanction against any Officer, Director, or key person in the last five years as a result of his or her involvement in any type of business, securities, or banking activity?
[ ] Yes [ ] No

94. (b) Is any Officer, Director, or key person the subject of a pending administrative proceeding related to his or her involvement in any type of business, securities, or banking activity? [ ] Yes [ ] No

94. (c) Has any administrative proceeding been threatened against any Officer, Director, or key person related to his or her involvement in any type of business, securities, or banking activity? [ ] Yes [ ] No

94. (d) Explain in detail any "yes" answer to Item 94(a), 94(b), or 94(c).

Do not respond to this Item if you answered "no" to Items 94(a), 94(b), and 94(c).

Disclose all relevant issues about each administrative action. Include:

- the name of the officer, director, or key person,
- the agency bringing the action,
- a summary of the allegations,
- the date of the initial proceeding,
- the name of any hearing officer or administrative court,
- the docket number of the case,
- the current status of the case, and
- the relief imposed or sought.

Give an evaluation by management or legal counsel, to the extent feasible, of the merits of any pending administrative proceedings and the potential impact on the Company's business, financial condition, or operations of any pending or threatened administrative actions.

Identify any potential risk to investors or the Company's operations that may result from these proceedings. Consider whether you should add a similar statement to Item 1, Risk Factors.

Self-Regulatory Proceedings

95. (a) Has a self-regulatory agency imposed a sanction against any Officer, Director, or key person in the last five years as a result of his or her involvement in any type of business, securities, or banking activity? [ ] Yes [ ] No

95. (b) Is any Officer, Director, or key person the subject of a pending self-regulatory organization proceeding related to his or her involvement in any type of business, securities, or banking activity? [ ] Yes [ ] No

95. (c) Has any self-regulatory organization proceeding been threatened against any Officer, Director, or key person related to his or her involvement in any type of business, securities, or banking activity? [ ] Yes [ ] No

95. (d) Explain in detail any "yes" answer to Item 95(a), 95(b), or 95(c).

Do not respond to this Item if you answered "no" to Items 95(a), 95(b), and 95(c).

Disclose all relevant issues about each self-regulatory action. Include:

- the name of the officer, director, or key person,
- the self-regulatory agency bringing the action,
- a summary of the allegations,
- the date of the initial proceeding,
- the name of any hearing officer or administrative court,
- the docket number of the case,
- the current status of the case, and
- the relief imposed or sought.

Give an evaluation by management or legal counsel, to the extent feasible, of the merits of any pending self-regulatory proceedings and the potential impact on the Company's business, financial condition, or operations of any pending or threatened self-regulatory actions.

Identify any potential risk to investors or the Company's operations that may result from these proceedings. Consider whether you should add a similar statement to Item 1, Risk Factors.

NOTE: After reviewing the background of the Company's Officers, Directors and key persons, potential investors should consider whether or not these persons have adequate background and experience to develop and operate this Company and to make it successful. In this regard, the experience and ability of management are often considered the most significant factors in the success of a business.

OUTSTANDING SECURITIES

GENERAL

96. Describe all outstanding securities.

You should describe briefly each outstanding class of equity security, including any preferred stock. If the Company has issued any debt securities, also provide a brief description of each class issued. If the only classes of securities currently outstanding are already described in your answer to Items 49 - 64, simply provide a cross reference to those answers.

97. Describe any resale restrictions on currently outstanding securities and when those restrictions will terminate, if this can be determined.

RESALE RESTRICTIONS ON OUTSTANDING SHARES. Disclose all resale restrictions on currently outstanding shares and the anticipated termination of these restrictions. Disclose any effect the potential sale of formerly restricted securities will have on the price of the securities purchased by investors in this offering.

RESALE RESTRICTIONS FOR SHARES SOLD UNDER EXEMPTIONS. If the shares outstanding were not sold in a registered offering, they may have been sold pursuant to a federal or state exemption from registration that required the shares to be restricted. Outstanding shares of the Company that are restricted may be subject to the requirements of Securities and Exchange Commission Rule 144. Outstanding shares may also be restricted if they were sold solely within one state under Securities and Exchange Commission Rule 147. You should disclose the amount of shares held and the expected periods of time persons subject to these rules are required to hold their shares.

RESTRICTIONS UNDER PROMOTIONAL STOCK ESCROW. You also must disclose all restrictions on transfer of promoters' shares. A promoter is defined as a person who is a founder of the Company or owner of 10% or more of the stock of the Company. The stock held by a promoter is called promotional stock, which securities regulators may require to be placed in an escrow with a financial institution, and a restriction called a legend may also be required on the stock certificates. If a promotional escrow or legend is required, disclose the terms of the promotional stock escrow and legend and identify the amount of shares affected and the amount held by each affected stockholder.

98. Describe any anti-dilution rights on outstanding securities.

ANTI-DILUTION RIGHTS. Disclose any rights or provisions that protect existing stockholders from dilution of their interest in the securities of the Company. Give the details of any anti-dilution formulas, including such provisions regarding preferred shares, convertible debt or in other agreements dealing with securities of the Company. Disclose the effect of the exercise of these rights on the ownership interest of investors in this offering.

DIVIDENDS, DISTRIBUTIONS, AND REDEMPTIONS

99. (a) Has the Company paid any dividends on its stock, made any distributions of its stock, or redeemed any securities within the last five years? [ ] Yes [ ] No
If yes, describe each transaction.

99. (b) Does the Company have any plans or commitments to pay dividends on its stock, make distributions of its stock, or redeem its outstanding securities in the future?
[ ] Yes [ ] No If yes, explain.

You should describe the dividend policy of the Company, and emphasize that the past payment of dividends or distributions of its stock should not be viewed either as an indication of the success of the Company or that the Company will pay dividends or make any distributions in the future.

You should disclose if the dividends have been paid from the Company's capital or from gains from nonrecurring sales of assets, rather than from earnings from operations.

OPTIONS AND WARRANTS

100. (a) State the number of shares subject to issuance under outstanding stock purchase agreements, stock options, warrants or rights. _____ shares

100. (b) The shares identified in Item 100(a) are ____% of the total shares to be outstanding after the minimum offering.

100. (c) The shares identified in Item 100(a) are ____% of the total shares to be outstanding after the maximum offering.

101. In a table, describe these stock purchase agreements, stock options, warrants, and rights. State the basic terms of these securities, including the expiration dates, the exercise prices, who holds them, whether they are qualified or non qualified for tax purposes, and whether they have been approved by stockholders.

You should review the tax laws to determine the tax considerations of these of securities.

102. State the number of shares reserved for issuance under existing stock purchase or option plans but not yet subject to outstanding purchase agreements, options, or warrants.
_____ shares

103. Does the Company have any plans or commitments to issue or offer options in the future?
[ ] Yes [ ] No If yes, explain.

SALES OF SECURITIES

104. (a) Has the Company sold or issued securities during the last 12 months?
[ ] Yes [ ] No

104. (b) If yes, using a tabular format, provide the following information for each transaction: the date of the transaction; the amount and type of securities sold or issued; the number of purchasers to whom the securities were sold or issued; any relationship of the purchasers to the Company at the time of sale or issuance; the price at which the securities were sold or issued; and a concise description of any non-cash consideration.

ISSUANCE OR SALE. Disclose the issuance of all "securities", not just common stock. This may require changing the headings on the tabular disclosure. If the number of persons to whom securities were issued was less than 10, their names should be listed. You must also disclose the price, if any, at which the securities were issued and the date of sale.

TABULAR DISCLOSURE. Tabular disclosure is recommended with a narrative explanation preceding or following the table. The following is an example of tabular disclosure:

Date	*Number of Shares*	*Stockholders*	*Relationship*	*Price*	*Consideration*
6/5/99	*1,500*	*Blair*	*Employee*	*$ 1.00*	*Services*
12/1/98	*69,500**	*Walter*	*Director*	*$ .18*	*Services*
3/1/99	*40,000***	*Michaels*	*Employee*	*$ 1.08*	*Cash*
3/1/99	*32,250*	*Brady*	*Advisor*	*$ .20*	*Services*
8/1/99	*14,297****	*Debenture Conversion*		*$ 1.00*	*Accrued Interest*

* *Options-Mr. Walter received no cash compensation during his first two years.*

** *Mr. Michaels purchased 20,000 shares on 3/1/99. Mr. Michaels has the option to purchase an additional 20,000 shares up to 12/31/99.*

*** *The issuance of 14,297 shares pursuant to the conversion of outstanding debentures (as disclosed in Note 9, p. 12 of the Audited Financial Statements).*

OPTIONS ON SHARES. If options, warrants or other rights have been issued in the last year, the number of shares that could be issued upon exercise must be disclosed, together with a footnote that describes the material terms of any options, warrants or rights, including the exercise price.

STOCK SPLITS. Stock splits do not change a stockholder's percentage of ownership in the Company. The number of shares and prices disclosed should be restated to reflect any stock splits. Items 25 - 26 should discuss the stock split.

Note: If the Company has not issued or sold any securities in the last 12-month period, you should make that disclosure.

PRINCIPAL STOCKHOLDERS

105. In the following table, provide the name and office street address of each person who beneficially owns at least 10% of the common or preferred stock of the Company.

Class of Shares	Average Price Per Share	No. of Shares Now Held	% of Total	No. of Shares Held After Offering if All Securities Sold	% of Total

106. Number of shares beneficially owned by all Officers and Directors as a group:

106. (a) Before offering: _____ shares (_____% of total outstanding)

106. (b) After offering: Assuming minimum securities sold:_____ shares (_____% of total outstanding)

106. (c) After offering: Assuming maximum securities sold: _____ shares (_____% of total outstanding)

PRINCIPAL STOCKHOLDERS. You should disclose the ownership interest of principal stockholders, officers and directors of the Company. List the principal stockholders (any stockholder whose ownership interest represents 10% or more of the total stock outstanding) in order of their percentage of interest. Shares held by family members, through corporations or partnerships, or through any other arrangement or agreement that would allow a stockholder, officer, or director to direct or control the voting of the shares are considered to be "beneficially owned" by the person who controls them. Those shares should be included when calculating the percentage of ownership interest.

The remainder of the required information should be calculated as follows:

"Average Price per Share": means the average price paid for securities currently owned by each principal stockholder, or in the case of options, warrants or convertible securities, their exercise price. Additional disclosure should be provided in a footnote to the table if the securities were obtained in a non-cash transaction. Describe the type of non-cash

consideration given in exchange for receiving shares, and how the value of the consideration was determined.

"Number of Shares Now Held" means the number of shares of common stock (or options, warrants, or convertible securities, if more than one class of securities is owned) beneficially owned prior to the offering.

"% of Total" means the percentage of that class of securities outstanding prior to the offering or, as used in the last column, the percentage of the total of that class of securities outstanding after giving effect to the sale of all securities being offered in this offering. The total amount of securities outstanding is calculated assuming all options have been exercised and all convertible securities have been converted.

Note: This Item asks the Company to disclose the number of shares beneficially owned by all officers and directors as a group. The required information (including the figures representing the total shares outstanding) should be calculated assuming the exercise of all options and the conversion of all convertible securities. Tabular disclosure is recommended with a narrative explanation preceding or following the table. The following is an example of tabular disclosure:

Sample Calculation: Beneficial Ownership of Officers and Directors (assumes 647,020 shares outstanding prior to the offering; minimum offering of 40,000 shares; and maximum offering of 216,000 shares)

Name	Shares	Options	Total
CEO	244,312	45,000	289,312
CFO	214,582	12,000	226,582
Director	1,000	19,000	20,000
Total	459,894	76,000	535,894

% Ownership Pre-Offering	535,894/647,020	=	82.8%
% Ownership Post-Offering Minimum	535,894/687,020	=	78.0%
% Ownership Post-Offering Maximum	535,894/863,020	=	62.1%

NOTE: These calculations assume that all outstanding options have been exercised and all convertible securities have been converted.

MANAGEMENT RELATIONSHIPS AND TRANSACTIONS

FAMILY RELATIONSHIPS

107. Is there a family relationship between any Officer, Director, key person, or principal stockholder? [ ] Yes [ ] No If yes, describe.

FAMILY RELATIONSHIPS. Describe the nature of any family relationship between any director, executive officer, key person, 10% stockholder, or any person nominated or chosen by the Company to become one of the foregoing.

The term "family relationship" means any relationship by blood, marriage, or adoption, but not extending beyond a first cousin.

MANAGEMENT TRANSACTIONS

108. (a) Will the Company use any offering proceeds to acquire assets from any Officer, Director, key person, or principal stockholder?
[ ] Yes [ ] No

108. (b) Will the Company use any offering proceeds to acquire assets from an associate of any Officer, Director, key person, or principal stockholder?
[ ] Yes [ ] No

108. (c) If the answer to Item 108(a) or (b) is "yes," provide detailed information about each transaction. Include the name of the person, the cost to the Company, the method used to determine the cost, and any profit to the seller.

The Company must disclose acquisitions to be made with offering proceeds.

ACQUISITION OF ASSETS. You should respond fully to this Item. Even if a particular acquisition of assets is already discussed in Item 30, Use of Proceeds, you should emphasize the particular acquisition of assets, in this Item. The acquisition of assets usually will be purchases by the Company. However, a long term lease might also be considered to be an acquisition of assets. If so, you should describe it as if it were a

purchase. The Company must set out the cost and material terms of the acquisition transaction.

PRINCIPAL STOCKHOLDERS. As set forth in Item 105 a person is a “principal stockholder” if the person beneficially owns, directly or indirectly, 10% or more of the common or preferred stock (or equity interests) presently outstanding. If the shares are held by family members, through corporations or partnerships or otherwise in a manner that would allow a person to direct or control the voting of shares, the Company must include these shares as beneficially owned.

ASSOCIATE. An associate includes a person who is an officer, director, a partner, or is a direct or indirect beneficial owner of 5% or more of any class of equity security of an affiliate; a trust or estate in which an affiliate has a substantial beneficial interest or for which an affiliate serves as a trustee or in a similar capacity; or an affiliate’s spouse and an affiliate’s relative by blood or marriage.

VALUATION. If the Company is purchasing an asset from an associate, you should disclose the name of the person, the cost to the Company, and the method of determining the cost. One method of determining cost is the fair market value as established by a market for the particular asset. The cost to the seller might form the basis for the cost to the Company. Generally you should disclose the lower of the seller's cost or market value. You also might disclose the asset's chain-of-title back to an independent third party so as to demonstrate a starting point for fair market value or original cost.

If the Company has obtained or will obtain an appraisal of the value of the asset to be acquired, disclose the value. If the Company has not obtained an appraisal, disclose that fact.

DISCLOSURE OF PROFIT. The Item requires the Company to disclose any profit to an officer, director, employee, principal stockholder, or an associate. Based upon their relationship with the Company, these persons should be required to disclose their profit. The seller acquired the property for a certain amount and sold it for a certain amount so that the profit may be estimated in that manner. The seller of the asset must report profits earned for income tax purposes, usually calculated as the sale price minus the cost basis in the asset. If the seller cannot determine what his or her basis is, the Company should assume that the seller's tax basis is zero and insist that the entire amount received be disclosed as profit.

RISK FACTORS. At a minimum, the Company must disclose that any transaction with an officer or director or other affiliated person was not engaged in as an arms-length transaction. Additionally, if the method of determining the value is not based on the lower of fair market value or the cost to the seller a special disclosure covering this must be

made. If the Company has not obtained an appraisal of the particular asset being acquired, an appropriate risk factor also might be needed.

109. (a) Will the Company use any offering proceeds to reimburse any Officer, Director, key person, or principal stockholder for services already rendered, assets previously transferred, or moneys loaned or advanced, or otherwise? [ ] Yes [ ] No

109. (b) If yes, provide detailed information about each transaction. Include the name of the person, the cost to the Company, the method used to determine the cost, and any profit to the person.

REIMBURSEMENT. You should disclose if any amount of the proceeds is to be used to reimburse an officer, director, employee or stockholder for past services, assets transferred, moneys loaned and any other such transactions. Reimbursement covers actual out of pocket payments. A typical example of reimbursement arises upon the formation of the Company. A person may advance funds for legal services for the formation of the Company and may also advance funds for the initial accounting in preparation for the securities offering.

You should discuss the particular transaction and the benefit to the Company; evaluate the services rendered or assets transferred to the Company; and finally, the value to be reimbursed. Additionally, disclose whether the person is making any profit on the particular transaction. Generally, a person may not seek reimbursement for activities that have not benefited the Company, such as for his or her own purchase of Company stock.

110. (a) Has the Company made loans to any Officer, Director, key person, or principal stockholder within the last two years? [ ] Yes [ ] No

110. (b) Does the Company plan to make loans to its Officers, Directors, key persons, or principal stockholders in the future?
[ ] Yes [ ] No
If yes, describe any policies the Company has adopted to deal with the conflicts of interest in these transactions:

DISCLOSURE OF LOANS. You should disclose in the Disclosure Document if the Company is permitted to make loans to its officers, directors, key persons or principal stockholders in the future, excluding advances made in the normal course of business for travel, business expense and similar ordinary operating expenditures. Disclosure should include whether loans must be approved by a resolution of the Board of

Directors and what role, if any, independent directors play in the approval process. Disclose any steps to be taken by the Company to determine if the loans should be made, including purpose for the loans, repayment schedules, maturity lengths, interest rates, credit reports, and promissory notes.

111. (a) Has the Company done business with any Officer, Director, key person, or principal stockholder within the last two years? [ ] Yes [ ] No

111. (b) Is the Company currently doing business with any Officer, Director, key person, or principal stockholder? [ ] Yes [ ] No

111. (c) Does the Company plan to do business with its Officers, Directors, key persons, or principal stockholders in the future? [ ] Yes [ ] No
If yes, describe any policies the Company has adopted to deal with the conflicts of interest in these transactions:

DISCLOSURE. You should disclose if the Company is permitted to do business with its officers, directors, key persons or principal stockholders in the future. Disclosure should include whether business arrangements will be on terms comparable to those available from unaffiliated third parties. Disclose any approval process required by the Board of Directors and what role, if any, Directors not having an interest in the business arrangements play in the approval process.

112. Explain any "yes" answers to Items 110(a), 111(a), or 111(b). State the principal terms of any significant loans, agreements, leases, financing, or other arrangements.

TRANSACTIONS WITH MANAGEMENT. Describe any material transactions involving the purchase or sale of assets by the Company (or any of its subsidiaries) other than in the ordinary course of business. You should state the cost of those assets to the purchaser and, if acquired by the seller within the previous two years of the transaction, the cost to the seller. Describe the methods used in determining the Company's purchase or sale price and the name(s) of the person(s) making that determination.

MATERIALITY OF AN INTEREST. To determine if a transaction needs to be disclosed, consider the relationship between the parties and the amount of the transaction as well as its importance to the Company and prospective stockholders.

113. (a) Has any Officer, Director, key person, or principal stockholder guaranteed or co-signed the Company's bank debt or other obligations? [ ] Yes [ ] No

113. (b) If yes, explain the terms of each transaction and describe the Company's plans for repayment.

LITIGATION

114. Describe any recent or pending litigation or administrative action which has had or may have a material effect upon the Company's business, financial condition, or operations. State the names of the principal parties, the nature and current status of the matters, and the amounts involved.

115. Describe any threatened litigation or administrative action that may have a material effect upon the Company's business, financial condition, or operations. State the names of the principal parties, and the nature and current status of the matters.

INTRODUCTION. In response to Items 114 and 115 the Company or its counsel should evaluate the merits of each pending litigation proceeding, including the potential impact on the Company's business, and financial condition.

SCOPE OF LITIGATION DISCLOSURE. You should disclose any litigation that is likely to have a material effect on the Company. Disclosure includes information not only about present pending litigation, but also includes past concluded litigation, and future unasserted claims of which the Company is aware. Disclosure is not limited to actions in which the Company is a party, but also includes separate litigation filed against the Company's directors, officers or key persons if the litigation is likely to have a material effect on the Company. The Company also should disclose any material litigation involving any subsidiary or affiliate. The Company also should include in its litigation disclosure, any outstanding judgments or liens that are a result of litigation.

MATERIALITY. If the litigation is material in its effect on the Company, you must disclose that. The Company should use its own judgment to determine if disclosure is needed. If there is any doubt about what is material, the Company should seek the assistance of an attorney or an accountant. A business may routinely generate a certain type of claim, for example, a negligence claim. The claim may not be material unless it exceeds the average for that type of claim. Claims for damages below 10% of the net assets of the Company are not usually material. A proceeding for bankruptcy, receivership or a similar proceeding is always material. Regulatory problems involving securities law violations should always be disclosed. Finally, disclose any material legal proceeding in which certain corporate insiders or affiliates of the Company are in a position that is contrary to that of the Company.

In determining the disclosure necessary in the Company's financial statements, answer the question: Should pending or threatened litigation be disclosed as a contingent liability? You should consider the following factors: the period in which the underlying cause of action occurred; if the litigation is pending, the probability of an unfavorable outcome, or if the litigation is threatened, the probability that a suit may be filed and the possibility of an unfavorable outcome; and, the ability to reasonably estimate the amount or range of potential losses.

Counsel for the Company should be asked to assess the likelihood that the company may lose. Based on the ability to reasonably estimate the amount of any contingent liability, an assessment may be required as to the material impact the resulting liability would have on the financial condition of the Company. Ordinarily, contingent liabilities associated with securities law violations must be disclosed.

CONTENT OF DISCLOSURE. To fully respond to this Item, you should include the name of the court where the proceeding is pending, a description of the facts underlying the claim and the relief sought.

TAX ASPECTS

116. Describe any material tax consequences to investors in this offering.

TAX IMPACT ON INVESTORS. You should discuss the federal income tax treatment of the Company and its impact on investors. If the Company is set up as an "S Corporation," a limited liability company, or other entity in which income is usually "passed through," you should discuss the impact on investors. Investors need to know how they will be taxed. Discuss other relevant tax treatment that may have an impact on investors.

POTENTIAL LOSS OF S CORPORATION STATUS. The primary risk involved in S corporation status is the Company's potential loss of that status. Disqualifying factors should be discussed in light of the individual circumstances of the issuer.

FEASIBILITY OF S CORPORATION STATUS FOR COMPANIES REGISTERING AN OFFERING. Because an S Corporation may have only 75 stockholders and one class of stock, an exemption from any state registration process should be actively pursued prior to considering registration. A Company claiming S corporation status that files an application should retain a qualified tax advisor to evaluate the tax aspects and risks and obtain a written analysis or opinion. If such analysis and opinion is not obtained from an independent tax advisor, the Company should disclose this fact.

LIMITED LIABILITY COMPANIES. Since this type of entity may provide the tax advantages of a limited partnership and the liability protection of a corporation and may issue multiple classes of stock, you should discuss any tax impact on the company and its members.

REIT'S AND COOPERATIVES. Certain types of businesses organized under state law as corporations may qualify for special tax treatment. Two possible examples are the real estate investment trust and the cooperative. If a corporation qualifies as a REIT or a co-op for tax purposes, there may be a substantial individual tax impact on the members, which you should disclose to potential investors.

NET OPERATING LOSSES. Some companies may have accumulated a substantial net operating loss that may be carried forward into subsequent tax years to shelter income. If the Company intends to emphasize this disclosure in the offering, specific and accurate disclosure, should be included.

OTHER MATERIAL FACTORS

117. Describe any other material factors, either adverse or favorable, that will or could affect the Company or its business or which are necessary to make any other information in this Disclosure Document not misleading or incomplete.

CATCH ALL. The Items in this Disclosure Document do not cover all industries and types of businesses. You may find it necessary to add material disclosure under this Item that is not covered elsewhere. You should understand that an investor may not be able to make an informed investment decision unless full and complete information about the Company is given when completing the Disclosure Document.

ADDITIONAL INFORMATION

118. (a) Describe the types of information that the Company will provide to security holders in the future.

118. (b) Describe the schedule for providing this information.

Your Disclosure Document should disclose what financial information about the company's progress will be provided after the offering of securities has been completed. You also should disclose when that information will be provided. Generally, stockholders will receive an annual report within 120 days after the end of your fiscal year. The report should contain financial statements prepared in accordance with generally accepted accounting principles and reviewed by independent certified public accountants in accordance with the accounting and review service standards promulgated by the American Institute of Certified Public Accountants. See Appendix B.

118. (c) Attach the Company's financial statements to the Disclosure Document.

GENERAL INSTRUCTIONS FOR FINANCIAL STATEMENTS. There should be total consistency between the information in the narrative responses to Disclosure Document Items and the information appearing in the Financial Statements, including the accompanying Notes. You should contact your securities regulator to discuss financial statement requirements, as certain states have financial statement requirements that differ from those discussed in this manual.

FINANCIAL STATEMENTS. Attach to the Disclosure Document for the Company and its consolidated subsidiaries, a balance sheet as of the end of the most recent fiscal year. If the Company has been in existence for less than one fiscal year, attach a balance sheet as of the date within 135 days of the date of filing the registration application. If the first effective date of state registration, as set forth on the Cover Page of the Disclosure Document, is within 45 days after the Company's fiscal year end and financial statements for the most recent fiscal year are not available, the balance sheet may be as of the end of the preceding fiscal year. An additional balance sheet, at least as current as the end of the Company's most recent third fiscal quarter, should be included. Also attach, for the Company and its consolidated subsidiaries, and for its predecessors, statements of income and cash flows and statements of changes in stockholders' equity for the most recent fiscal year or such shorter period as the Company (including predecessors) has been in existence. In addition, for any interim period at least as current as the end of the Company's most recent third fiscal quarter, attach statements of income and cash flows.

Financial statements shall be prepared in accordance with generally accepted accounting principles. If the Company has not conducted significant operations, statements of receipts and disbursements shall be included in place of statements of income. Interim financial statements may be unaudited. All other financial statements shall be audited by independent certified public accountants; provided, however, that if each of the following four conditions are met, such financial statements in place of being audited may be reviewed by independent certified public accountants in accordance with the Accounting and Review Service Standards promulgated by the American Institute of Certified Public Accountants: (a) the Company shall not have previously sold securities in an offering involving the general solicitation of prospective investors using advertising, mass mailings, public meetings, "cold call" telephone solicitation or any other method directed toward the public, (b) the Company has not been previously required under federal or state securities laws to provide audited financial statements in connection with any sale of its securities, (c) the aggregate amount of all previous sales of securities by the Company (exclusive of any debt financing with banks and similar commercial lenders) shall not exceed $1,000,000, and (d) the amount of the present offering does not exceed $1,000,000.

If since the beginning of its last fiscal year the Company has acquired another business, you should provide a pro forma combined balance sheet as of the end of the fiscal year, and a pro forma combined statement of income as if the acquisition had occurred at the beginning of the Company's last fiscal year, and any of the following exists: (a) the investments in and advances to the acquired business by the Company and its subsidiaries (other than the acquired business) exceed 20% of the Company's assets on its consolidated balance sheet at the end of the Company's last fiscal year, (b) the Company's and its subsidiaries (other than the acquired business') proportionate share of the total assets (after intercompany eliminations) of the acquired business exceeds 20% of the assets on the consolidated balance sheet, or (c) the Company's and its subsidiaries (other than the acquired business') equity in income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle, of the acquired business exceeds 20% of such income of the Company and its consolidated subsidiaries for the Company's last fiscal year.

The financial statements should reflect all stock splits (including reverse stock splits), stock dividends and recapitalizations even if they have occurred since the date of the financial statements.

Any responses to Items in the Disclosure Document discussing income or revenues should identify the accounting period(s) involved and those figures should agree with the figures on the Income Statement for the same period(s). Any discussion of outstanding shares, warrants, and options (both in number and price) in your Disclosure Document should take into account stock splits and stock dividends. Often the stock dividends and splits are reflected only in the Financial Statements (or in a subsequent event Note to the latest Financial Statement).

The above discussion of financial statements may appear to permit the Company to include only the Balance Sheet and Income Statement in an annual report. In order for the financial statements to be in accordance with generally accepted accounting principles, the Company must also present the Statement of Cash Flows and the Statement of Retained Earnings.

SIGNATURES:

The Company's Chief Executive Officer, Chief Financial Officer, and its Directors must sign this Disclosure Document. When they sign this Disclosure Document, they represent that they have diligently attempted to confirm the accuracy and completeness of the information in the Document.

When the Chief Financial Officer signs this Disclosure Document, he or she represents that the financial statements in the Document have been prepared in accordance with generally accepted accounting principles which have been consistently applied, except where explained in the notes to the financial statements and represents that the financial statements fairly state the Company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. He or she also represents that year-end figures include all adjustments necessary for a fair presentation under the circumstances.

Chief Executive Officer:

_____

Title

Chief Financial Officer:

_____

Title:

Directors:

_____

_____

_____

_____

_____

_____

Appendix A

SAMPLE RISK FACTORS

These examples are intended to aid the Company in developing risk factor disclosure for the Company's own offering. These examples should not be copied word for word nor will they apply to every offering. An offering may require risk factor disclosure for which an example is not included in this list. Each risk factor should summarize the potential impact of the risk on the investor and not simply state a fact.

For a company with a limited operating history:

We have a limited operating history.
We were incorporated on *xx/xx/xx* and have been operating only since *xx/xx/xx*. Because we have been operating for only a short period of time, we have not produced a profit. There is no assurance that we will ever produce a profit. As a new enterprise, we are likely to be subject to risks our management has not anticipated. We have limited resources and will not be able to continue operating without the proceeds from this offering. It is possible that the proceeds from this offering and our other resources may not be sufficient for us to continue to finance our operations.

For a company that has a history of losses with no expectation for immediate profits:

We have incurred losses since inception and may incur future losses.
We have not yet generated a profit from operations. As of the date of our most recent financial statements, we had an accumulated deficit of $_____. We expect to continue to experience losses from operations and we cannot predict when or if we will become profitable. If we achieve profitability, we may not be able to sustain it.

For a company competing in a highly technical area where products rapidly become obsolete:

The (insert description) business is highly technical and our failure to introduce new products to the market may harm our business.
We operate in a highly technical industry, which is characterized by frequent introductions of new products and services into the market. Our success will depend, in part, on our ability to improve our present products, to develop new products and to provide necessary services and support. The proceeds of this offering may not provide us with sufficient funds to finance our research and development needs.

For a company that competes against larger and better financed companies in a competitive business:

We may not have sufficient financial resources to successfully compete in the (insert description) business.
A large number of enterprises provide products or services similar to ours. We will be competing with established businesses that have a operating history, and greater financial resources, management experience and market share than we have. There can be no assurance that we will be able to compete or capture adequate market share. We will not be profitable if we cannot compete successfully with other businesses.

For a company that depends on the services of a limited number of key persons:

We depend on the services of key employees, whose knowledge of (insert description) would be difficult to replace.
Our success depends substantially on the services of (insert names and title of key persons). Our business may be harmed if we lose the services of these people and we are not able to attract and retain qualified replacements.

For a company with inexperienced management:

Our officers and directors have no experience managing a company in the (insert description) business.
None of our officers and directors has managed a company in the (insert description) business nor has experience in managing a development stage enterprise. Our ability to operate successfully may depend on our ability to attract and retain qualified technical personnel, who may be in great demand.

For a company whose management has been involved in other business ventures that have not been successful:

Our officers and directors have been involved in other business ventures that have not been successful.
Prior to organizing the Company, (insert name of appropriate officers and directors) operated a business similar to ours in which shareholders lost part or all of their investment. (Insert name of appropriate officers and directors) operated a company in the (insert description) business, which while not similar to our business, also resulted in losses to investors. Our ability to operate successfully may be determined by the ability of our officers and directors to succeed where they have failed before.

For a company whose business is highly regulated:

Our failure to comply with government rules and regulations may harm our business.
Our business must comply with local, state and federal rules and regulations. (BRIEFLY identify type of regulations, e.g., taxation, environmental, licenses.) We believe that we comply with the rules and regulations with which we are required to comply. If we fail to comply with a rule or regulation we may be subject to fines, or other penalties, or our permit or license may be lost or suspended. We may have to stop operating and our investors may lose their entire investment.

For a company whose officers, directors or key persons own a substantial number of promotional shares and options:

Our officers, directors and key persons will continue to have substantial control over the Company after the offering.
Officers, directors and key persons own (insert number) shares of common stock, which will represent (insert number) % of outstanding common stock. Consequently, they will be able to elect all of the directors and control the direction of the Company. They paid an average price of $_____ per share as compared with the public offering price of $_____ per share. In addition, they own (insert number) options or warrants which are exercisable to purchase additional shares of common stock at an average price of $_____ during the next (insert number) years. See Item 105, Principal Stockholders.

For a Company that has significant dilution between the offering price and book value:

The price of a share in this offering is significantly higher than the book value of the stock.
If we sell only the minimum number of shares in this offering, the book value per share will be $___. This is (insert number) % of the offering price. As a result, investors participating in this offering will incur immediate and substantial dilution. To the extent outstanding options or warrants to purchase our shares are exercised, new investors will incur further dilution. Book value is determined by subtracting liabilities from tangible assets and dividing the answer by the number of outstanding shares.

For shares that have no existing market:

Because there is no market for our common stock, you may not be able to sell your shares.
You may never be able to sell your shares and recover any part of your investment, unless we are able to complete a subsequent public offering or we are able to sell the Company for cash or merge with a public company.

For an arbitrary offering price:

The offering price of our shares is arbitrary.
The offering price of $___ per share bears no relationship to established value criteria such as net tangible assets, or a multiple of earnings per share and accordingly should not be considered an indication of the actual value of the Company.

For a debt offering where no sinking fund will be established:

We have not established a sinking fund for the purpose of accumulating funds for retiring the (insert name of debt instrument).
A sinking fund provides for periodic accumulation of funds over the life of the obligation with an independent trustee for the purpose of retiring the (insert name of debt instrument) at maturity. We will not maintain a sinking fund for the retirement of the (insert name of debt instrument) offered here and may not have the ability to retire the obligations when they mature.

For a debt offering where there will be no independent trustee:

We have not retained an independent trustee to act on investors' behalf in the event of default of our obligation to repay the (insert name of debt instrument).
We have not retained an independent trustee to act on investors' behalf in the event of default. Therefore, there is no independent third-party to protect investors' interests in the event the Company fails to meet any of the agreements contained in the trust indenture.

For an offering to be sold by company employees:

We have not retained an independent party to sell the offering and the failure of our officers to sell the offering may result in a shortage of operating funds.
Officers of the Company are offering our shares on a "best-efforts" basis. We have not contracted with an underwriter, placement agent, or other person to purchase or sell all, or a portion of our shares and there is no assurance that we can sell all or any of the shares. Further, if we had hired an underwriter, placement agent, or other independent person to sell the offering, that person would have conducted an independent due diligence examination into our business.

Appendix B

ACCOUNTING TERMINOLOGY

The following is a description of some of the more important terms and concepts used in accounting:

FINANCIAL STATEMENTS

GENERAL PURPOSE FINANCIAL STATEMENTS

The term “financial statements” refers to a presentation of financial data, including accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in conformity with a comprehensive basis of accounting. Financial statements are the means by which the information accumulated and processed in financial accounting is periodically communicated to those who use it. Although financial statements come in a wide variety of forms, which serve various purposes, there are four basic general purpose statements. These are:

Balance Sheet
Statement of Income or Statement of Operations
Statement of Retained Earnings or Statement of Changes in Stockholders' Equity
Statement of Cash Flows

A **Balance Sheet** is a statement which presents (as of a moment in time, unlike the other three statements which cover a time period) the assets, liabilities, and net worth of an entity. Sometimes this statement is titled **Statement of Assets and Liabilities**, **Statement of Financial Position**, or a similar title.

The **Statement of Income** or **Statement of Operations** presents for a period of time, an entity's revenues, costs, expenses, and net income or loss for the period involved. Other titles which are used include **Profit and Loss Statement**. An analogous statement for a cash basis entity could be a **Statement of Receipts and Disbursements**.

A **Statement of Changes in Stockholders' Equity** presents the changes that occurred during a given period affecting the corporation's capital accounts including retained earnings. If the only changes resulted from earnings, losses, or dividends, a company may simply present a **Statement of Retained Earnings**, or may combine the **Statement of Changes in Retained Earnings** with the **Statement of Income**. For partnerships, the analogous statement would be a **Statement of Changes in Partners' Capital**; for not-for-profit organizations, the corresponding statement would be a **Statement of Changes in Fund Balances**.

The **Statement of Cash Flows** is a statement that presents cash inflows and outflows from operating, financing, and investing activities for a given period.

PROSPECTIVE FINANCIAL STATEMENT.

Prospective financial information refers to any financial information about the future. The information may be presented as complete financial information or limited to one or more elements, items, or accounts. A prospective financial statement may be either a **Financial Forecast** or a **Financial Projection**.

A **Financial Forecast** is a prospective financial statement that presents, to the best of the responsible party's knowledge and belief, an entity's expected financial position, results of operations, and changes in financial position. In contrast, a **Financial Projection** is a prospective financial statement that presents, given one or more hypothetical assumptions, an entity's expected financial position, results of operations, and changes in financial position.

CLASSIFICATION OF FINANCIAL STATEMENTS

INTRODUCTION

Financial statements may be classified by the kind of third party involvement. In this context there are two classes of financial statements: **Audited** and **Unaudited**. Audited financial statements include only those statements which have been audited by independent certified public accountants (CPAs) and in some states, independent public accountants (PAs). **Unaudited** financial statements include those reviewed or compiled by CPAs or PAs, but also include financial statements prepared by management without any service performed by an independent CPA or PA.

AUDITED STATEMENTS

The term audit, audited, or auditing refers to an examination of the books and records of an entity by an independent CPA or independent PA intended to serve as a basis for the expression of opinion on the fairness with which the entity's financial statements present financial position, results of operations, and cash flows in conformity with generally accepted accounting principles (GAAP). The auditor's report is the medium through which the accountant expresses an opinion or, if circumstances dictate, disclaims an opinion. Also, if circumstances require it, the auditor's report may contain an explanatory paragraph describing an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time.

The terms “certified” or “examined” are sometimes used synonymously with the term “audited.”

Sometimes, an independent accountant may audit financial statements that are not prepared in accordance with GAAP, but rather are prepared on another comprehensive basis of accounting (OCBOA). Such statements include cash basis, tax basis, regulatory basis, and other non-GAAP

basis. Such statements are generally titled differently from the equivalent GAAP statements. For example, a cash basis financial statement reflecting financial position might be titled **Statement of Assets and Liabilities Arising from Cash Transactions** instead of **Balance Sheet**.

UNAUDITED STATEMENTS

The term "unaudited" refers to all statements which have not been audited. Four classes of unaudited statements are discussed in this Appendix. These are:

Management prepared statements without any third party involvement.

Compilations pursuant to AICPA's Statement on Standards for Accounting and Review Service (SSARS).

Reviews pursuant to SSARS of a nonpublic entity (although under certain circumstances a review of a public entity may be made under SSARS).

Reviews of interim financial statements of public entities pursuant to SAS.

The following is a brief description of the four classes of unaudited statements:

STATEMENTS PREPARED BY MANAGEMENT ONLY

These are statements in which no third party accounting service by an independent CPA or PA is involved. Such statements may have been prepared by an in-house accountant or other qualified individual or may have been prepared by someone with a very limited accounting background.

Statements prepared by management would not necessarily be in accordance with GAAP. Often such statements are prepared on an OCBOA basis.

COMPILATIONS

A compilation is a service by a CPA or a PA which involves reading compiled statements and considering whether they appear to be appropriate in form and free from obvious material errors.

> Compiled financial statements are accompanied by a report which states that:
>
> A compilation has been performed.
>
> A compilation is limited to presenting in the form of financial statements information that is the representation of management.
>
> The statements have not been audited or reviewed and no opinion or any other form of assurance is expressed on them.

A compiled financial statement would not necessarily be in accordance with GAAP.

REVIEWS PURSUANT TO SSARS

A review under SSARS is a service performed by a CPA or PA which includes making inquiries of the entity's personnel and applying analytical procedures, and reading statements to consider, on the basis of information known, whether the statements appear to conform with generally accepted accounting principles.

> Financial statements reviewed under SSARS are accompanied by a report that states:
>
> A review was performed in accordance with SSARS issued by the AICPA.
>
> All information included in the statements is the representation of management.
>
> A review consists principally of inquiries of company personnel and analytical procedures applied to financial data.
>
> A review is substantially less in scope than an audit, and that no opinion is expressed.
>
> The CPA is not aware of any material modifications that should be made to the statements for them to be in conformity with GAAP.

UNAUDITED FINANCIAL STATEMENTS OF A PUBLIC ENTITY

If a Public Entity is involved, neither a compilation nor a review under SSARS may generally be used. However, certain unaudited statements may be presented. For example, if in a public offering the issuer presented audited statements for three years 1991, 1990, and 1989 and an unaudited stub

period for the three months ended March 31, 1992, the latter statement could not be compiled or reviewed under SSARS. The stub period statement could be indicated as being unaudited. The CPA or PA involved may have certain responsibilities with respect to the unaudited stub statements including performing inquiries and other varied procedures as deemed appropriate.

Unaudited stub period financial statements of a Public Entity may be accompanied by a report that states:

> The statements were not audited.
>
> No opinion is expressed on them.

(Under certain circumstances, a SSARS review may be performed for a Public Entity that is not required to have audited financial statements. When a Public Entity decides not to have its financial statements audited and is not required to do so, it may have its interim and annual financial statements reviewed under the provisions of SSARS.)

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

GAAP is a technical accounting term that encompasses the conventions, rules, and procedures necessary to define accepted accounting principles at a particular time.

The word "principle" has several definitions one of which is "a general law or rule adopted or professed as a guide to action; a settled ground or basis of conduct or practice..." It is this definition which most accountants mean by the word principle when using the expression accounting principle. A generally accepted accounting principle is one which has substantial authoritative support.

Although there may be agreement on the existence of a body of generally accepted accounting principles, the determination of whether a particular accounting principle has substantial authoritative support may be difficult because no single reference source exists for all such principles. There is, however, a hierarchy of the various sources of GAAP, a summary of which is as follows:

1. Statements and interpretations of the Financial Accounting Standards Board (FASB), Opinions of the Accounting Principles Board (APB) of the American Institute of Certified Public Accountants (AICPA), and AICPA Research Bulletins.

2. FASB Technical Bulletins, AICPA Industry Audit and Accounting Guides, and the AICPA Statements of Position (SOPs).

3. Consensus positions of the FASB Emerging Issues Task Force (EITF), and AICPA Practice Bulletins.

4. AICPA accounting interpretations, “Qs and As” published by the FASB staff, as well as industry practices widely recognized and prevalent.

5. Other Accounting Literature.

Accrual basis and cash basis financial statements are examples of GAAP and non-GAAP financial statements, respectively. Accrual accounting attempts to record the financial effects on an entity of transactions in the period in which such transactions occur rather than in the period in which cash is received or paid by the entity. Accrual basis accounting recognizes that the acquisition of resources needed to provide services and the rendering of service by the organization during a period often do not coincide with the cash receipts and payments of the period. Typical accruals for small business include depreciation, accounts receivable, accounts payable, and taxes payable.

Another example of a non-GAAP financial statement is one that omits some of the required disclosure or where the disclosure is inadequate. For example, the Statement of Cash Flows is required by GAAP. If such a statement were omitted the auditor would have to qualify his or her report which would take the form of a separate paragraph in the report drawing the reader's attention to the omission and indicating that the Statement of Cash Flows is required by GAAP. The opinion paragraph of the auditor's report would by qualified by a phrase to the effect that “except that the omission of a statement of cash flows results in an incomplete presentation...” followed by the opinion. An accountant's review report would contain an analogous qualification.

GENERALLY ACCEPTED AUDITING STANDARDS (GAAS) AND STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES (SSARS)

When a CPA issues a report on the audit of the financial statements of any entity he or she states that the examination was made in accordance with GAAS. The auditing standards referred to are those which have been promulgated by the auditing standards board of the AICPA in a series of releases titled Statements on Auditing Standards (SAS).

An accountant may issue a compilation or review of the financial statements of an entity in accordance with SSARS. A compilation or a review is a service which is substantially less in scope than an audit and generally may be used only with respect to nonpublic companies. However, there is an exception. When a public entity does not have its annual statements audited, the AICPA permits an accountant to review the entity's annual or interim statements in accordance with SSARS.

Interim financial statements of public or nonpublic companies may be reviewed by a CPA under standards established by the AICPA through SAS. Interim and annual financial statements of nonpublic companies as well as interim and annual financial statements of public companies which are not required to have their annual statements audited may be reviewed under the lower standards of SSARS.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements are always management's responsibility. With respect to audited financial statements, the auditor's responsibility is to express an opinion on the financial statements.

The opinion expressed relates to whether the financial statements present fairly the financial position of the entity and the results of its operations and cash flows in conformity with GAAP.

Unaudited financial statements are also management's responsibility. When an accountant is associated (i.e., consented to the use of his or her name in a report, document, or written communications containing the statements) with the unaudited financial statements, he or she is required to disclose the degree of responsibility, if any, being taken.

PREDECESSOR

The term "Predecessor" means an entity the major portion of the business and assets of which another entity acquired in a single succession, or in a series of related successions in each of which the acquiring entity (the "Successor") acquired the major portion of the business and assets of the acquired entity.

The acquisition of assets by the Successor organization is generally recorded as a Purchase. In some situations, if certain criteria are met, two or more businesses may be combined through a Pooling of Interest in which the ownership interests of the two or more businesses are continued (usually involving an exchange of common stock for common stock) with a new entity being formed, and in such a combination each of the original businesses are considered to be a Predecessor.

When a business combination is effected by the Purchase of assets by the Successor, the assets acquired are recorded at their fair value; where the business combination meets the criteria for a Pooling of Interest, the assets and liabilities are carried forward at the valuations reflected in the books of the Predecessor companies.

Where the Predecessor is a related party and the transaction does not meet the criteria for a Pooling of Interest, and thus the acquisition of the business and assets acquired are effected by means of a Purchase, the analyst should request documentation with respect to how the fair values of the assets acquired were reached.

FORM U-7

DISCLOSURE DOCUMENT

A manual has been prepared to help you complete this Disclosure Document. The manual contains instructions for completing each Item. If you do not have a SCOR Manual, contact your State or Provincial securities regulator or the North American Securities Administrators Association.
(www.nasaa.org)

THIS BOX IS NOT PART OF THE SCOR FORM AND SHOULD BE REMOVED BEFORE THE COMPLETED FORM IS GIVEN TO PROSPECTIVE INVESTORS

Cover Page - Page 1

Place Company Logo (if any) here or to left or right of Company Name

_____
(Exact name of Company as set forth in Articles of Incorporation or Organizational Documents)

Street address of principal office:

Company Telephone Number:

Person(s) to contact at Company with respect to offering:

Telephone Number (if different from above):

Type of securities offered:

Price per security: $

Sales commission, if any: _____%

Minimum number of securities offered:

Maximum number of securities offered:

Total proceeds: If minimum sold: $

If maximum sold: $

Investment in a small business is often risky. You should not invest any funds in this offering unless you can afford to lose your entire investment. See Item 1 for a discussion of the risk factors that management believes present the most substantial risks to you.

The date of this Disclosure Document is _____.

Executive Summary

The Company

Describe the business of the Company.

Describe how the Company plans to carry out its activities.

This Company:

[ ] Has never conducted operations.
[ ] Is in the development stage.
[ ] Is currently conducting operations.
[ ] Has shown a profit in the last fiscal year.
[ ] Other (Specify):

(Check at least one, as appropriate)

Jurisdiction and date of formation: _____ _____
Fiscal year end: _____ _____
(month) (day)

How the Company Will Use Your Money

Describe how the Company intends to use the proceeds of this offering.

For more information about how the Company will use your money, see Item 30.

The Principal Officers of the Company

The Principal Officers of the Company and their titles are:

Chief Executive Officer:

Chief Operating Officer:

Chief Financial Officer:

For more information about these Officers, see Item 77.

The Offering

Name of Sales Person(s):

Address:

Telephone Number:

Is there an impound of proceeds until the minimum is obtained? [ ] Yes [ ] No
(See Items 73 - 76)

Is this offering limited to certain purchasers? [ ] Yes [ ] No (See Item 72)

Is transfer of the securities restricted? [ ] Yes [ ] No (See Item 53)

This offering is available for sale in the following states:

You should consider the terms and risks of this offering before you invest. No government regulator is recommending these securities. No government regulator has verified that this document is accurate or determined that it is adequate. It is a crime for anyone to tell you differently.

The Company has included in this Disclosure Document all of its representations about this offering. If anyone gives you more or different information, you should ignore it. You should rely only on the information in this Disclosure Document.

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RISK FACTORS

1. List in the order of importance the factors that the Company considers to be the most significant risks to an investor.

BUSINESS AND PROPERTIES

GENERAL DESCRIPTION OF THE BUSINESS

2. Describe the business of the Company, including its products or services.

3. Describe how the Company produces or provides these products or services and how and when the Company intends to carry out its activities.

SUPPLIERS

4. Does the Company have any major supply contracts? [ ] Yes [ ] No
If yes, describe.

5. (a) Is the Company dependent upon a limited number of suppliers?
[ ] Yes [ ] No If yes, describe.

5. (b) Does the Company expect to be dependent upon a limited number of suppliers?
[ ] Yes [ ] No If yes, describe.

CUSTOMER SALES AND ORDERS

6. Does the Company have any major sales contracts? [ ] Yes[ ] No
If yes, describe.

7. State the total amount of the Company's sales of products or services for the most recent 12 month financial reporting period.

8. State the dollar amount of a typical sale.

9. Are the Company's sales seasonal or cyclical? [ ] Yes [ ] No
If yes, explain.

10. State the amount of foreign sales as a percent of total sales for last fiscal year. _____%.
Explain the nature of these sales, including any anticipated changes.

11. Name any customers that account for, or based upon existing orders will account for, a major portion (20% or more) of the Company's sales.

12. State the dollar amount of firm orders.

COMPETITION

13. (a) Describe the market area in which the business competes or will compete.

13. (b) Name the Company's principal competitors and indicate their relative size and financial and market strengths.

14. (a) Does the Company compete, or expect to compete, by price?
[ ] Yes [ ] No If yes, describe its competitive strategy.

14. (b) Does the Company compete, or expect to compete, by service?
[ ] Yes [ ] No If yes, describe its competitive strategy.

14. (c) Does the Company compete, or expect to compete, on some other basis?
[ ] Yes [ ] No
If yes, state the basis and describe the Company's competitive strategy.

MARKETING

15. (a) Describe how the Company plans to market its products or services during the next 12 months, including who will perform these marketing activities.

15. (b) State how the Company will fund these marketing activities.

EMPLOYEES

16. (a) State the number of the Company's present employees by type of employee (i.e., clerical, operations, administrative, etc.).

16. (b) State the number of employees the Company anticipates it will have within the next 12 months by type of employee (i.e., clerical, operations, administrative, etc.).

17. Describe the Company's labor relations.

18. Indicate any benefits or incentive arrangements the Company provides or will provide to its employees.

PROPERTIES

19. (a) Describe generally the principal properties that the Company owns or leases.

19. (b) Indicate what properties the Company intends to acquire or lease.

RESEARCH AND DEVELOPMENT

20. Indicate the amounts that the Company spent for research and development during its last fiscal year.

21. (a) Will the Company expend funds on research and development during the current fiscal year? [ ] Yes [ ] No

21 (b) If yes, how much does the Company plan to spend on research and development during the current fiscal year?

21. (c) How does the Company intend to fund these research and development costs?

GOVERNMENTAL REGULATION

22. (a) Is the Company's business subject to material regulation by any governmental agency? [ ] Yes[ ] No

22. (b) Are the Company's products or services subject to material regulation by any governmental agency? [ ] Yes[ ] No

22. (c) Are the Company's properties subject to material regulation by any governmental agency? [ ] Yes[ ] No

22. (d) Explain in detail any "yes" answer to Item 22(a), 22(b), or 22(c), including the nature and extent of the regulation and its effect or potential effect upon the Company.

23. (a) Is the Company required to have a license or permit to conduct business?
[ ] Yes[ ] No

23. (b) If yes, does the Company have the required license or permit?
[ ] Yes[ ] No

23. (c) If the answer to Item 23(b) is "yes," describe the effect on the Company and its business if it were to lose the license or permit.

23. (d) If the Company has not yet acquired a required license or permit, describe the steps the Company needs to take to obtain the license or permit. Estimate the time it will take to complete each step.

COMPANY HISTORY AND ORGANIZATION

24. Summarize the material events in the development of the Company.

25. Describe any recent stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization.

26. Discuss any pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization.

27. State the names of any parent, subsidiary, or affiliate of the Company. For each, indicate its business purpose, its method of operation, its ownership, and whether it is included in the Financial Statements attached to this Disclosure Document.

MILESTONES

28. Describe in chronological order the steps management intends to take to achieve, maintain, or improve profitability during the 12 months following receipt of the offering proceeds.

If management does not expect the Company to achieve profitability during that time period, describe the business objectives for that period and the steps management intends to take to achieve those objectives.

Indicate the probable timing of each step and the approximate cost to complete it.

29. (a) State the anticipated consequences to the Company if any step is not completed as scheduled.

29. (b) Describe how the Company will deal with these consequences.

NOTE: After reviewing management's discussion of the steps it intends to take, potential investors should consider whether achievement of each step within the estimated time frame is realistic. Potential investors should also assess the consequences to the Company of any delays in taking these steps and whether the Company will need additional financing to accomplish them.

USE OF PROCEEDS

30. Show how the Company intends to use the proceeds of this offering:

	If Minimum Sold		If Maximum Sold	
	Amount	%	Amount	%
Total Proceeds	$	100%	$	100%
Less: Offering Expenses				
Commissions and Finders Fees				
Legal & Accounting				
Copying & Advertising				
Other (Specify):				
Net Proceeds from Offering	$	%	$	%
Use of Net Proceeds				
	$	%	$	%
	$	%	$	%
	$	%	$	%
	$	%	$	%
	$	%	$	%
Total Use of Net Proceeds	$	100%	$	100%

31. (a) Is there a minimum amount of proceeds that must be raised before the Company uses any of the proceeds of this offering? [ ] Yes[ ] No

31. (b) If yes, describe how the Company will use the minimum Net Proceeds of this offering.

31. (c) If the answer to Item 31(a) is "yes," describe how the Company will use the Net Proceeds of this offering that exceed the amount of the minimum offering proceeds.

31. (d) If the answer to Item 31(a) is "no," describe how the Company will use the Net Proceeds of this offering.

32. (a) Will the Company use other funds, together with the offering proceeds, to fund any project or activity identified in Item 31? [ ] Yes[ ] No

32. (b) If yes, state the amounts and sources of the other funds.

32. (c) Indicate whether the availability of the funds is firm or contingent. If contingent, explain.

NOTE: See the answer to Item 70 for information about proceeds used to compensate sales agents. See the answer to Items 108 and 109 for information about proceeds used to purchase assets from Officers, Directors, key persons, or principal stockholders or their associates or to reimburse them for services previously provided or moneys borrowed.

SELECTED FINANCIAL INFORMATION

NOTE: The Company has adjusted all numbers in this section to reflect any stock splits or recapitalizations.

GENERAL

33. What were net, after-tax earnings for the last fiscal year? (If losses, show in parenthesis.)

Total $
Per share $

34. If the Company had profits, show offering price as a multiple of earnings.

Offering Price Per Share = (price/earnings multiple)
Net After-Tax Earnings Per Share for Last Fiscal Year

CAPITALIZATION

35. Indicate the capitalization of the Company as of the most recent balance sheet date, and as adjusted to reflect the sale of the minimum and maximum amount of securities in this offering and the use of the net proceeds from this offering.

	Amount Outstanding		
	As of: / / (date)	As Adjusted Minimum	Maximum
Debt:			
Short-term debt (average interest rate ___%)	$	$	$
Long-term debt (average interest rate ___%)	$	$	$
Total debt	$	$	$
Stockholders equity (deficit):			
Preferred stock - par or stated value (by class of preferred – in order of preferences)			
_____	$	$	$
_____	$	$	$
_____	$	$	$
Common stock - par or stated value	$	$	$
Additional paid in capital	$	$	$
Retained earnings (deficit)	$	$	$
Total stockholders equity (deficit)	$	$	$
Total Capitalization	$	$	$

Number of preferred shares authorized to be outstanding:

Class of Preferred	Number of Shares Authorized	Par Value Per Share
		$
		$
		$

Number of common shares authorized: shares.
Par or stated value per share, if any: $

Number of common shares reserved to meet conversion requirements or for issuance upon the exercise of options, warrants or rights: shares.

DILUTION

36. (a) The price of the securities in this offering has been arbitrarily determined.
[ ] Yes [ ] No

36. (b) If no, explain the basis on which the price of the securities was determined.

37. (a) The net tangible book value per share before offering is: $

37. (b) For the minimum offering:

The net tangible book value per share after the minimum offering will be: $

The amount of increase in net tangible book value per share as a result of receipt of cash from purchasers in this offering will be: $

The dilution per share to purchasers will be: $

37. (c) For the maximum offering:

The net tangible book value per share after the maximum offering will be: $

The amount of increase in net tangible book value per share as a result of receipt of cash from purchasers in this offering will be: $

The dilution per share to purchasers will be: $

38. For each share purchased in this offering a purchaser will pay $ _____ but will receive a share representing only $ _____ in net tangible book value, if the minimum offering is achieved, or $ _____ , if the maximum offering is achieved.

The difference between the amount a purchaser pays for a share and the amount of net tangible book value that share represents is the dilution to the purchaser.

39. In a table, compare the existing stockholders' percentage ownership in the Company and the consideration paid for that ownership with that of purchasers in this offering.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing holders					
New Purchasers:					
Minimum offering					
Maximum offering					

40. Using the offering price of these securities, what value is the Company's management attributing to the entire Company before the offering?

$ _____

NOTE: You should consider carefully whether the Company has this value at the present time. Some issues you should think about include: (1) the risks to which the Company is subject before it achieves success (see Item 1, Risk Factors); (2) the exercise prices of outstanding options (see Item 101); and (3) the prices that the Company's Officers, Directors, and principal stockholders paid for their shares (see Items 104 and 105).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CERTAIN RELEVANT FACTORS

41. Is the Company having or does the Company anticipate having within the next 12 months any cash flow or liquidity problems? [ ] Yes [ ] No If yes, explain.

42. (a) Is the Company in default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the Company to make payments?

[ ] Yes [ ] No

42. (b) If yes, explain. Identify the creditor, state the amount in default or the term that the Company has not complied with, and describe any consequences to the Company resulting from each default.

43. Are a significant amount of the Company's trade payables more than 90 days old?
[ ] Yes [ ] No

44. Is the Company subject to any unsatisfied judgments, liens, or settlement obligations?
[ ] Yes [ ] No If yes, state the amounts.

45. Describe how the Company will resolve the problems identified in Items 41 - 44.

46. (a) Do the Company's financial statements show losses from operations?
[ ] Yes [ ] No

46. (b) If yes, explain the causes underlying these losses and what steps the Company has taken or is taking to address these causes.

47. (a) Describe any trends in the Company's historical operating results.

47. (b) Indicate any changes now occurring in the underlying economics of the Company's business which, in the opinion of Management, will have a significant impact upon the Company's results of operations within the next 12 months.

47. (c) Describe the probable impact on the Company.

47. (d) Describe how the Company will deal with this impact.

48. (a) Will the proceeds from this offering and any available funds identified in Item 32 satisfy the Company's cash requirements for the 12 month period after it receives the offering proceeds? [ ] Yes [ ] No

48. (b) If no, explain how the Company will satisfy its cash requirements. State whether it will be necessary to raise additional funds. State the source of the additional funds, if known.

DESCRIPTION OF SECURITIES OFFERED

GENERAL

49. The securities being offered are:

[ ] Common Stock
[ ] Preferred or Preference Stock
[ ] Notes, Debentures, or Bonds
[ ] Limited Liability Company Membership Interests
[ ] Units of two or more types of securities, composed of:

[ ] Other (specify):

50. These securities have:

Yes	No	
[ ]	[ ]	Cumulative voting rights
[ ]	[ ]	Other special voting rights
[ ]	[ ]	Preemptive rights to purchase any new issue of shares
[ ]	[ ]	Preference as to dividends or interest
[ ]	[ ]	Preference upon liquidation
[ ]	[ ]	Anti-dilution rights
[ ]	[ ]	Other special rights or preferences (specify):

Explain any yes answer.

51. Are there any restrictions on dividends or other distributions? [ ] Yes [ ] No
If yes, describe.

52. Are the securities convertible? [ ] Yes [ ] No
If yes, state conversion price or formula.

Date when conversion becomes effective: ___/___/___
Date when conversion expires: ___/___/___

53. Describe any resale restrictions on the securities and when the restrictions will terminate.

PREFERRED STOCK

If the securities being offered are Preference or Preferred stock:

54. Are unpaid dividends cumulative? [ ] Yes [ ] No

55. (a) Are the securities callable? [ ] Yes [ ] No If yes, describe.

55. (b) Are the securities redeemable? [ ] Yes [ ] No
If yes, describe, including redemption prices.

DEBT SECURITIES

If the securities being offered are notes or other types of debt securities:

56. What is the interest rate on the debt securities? _____%
If the interest rate is variable or there are multiple interest rates, describe.
57. What is the maturity date? ___/___/___

If the securities will have serial maturity dates, describe.

58. Is there a sinking fund? [ ] Yes [ ] No If yes, describe.

59. Is there a trust indenture? [ ] Yes [ ] No
If yes, state the name, address, and telephone number of Trustee.

60. (a) Are the securities callable? [ ] Yes [ ] No If yes, describe.

60. (b) Are the securities redeemable? [ ] Yes[ ] No
If yes, describe, including redemption prices.

61. Are the securities secured by real or personal property? [ ] Yes [ ] No
If yes, describe.

62. (a) Are the securities subordinate in right of payment of principal or interest?
[ ] Yes [ ] No If yes, explain the terms of the subordination.

62. (b) How much currently outstanding indebtedness of the Company is senior to the securities in right of payment of interest or principal? $

63. How much currently outstanding indebtedness ranks equally with the securities in right of payment? $

64. How much currently outstanding indebtedness is junior (subordinated) to the securities?
$

RATIO OF EARNINGS TO FIXED CHARGES

65. (a) If the Company had earnings during its last fiscal year, show the ratio of earnings to fixed charges on an actual and pro forma basis for that fiscal year.

	Actual		Pro Forma	
	Last Fiscal Year	Interim Period	Minimum	Maximum
"Earnings" / "Fixed Charges" =				

65. (b) If no earnings, show "Fixed Charges" only

NOTE: See the Financial Statements and especially the Statement of Cash Flows. Exercise care in interpreting the significance of the ratio of earnings to fixed charges as a measure of the "coverage" of debt service. The existence of earnings does not necessarily mean that the Company will have cash available at any given time to pay its obligations. See Items 41 - 48. Prospective purchasers should not rely on this ratio as a guarantee that they will receive the stated return or the repayment of their principal.

HOW THESE SECURITIES WILL BE OFFERED AND SOLD

COMPANY SALESPERSONS

66. Provide the following information for each Officer, Director, or Company employee who intends to offer or sell the securities:

66. (a) Name:

Title:

Address:

Telephone Number:

67. Describe any compensation that the Company will pay each person in addition to his or her customary salary and compensation.

OTHER SALESPERSONS AND FINDERS

68. Provide the following information for each salesperson who is not an Officer, Director, or employee of the Company:

68. (a) Name:

Company:

Address:

Telephone Number:

69. Provide the following information for each person who is a finder:

69. (a) Name:

Company:

Address:

Telephone Number:

70. Describe all compensation that the Company will pay to each person identified in Items 68 and 69.

71. Describe any material relationships between these sales persons or finders and the Company or its management.

PURCHASER LIMITATIONS

72. (a) Is the offering limited to certain purchasers? [ ] Yes [ ] No

72. (b) Is the offering subject to any other purchaser limitations? [ ] Yes [ ] No
72. (c) If the answer to either 72(a) or 72(b) is yes, describe the limitation.

IMPOUND OF OFFERING PROCEEDS

73. (a) Will the Company impound the proceeds of the offering until it raises the minimum offering proceeds? [ ] Yes [ ] No

73. (b) If yes, what is the minimum amount of proceeds that the Company must raise and place in an impound account before the Company can receive and use the proceeds?
$

73. (c) If the answer to Item 73(a) is "yes," state the date on which the offering will end if the Company has not raised the minimum offering proceeds. _____
date

74. (a) Does the Company reserve the right to extend the impound period?
[ ] Yes [ ] No

74. (b) If yes, describe the circumstances under which the Company might extend the impound period.

75. State the name, address, and telephone number of the bank or other similar depository institution acting as impound agent.

76. If the offering proceeds are returned to investors at the end of the impound period, will the Company pay any interest earned during the impound period to investors?
[ ] Yes[ ] No

MANAGEMENT

OFFICERS AND KEY PERSONS OF THE COMPANY

77. Provide the following information for each Officer and key person. The term "key person" means a person, other than the chief executive officer, chief operating officer, and chief financial officer, who makes a significant contribution to the business of the Company. Identify who performs the functions of Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer.

77. (a) Name: Age:

Title:

Office Street Address:

Telephone Number:

Names of employers, titles, and dates of positions held during past five years, with an indication of job responsibilities.

Education (degrees, schools, and dates):

Also a Director of the Company [ ] Yes [ ] No

Indicate amount of time to be spent on Company matters if less than full time:

DIRECTORS OF THE COMPANY

78. (a) Number of Directors:

78. (b) Are Directors elected annually? [ ] Yes [ ] No If no, explain.

78. (c) Are Directors elected under a voting trust or other arrangement?

[ ] Yes [ ] No If yes, explain.

79. Provide the following information for each Director not described in Item 77:

79. (a) Name: Age:

Office Street Address:

Telephone Number:

Names of employers, titles, and dates of positions held during past five years, with an indication of job responsibilities.

Education (degrees, schools, and dates):

CONSULTANTS

80. (a) Are all key persons employees of the Company? [ ] Yes [ ] No

80. (b) If no, state the details of each contract or engagement.

ARRANGEMENTS WITH OFFICERS, DIRECTORS, AND KEY PERSONS

81. Describe any arrangements to ensure that Officers, Directors, and key persons will remain with the Company and not compete with the Company if they leave.

82. (a) Describe the impact on the Company if it loses the services of any Officer, Director, or key person due to death or disability.

82. (b) Has the Company purchased key person life insurance on any Officer, Director, or key person? [ ] Yes [ ] No

82. (c) Has the Company made any arrangements to replace any Officer, Director, or key person it loses due to death or disability? [ ] Yes [ ] No

82. (d) If the answer to either Item 82(b) or 82(c) is "yes," describe.

COMPENSATION

83. List all compensation that the Company paid to its Officers, Directors, and key persons for the last fiscal year:

	Cash	Other
Chief Executive Officer	$	$
Chief Operating Officer		
Chief Financial Officer		
Key Persons:		
Total:	$_____	$_____
Officers as a group (number of persons ___)	$	$
Directors as a group (number of persons ___)	$	$
Key Persons as a group (number of persons ___)	$	$

84. (a) Has compensation been unpaid in prior years? [ ] Yes [ ] No

84. (b) Does the Company owe any Officer, Director, or employee any compensation for prior years? [ ] Yes [ ] No

84. (c) Explain any "yes" answer to Item 84(a) or 84(b).

85. Is compensation expected to change within the next year? [ ] Yes [ ] No
If yes, explain.

86. (a) Does the Company have any employment agreements with Officers, Directors, or key persons? [ ] Yes [ ] No If yes, describe.

86. (b) Does the Company plan to enter into any employment agreements with Officers, Directors, or key persons? [ ] Yes [ ] No If yes, describe.

PRIOR EXPERIENCE

87. Has any Officer or Director worked for or managed a company (including a separate subsidiary or division of a larger enterprise) in the same type of business as the Company?
[ ] Yes [ ] No If yes, explain in detail, including relevant dates.

88. (a) If the Company has never conducted operations or is otherwise in the development stage, has any Officer or Director managed another company in the start-up or development stage?
[ ] Yes [ ] No

88. (b) If yes, explain in detail, including relevant dates.

CERTAIN LEGAL PROCEEDINGS

Insolvency

89. Has a petition for bankruptcy, receivership, or a similar insolvency proceeding been filed by or against any Officer, Director, or key person within the past five years, or any longer period if material? [ ] Yes [ ] No

90. Was any Officer, Director, or key person an executive officer, a director, or in a similar management position for any business entity that was the subject of a petition for bankruptcy, receivership, or similar insolvency proceeding within the past five years, or any longer period if material? [ ] Yes [ ] No

91. Explain in detail any "yes" answer to Item 89 or 90.

Criminal Proceedings

92. (a) Has any Officer, Director, or key person been convicted in a criminal proceeding, excluding traffic violations or other minor offenses?[ ] Yes [ ] No

92. (b) Is any Officer, Director, or key person named as the subject of a pending criminal proceeding, excluding traffic violations or other minor offenses? [ ] Yes [ ] No

92. (c) Explain in detail any "yes" answer to Item 92(a) or 92(b).

Civil Proceedings

93. (a) Has any Officer, Director, or key person been the subject of a court order, judgment or decree in the last five years related to his or her involvement in any type of business, securities, or banking activity? [ ] Yes [ ] No

93. (b) Is any Officer, Director, or key person the subject of a pending civil or action related to his or her involvement in any type of business, securities, or banking activity?
[ ] Yes [ ] No

93. (c) Has any civil action been threatened against any Officer, Director, or key person related to his or her involvement in any type of business, securities, or banking activity?
[ ] Yes [ ] No
93. (d) Explain in detail any "yes" answer to Item 93(a), 93(b), or 93(c).

Administrative Proceedings

94. (a) Has any government agency, administrative agency, or administrative court imposed an administrative finding, order, decree, or sanction against any Officer, Director, or key person in the last five years as a result of his or her involvement in any type of business, securities, or banking activity? [ ] Yes [ ] No

94. (b) Is any Officer, Director, or key person the subject of a pending administrative proceeding related to his or her involvement in any type of business, securities, or banking activity? [ ] Yes [ ] No

94. (c) Has any administrative proceeding been threatened against any Officer, Director, or key person related to his or her involvement in any type of business, securities, or banking activity? [ ] Yes [ ] No

94. (d) Explain in detail any "yes" answer to Item 94(a), 94(b), or 94(c).

Self-Regulatory Proceedings

95. (a) Has a self-regulatory agency imposed a sanction against any Officer, Director, or key person in the last five years as a result of his or her involvement in any type of business, securities, or banking activity? [ ] Yes [ ] No

95. (b) Is any Officer, Director, or key person the subject of a pending self-regulatory organization proceeding related to his or her involvement in any type of business, securities, or banking activity? [ ] Yes [ ] No

95. (c) Has any self-regulatory organization proceeding been threatened against any Officer, Director, or key person related to his or her involvement in any type of business, securities, or banking activity? [ ] Yes [ ] No

95. (d) Explain in detail any "yes" answer to Item 95(a), 95(b), or 95(c).

NOTE: After reviewing the background of the Company's Officers, Directors and key persons, potential investors should consider whether or not these persons have adequate background and experience to develop and operate this Company and to make it successful. In this regard, the experience and ability of management are often considered the most significant factors in the success of a business.

OUTSTANDING SECURITIES

GENERAL

96. Describe all outstanding securities.

97. Describe any resale restrictions on outstanding securities and when those restrictions will terminate, if this can be determined.

98. Describe any anti-dilution rights of outstanding securities.

DIVIDENDS, DISTRIBUTIONS, AND REDEMPTIONS

99. (a) Has the Company paid any dividends on its stock, made any distributions of its stock, or redeemed any securities within the last five years? [ ] Yes [ ] No
If yes, describe each transaction.

99. (b) Does the Company have any plans or commitments to pay dividends on its stock, make distributions of its stock, or redeem its outstanding securities in the future?
[ ] Yes [ ] No If yes, explain.

OPTIONS AND WARRANTS

100. (a) State the number of shares subject to issuance under outstanding stock purchase agreements, stock options, warrants or rights. _____ shares

100. (b) The shares identified in Item 100(a) are ____% of the total shares to be outstanding after the minimum offering.

100. (c) The shares identified in Item 100(a) are ____% of the total shares to be outstanding after the maximum offering.

101. In a table, describe these stock purchase agreements, stock options, warrants, and rights. State the basic terms of these securities, including the expiration dates, the exercise prices, who holds them, whether they are qualified or non qualified for tax purposes, and whether they have been approved by stockholders.

102. State the number of shares reserved for issuance under existing stock purchase or option plans but not yet subject to outstanding purchase agreements, options, or warrants.
_____ shares

103. Does the Company have any plans or commitments to issue or offer options in the future?
[ ] Yes [ ] No If yes, explain.

SALES OF SECURITIES

104. (a) Has the Company sold or issued securities during the last 12 months?
[ ] Yes [ ] No

104. (b) If yes, in a table, provide the following information for each transaction: the date of the transaction; the amount and type of securities sold or issued; the number of purchasers to whom the securities were sold or issued; any relationship of the purchasers to the Company at the time of sale or issuance; the price at which the securities were sold or issued; and a concise description of any non-cash consideration.

PRINCIPAL STOCKHOLDERS

105. In the following table, provide the name and office street address of each person who beneficially owns at least 10% of the common or preferred stock of the Company.

Class of Shares	Average Price Per Share	No. of Shares Now Held	% of Total	No. of Shares Held After Offering if All Securities Sold	% of Total

106. Number of shares beneficially owned by all Officers and Directors as a group:

106. (a) Before offering: _____ shares (_____% of total outstanding)

106. (b) After offering: Assuming minimum securities sold:_____ shares
(_____% of total outstanding)

106. (c) After offering: Assuming maximum securities sold: _____ shares
(_____% of total outstanding)

NOTE: These calculations assume that all outstanding options have been exercised and all convertible securities have been converted.

MANAGEMENT RELATIONSHIPS AND TRANSACTIONS

FAMILY RELATIONSHIPS

107. Is there a family relationship between any Officer, Director, key person, or principal stockholder? [ ] Yes [ ] No If yes, describe.

MANAGEMENT TRANSACTIONS

108. (a) Will the Company use any offering proceeds to acquire assets from any Officer, Director, key person, or principal stockholder? [ ] Yes [ ] No

108. (b) Will the Company use any offering proceeds to acquire assets from an associate of any Officer, Director, key person, or principal stockholder? [ ] Yes [ ] No

108. (c) If the answer to Item 108(a) or (b) is "yes," provide detailed information about each transaction. Include the name of the person, the cost to the Company, the method used to determine the cost, and any profit to the seller.

109. (a) Will the Company use any offering proceeds to reimburse any Officer, Director, key person, or principal stockholder for services already rendered, assets previously transferred, or moneys loaned or advanced, or otherwise? [ ] Yes [ ] No

109. (b) If yes, provide detailed information about each transaction. Include the name of the person, the cost to the Company, the method used to determine the cost, and any profit to the person.

110. (a) Has the Company made loans to any Officer, Director, key person, or principal stockholder within the last two years? [ ] Yes [ ] No

110. (b) Does the Company plan to make loans to its Officers, Directors, key persons, or principal stockholders in the future? [ ] Yes [ ] No
If yes, describe any policies the Company has adopted to deal with the conflicts of interest in these transactions:

111. (a) Has the Company done business with any Officer, Director, key person, or principal stockholder within the last two years? [ ] Yes [ ] No

111. (b) Is the Company currently doing business with any Officer, Director, key person, or principal stockholder? [ ] Yes [ ] No

111. (c) Does the Company plan to do business with its Officers, Directors, key persons, or principal stockholders in the future? [ ] Yes [ ] No
If yes, describe any policies the Company has adopted to deal with the conflicts of interest in these transactions:

112. Explain any "yes" answers to Items 110(a), 111(a), or 111(b). State the principal terms of any significant loans, agreements, leases, financing, or other arrangements.

113. (a) Has any Officer, Director, key person, or principal stockholder guaranteed or co-signed the Company's bank debt or other obligations? [ ] Yes [ ] No

113. (b) If yes, explain the terms of each transaction and describe the Company's plans for repayment.

LITIGATION

114. Describe any recent or pending litigation or administrative action which has had or may have a material effect upon the Company's business, financial condition, or operations. State the names of the principal parties, the nature and current status of the matters, and the amounts involved.

115. Describe any threatened litigation or administrative action that may have a material effect upon the Company's business, financial condition, or operations. State the names of the principal parties, and the nature and current status of the matters.

TAX ASPECTS

116. Describe any material tax consequences to investors in this offering.

OTHER MATERIAL FACTORS

117. Describe any other material factors, either adverse or favorable, that will or could affect the Company or its business or which are necessary to make any other information in this Disclosure Document not misleading or incomplete.

ADDITIONAL INFORMATION

118. (a) Describe the types of information that the Company will provide to security holders in the future.

118. (b) Describe the schedule for providing this information.

118. (c) Attach the Company's financial statements to the Disclosure Document.

SIGNATURES:

The Company's Chief Executive Officer, Chief Financial Officer, and its Directors must sign this Disclosure Document. When they sign this Disclosure Document, they represent that they have diligently attempted to confirm the accuracy and completeness of the information in the Document.

When the Chief Financial Officer signs this Disclosure Document, he or she represents that the financial statements in the Document have been prepared in accordance with generally accepted accounting principles which have been consistently applied, except where explained in the notes to the financial statements. He or she represents that the financial statements fairly state the Company's financial position and results of operations, or receipts and disbursements, as of the dates and periods indicated. He or she also represents that year-end figures include all adjustments necessary for a fair presentation under the circumstances.

Chief Executive Officer:

_____

Title: _____

Chief Financial Officer:

_____

Title: _____

Directors:

_____

_____

_____

_____

_____

_____

_____

LIST OF EXHIBITS

Page

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FORM U-1

UNIFORM APPLICATION TO REGISTER SECURITIES

Application to . . . . . of the State of . . . . . .

pursuant to Section . . . . of the . . . . . .

1. Name and address of issuer and principal office in this state:

2. Name, address and telephone number of correspondent to whom notices and communications regarding this application may be sent:

3. Name and address of applicant:

4. Registration or acceptance for filing is sought for the following described securities in the amounts indicated:

Description of Securities	Offering Price or Proposed Offering Price	Total Offering		Offering in This State	
		No. of Shares or Units	Amount	No. of Shares or Units	Amount
			$		$
	Totals		$		$

Indicate the maximum commission to be charged: . . . . . .%

5. Amount of filing and examination fees which are enclosed: $ . . . . . $ . . . . . .

6. A Registration Statement was filed with the Securities and Exchange Commission on . . . . . .
(date)

and (became) (will become) effective on . . . . . .
(date)

7. (a) List the states in which it is proposed to offer the securities for sale to the public.

(b) List the states, if any, in which the securities are eligible for sale to the public.

(c) List the states, if any, which have refused, by order or otherwise, to authorize sale of the securities to the public, or have revoked or suspended the right to sell the securities, or in which an application has been withdrawn.

8. Submitted herewith as a part of this application are the following documents (documents on file may be incorporated by reference):

   (a) One copy of the Registration Statement and two copies of Prospectus in the latest form on file under the Securities Act of 1933.

   (b) Underwriting Agreement, Agreement among Underwriters, and Selected Dealers Agreement.

   (c) Indenture.

   (d) Issuer's charter or articles of incorporation as amended to date.

   (e) Issuer's by-laws as amended to date.

   (f) Signed copy of opinion of counsel filed with Registration Statement pursuant to the Securities Act of 1933.

   (g) Specimen (type of security) . . . . . .

   (h) Consent to service of process accompanied by appropriate corporate resolution.

   (i) If an earning computation or similar requirement is required to be met in this state, attach a separate sheet as an exhibit showing compliance.

   (j) One copy of all advertising matter to be used in connection with the offering.

   (k) Others (list each):

9. The applicant hereby applies for registration or acceptance for filing of the above described securities under the law cited above and in consideration thereof agrees so long as the registration remains in effect that it will:

   (a) Advise the above named state authority of any change prior to registration in this state in any of the information contained herein or in any of the documents submitted with or as a part of this application.

   (b) File with the above named state authority within two business days after filing with the Securities and Exchange Commission (i) any amendments other than delaying amendments to the federal registration statement designating the changed, revised or added material or information by underlining the same; and (ii) the final prospectus, or any further amendments or supplements thereto.

   (c) Notify the above named state authority within two business days (i) upon the receipt of any stop order, denial, order to show cause suspension or revocation order, injunction or restraining order, or similar order entered or issued by any state or other regulatory authority or by any court concerning the securities covered by this application or other securities of the issuer currently being offered to the public; and (ii) upon the receipt of any notice of effectiveness of said registration by the Securities and Exchange commission.

   (d) Notify the above named state authority at least two business days prior to the effectiveness of said registration with the Securities and Exchange Commission of (i) any request by the issuer or applicant to any other state or regulatory authority for permission to withdraw any application to register the securities described herein; and (ii) a list of all states in which applications have been filed where the issuer or applicant has received notice from the state authority that the application does not comply with state requirements and cannot or does not intend to comply with such requirements.

   (e) Furnish promptly all such additional information and documents in respect to the issuer or the securities covered by this application as may be requested by the above named state authority prior to registration or acceptance for filing.

Form U-1

Date: .....

.....
Name of Applicant

By .....
(Name and Title)

STATE OF. . . . . }
COUNTY OF . . . . . } ss

The undersigned, ... being first duly sworn, deposes and says:

That he has executed the foregoing application for and on behalf of the applicant named therein; that he is ..... of such applicant and is fully authorized to execute and file such application; that he is familiar with such application; and that to the best of his knowledge, information and belief the statements made in such application are true and the documents admitted therewith are true copies of the originals thereof.

.....
Name

Subscribed and sworn to before me
this . . . . . day of . . . . . ., 19 . . . .

.....
NOTARY PUBLIC

In and for the County of . . . . . .
State of . . . . . .
My Commission Expires: . . . . . .
(Notarial Seal)

Form U-2

Form U-2 Uniform Consent to Service of Process

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned _____ (a corporation), (a partnership), a () organized under the laws of _____ or (an individual), [strike out inapplicable nomenclature] for purposes of complying with the laws of the States indicated hereunder relating to either the registration or sale of securities, hereby irrevocably appoints the officers of the States so designated hereunder and their successors in such offices, its attorney in those States so designated upon whom may be served any notice, process or pleading in any action or proceeding against it arising out of, or in connection with, the sale of securities or out of violation of the aforesaid laws of the States so designated; and the undersigned does hereby consent that any such action or proceeding against it may be commenced in any court of competent jurisdiction and proper venue within the States so designated hereunder by service of process upon the officers so designated with the same effect as if the undersigned was organized or created under the laws of that State and have been served lawfully with process in that State.

It is requested that a copy of any notice, process or pleading served hereunder be mailed to:

_____

(Name)

_____

(Address)

Place an "X" before the names of all the States for which the person executing this form is appointing the designated Officer of each State as its attorney in that State for receipt of service of process:

___AL	Secretary of State	__FL	Dept. of Banking and Finance
___AK	Administrator of the Division of Banking and Corporations, Department of Commerce and Economic Development	__GA	Commissioner of Securities
___AZ	The Corporation Commission	___GUAM	Administrator, Department of Finance
___AR	The Securities Commissioner	___HI	Commissioner of Securities
___CA	Commissioner of Corporations	___ID	Director, Department of Finance
___CO	Securities Commissioner	___IL	Secretary of State
___CT	Banking Commissioner	___IN	Secretary of State
___DE	Securities Commissioner	___IA	Commissioner of Insurance
___DC	Dept. of Insurance & Securities Regulation	___KS	Secretary of State
___KY	Director, Division of Securities	___OH	Secretary of State
___LA	Commissioner of Securities	___OR	Director, Department of Insurance and Finance

___ME	Administrator, Securities Division	___OK	Securities Administrator
___MD	Commissioner of the Division of Securities	___PA	Pennsylvania does not require filing of a Consent to Service of Process
___MA	Secretary of State	___PR	Commissioner of Financial Institutions
___MI	Commissioner, Office of Financial and Insurance Services	___RI	Director of Business Regulation
___MN	Commissioner of Commerce	___SC	Securities Commissioner
___MS	Secretary of State	___SD	Director of the Division of Securities
___MO	Securities Commissioner	___TN	Commissioner of Commerce and Insurance
___MT	State Auditor and Commissioner of Insurance	___TX	Securities Commissioner
___NE	Director of Banking and Finance	___UT	Director, Division of Securities
___NV	Secretary of State	___VT	Commissioner of Banking, Insurance, Securities & Health Administration
___NH	Secretary of State	___VA	Clerk, State Corporation Commission
___NJ	Chief, Securities Bureau	___WA	Director of the Department of Licensing
___NM	Director, Securities Division	___WV	Commissioner of Securities
___NY	Secretary of State	___WI	Department of Financial Institutions, Division of Securities
___NC	Secretary of State	___WY	Secretary of State
___ND	Securities Commissioner		

Dated this_____ day of _____, 20___
(SEAL)

_____

By _____

_____

Title

INSTRUCTIONS TO FORM U-2
UNIFORM CONSENT TO SERVICE OF PROCESS

1. The name of the issuer is to be inserted in the blank space on line 1 Uniform Form U-2 ("Form").

2. The type of person executing the Form is to be described by striking out the inapplicable nomenclature in lines 2-4 and, if appropriate, by inserting a description of the person in the blank space provided on line 2 of the Form.

3. The name of the jurisdiction under which the issuer was formed or is to be formed is to be inserted in the blank spaces on line 3 of the Form.

4. The person to whom a copy of any notice, process of pleading which is served pursuant to the Consent to Service of Process is to be inserted in the appropriate black spaces at the end of page 1 of the Form.

5. An "X" is to be placed in the space before the names of all States which the person executing this Form lawfully is appointing the officer of each State so designed on the Form as its attorney in that State for receipt of service of process.

6. A manually signed Form must be filed with each State requiring a Consent to Service of Process on Form U-2 at the office so designated by the laws or regulations of that State and must be accompanied by the exact filing fee, if any.

7. The Form must be signed by the issuer. If the issuer is a corporation, it should be signed in the name of the corporation by an executive officer duly authorized; if a partnership, it should be signed in the name of the partnership by a general partner; and if an unincorporated association or other organization which is not a partnership, the Form should be signed in the name of such organization by a person responsible for the direction of management of its affairs.

8. If the Form is mailed, it is advisable to send it by registered or certified mail, postage prepared, return receipt requested.

CORPORATE ACKNOWLEDGMENT

State or Province of_____)
County of _____) ss.

On this _____ day of _____, 20 _____ before me _____ the undersigned officer, personally appeared _____ known personally to me to be the _____ of the above named corporation and
(Title)
acknowledged that he, as an officer being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as an officer.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

_____
Notary Public/Commissioner of Oath
My Commission Expires_____

(SEAL)

INDIVIDUAL OR PARTNERSHIP ACKNOWLEDGMENT

State or Province of _____)
County of _____) ss.

On this _____day of _____, 20_____, before me, _____, the undersigned officer, personally appeared _____ to me personally known and known to me to be the same person(s) whose name(s) is (are) signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

In WITNESS WHEREOF I have hereunto set my hand and official seal.

_____
Notary Public/Commissioner of Oaths
My Commission Expires_____

(SEAL)

Form U-2A

Uniform Corporate Resolution
Uniform Form of Corporate Resolution of

_____
(Name of Corporation)

RESOLVED, that it is desirable and in the best interest of this Corporation that its securities be qualified or registered for sale in various states; that the President or any Vice President and the Secretary or any Assistant Secretary hereby are authorized to determine the states in which appropriate action shall be taken to qualify or register for sale all or such part of the securities of this Corporation as said officers may deem advisable; that said officers are hereby authorized to perform on behalf of this Corporation any and all such acts as they deem necessary or advisable in order to comply with the applicable laws of any such states, and in connection therewith to execute and file all requisite papers and documents, including, but not limited to, applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process; and the execution by such officers of any such paper or document or the doing by them of any act in connection with the foregoing matters shall conclusively establish their authority from this Corporation and the approval and ratification by this Corporation of the papers and documents so executed and the action so taken.

CERTIFICATE

The undersigned hereby certifies that he is the _____ Secretary of _____, a corporation organized and existing under the laws of the State of _____; that the foregoing is a true and correct copy of a resolution duly adopted at a meeting of the Board of Directors of said corporation held on the _____day of _____, 20____, at which meeting a quorum was at all times present and acting; that the passage of said resolution was in all respects legal; and that said resolution is in full force and effect.

Dated this_____day of _____, 20_____.

_____
Secretary

(CORPORATE SEAL)