

(Rev. 7/99)

**FORM U-7  
SCOR  
DISCLOSURE DOCUMENT**

\_\_\_\_\_  
(Exact name of Company as set forth in Articles of Incorporation or Charter)

Type of securities offered: \_\_\_\_\_

Maximum number of securities offered: \_\_\_\_\_

Minimum number of securities offered: \_\_\_\_\_

Price per security: \$ \_\_\_\_\_

Total proceeds:            If maximum sold:            \$ \_\_\_\_\_

   If minimum sold:            \$ \_\_\_\_\_

(For use of proceeds and offering expenses, see Question Nos. 9 and 10)

Is a commissioned selling agent selling the securities in this offering?  Yes  No  
If yes, what percent is commission of price to public? %.

Is there other compensation to selling agent(s)?  Yes  No

Is there a finder's fee or similar payment to any person? (See Question No. 22)  Yes  No

Is there an escrow of proceeds until minimum is obtained? (See Question No. 26)  Yes  No

Is this offering limited to members of a special group, such as employees of the Company or individuals? (See Question No. 25)  Yes  No

Is transfer of the securities restricted? (See Question No. 25)  Yes  No

**INVESTMENT IN SMALL BUSINESSES INVOLVES A HIGH DEGREE OF RISK, AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR INVESTMENT IN ITS ENTIRETY. SEE QUESTION NO. 2 FOR THE RISK FACTORS THAT MANAGEMENT BELIEVES PRESENT THE MOST SUBSTANTIAL RISK FACTORS IN THIS OFFERING.**

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THIS DISCLOSURE DOCUMENT CONTAINS ALL OF THE REPRESENTATIONS BY THE COMPANY CONCERNING THIS OFFERING, AND NO PERSON SHALL MAKE DIFFERENT OR BROADER STATEMENTS THAN THOSE CONTAINED HEREIN. INVESTORS ARE CAUTIONED NOT TO RELY UPON ANY INFORMATION NOT EXPRESSLY SET FORTH IN THIS DISCLOSURE DOCUMENT.**

This Disclosure Document, together with Financial Statements and other Attachments, consists of \_\_\_\_\_ pages.

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)

This offering has been registered for offer and sale in the following states:

<u>State</u>	<u>State File No.</u>	<u>Effective Date</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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**THE COMPANY**

- 1. Exact corporation name: \_\_\_\_\_  
State and date of incorporation: \_\_\_\_\_  
Street address of principal office: \_\_\_\_\_  
Company Telephone Number: ( \_\_\_\_\_ ) \_\_\_\_\_  
Fiscal year: \_\_\_\_\_ (month) \_\_\_\_\_ (day)  
Person(s) to contact at Company with respect to offering: \_\_\_\_\_  
Telephone Number (if different from above): ( \_\_\_\_\_ ) \_\_\_\_\_

**RISK FACTORS**

- 2. List in the order of importance the factors which the Company considers to be the most substantial risks to an investor in this offering in view of all facts and circumstances or which otherwise make the offering one of high risk or speculation (i.e., those factors which constitute the greatest threat that the investment will be lost in whole or in part, or not provide an adequate return).
  - (1) \_\_\_\_\_
  - (2) \_\_\_\_\_
  - (3) \_\_\_\_\_
  - (4) \_\_\_\_\_
  - (5) \_\_\_\_\_
  - (6) \_\_\_\_\_
  - (7) \_\_\_\_\_
  - (8) \_\_\_\_\_

**NOTE:** In addition to the above risks, businesses are often subject to risks not foreseen or fully appreciated by management. In reviewing this Disclosure Document potential investors should keep in mind other possible risks that could be important.

**BUSINESS AND PROPERTIES**

- 3. With respect to the business of the Company and its properties:
  - (a) Describe in detail what business the Company does and proposes to do, including what products or goods are or will be produced or services that are or will be rendered.

- (b) Describe how these products or services are to be produced or rendered and how and when the Company intends to carry out its activities. If the Company plans to offer a new product(s), state the present stage of development, including whether or not a working prototype(s) is in existence. Indicate if completion of development of the product would require a material amount of the resources of the Company, and the estimated amount. If the Company is or is expected to be dependent upon one or a limited number of suppliers for essential raw materials, energy or other items, describe. Describe any major existing supply contracts.
- (c) Describe the industry in which the Company is selling or expects to sell its products or services and, where applicable, any recognized trends within that industry. Describe that part of the industry and the geographic area in which the business competes or will compete. Indicate whether competition is or is expected to be by price, service, or other basis. Indicate (by attached table if appropriate) the current or anticipated prices or price ranges for the Company's products or services, or the formula for determining prices, and how these prices compare with those of competitors' products or services, including a description of any variations in product or service features. Name the principal competitors that the Company has or expects to have in its area of competition. Indicate the relative size and financial and market strengths of the Company's competitors in the area of competition in which the Company is or will be operating. State why the Company believes that it can effectively compete with these and other companies in its area of competition.

Note: Because this Disclosure Document focuses primarily on details concerning the Company rather than the industry in which the Company operates or will operate, potential investors may wish to conduct their own separate investigation of the Company's industry to obtain broader insight in assessing the Company's prospects.



- (h) Indicate the extent to which the Company's operations depend or are expected to depend upon patents, copyrights, trade secrets, know-how or other proprietary information and the steps undertaken to secure and protect this intellectual property, including any use of confidentiality agreements, covenants-not-to-compete and the like. Summarize the principal terms and expiration dates of any significant license agreements. Indicate the amounts expended by the Company for research and development during the last fiscal year, the amount expected to be spent this year and what percentage of revenues research and development expenditures were for the last fiscal year.
- (i) If the Company's business products, or properties are subject to material regulation (including environmental regulation) by federal, state, or local governmental agencies, indicate the nature and extent of regulation and its effects or potential effects upon the Company.
- (j) State the names of any subsidiaries of the Company, their business purposes and ownership, and indicate which are included in the Financial Statements attached hereto.
- (j) Summarize the development of the Company (including any material mergers or acquisitions) during the past five years, or for whatever lesser period the Company has been in existence. Discuss any pending or anticipated mergers, acquisitions, spin-offs or recapitalizations. If the Company has recently undergone a stock split, stock dividend or recapitalization in anticipation of this offering, describe (and adjust historical per share figures elsewhere in this Disclosure Document accordingly).
4. (a) If the Company was not profitable during its last fiscal year, list below in chronological order the events which in management's opinion must or should occur or the milestones which in management's opinion the Company must or should achieve in order for the Company to become profitable, and indicate the expected manner of occurrence or the expected method by which the Company will achieve the milestones.

	<u>Event or milestone</u>	<u>Expected manner of occurrence or method of achievement</u>	<u>Date, or number of months after receipt of proceeds, when should be accomplished</u>
(1)	_____	_____	_____
(2)	_____	_____	_____
(3)	_____	_____	_____
(4)	_____	_____	_____
(5)	_____	_____	_____
(6)	_____	_____	_____

- (b) State the probable consequences to the Company of delays in achieving each of the events or milestones within the above time schedule, and particularly the effect of any delays upon the Company's liquidity in view of the Company's then anticipated level of operating costs. (See Question Nos. 11 and 12)

**Note:** After reviewing the nature and timing of each event or milestone, potential investors should reflect upon whether achievement of each within the estimated time frame is realistic and should assess the consequences of delays or failure of achievement in making an investment decision.

### OFFERING PRICE FACTORS

If the securities offered are common stock, or are exercisable for or convertible into common stock, the following factors may be relevant to the price at which the securities are being offered.

5. What were net, after-tax earnings last year? (If losses, show in parenthesis.)

Total \$ \_\_\_\_\_ Per share based upon number of shares outstanding after this offering if all securities sold: \$ \_\_\_\_\_

6. If the Company had profits, show offering price as a multiple of earnings. Adjust to reflect for any stock splits or recapitalization, and use conversion or exercise price in lieu of offering price, if applicable.

$$\frac{\text{Offering Price Per Share}}{\text{Net After-Tax Earnings Last Year Per Share}} = \text{_____ (price/earnings multiple)}$$

7. (a) What is the net tangible book value of the Company? (If deficit, show in parenthesis.) For this purpose, net tangible book value means total assets (exclusive of copyrights, patents, goodwill, research and development costs and similar intangible items) minus total liabilities.

\$ \_\_\_\_\_ Per share based upon number of shares outstanding immediately prior to this offering: \$ \_\_\_\_\_

If the net tangible book value per share is substantially less than this offering (or exercise or conversion) price per share, explain the reasons for the variation.

- (b) State the dates on which the Company sold or otherwise issued securities during the last 12 months, the amount of such securities sold, the number of persons to whom they were sold, any relationship of such persons to the Company at the time of sale, the price at which they were sold and, if not sold for cash, a concise description of the consideration. (Exclude bank debt.)

8. (a) What percentage of the outstanding shares of the Company will the investors in this offering have? (Assume exercise of options, warrants or rights and conversion of convertible securities.)

If the maximum is sold: \_\_\_\_\_ %

If the minimum is sold: \_\_\_\_\_ %

- (b) What value is management attributing to the entire Company by establishing the price per security set forth on the cover page (or exercise or conversion price if common stock is not offered)? (Total outstanding shares after offering times offering price, or exercise or conversion price if common stock is not offered.)



If maximum is sold: \$ \_\_\_\_\_

If minimum is sold: \$ \_\_\_\_\_

(For above purposes, assume convertible securities are converted and outstanding options exercised in determining "shares")

Note: After reviewing the above, potential investors should consider whether or not the offering price (or exercise or conversion price, if applicable) for the securities is appropriate at the present stage of the Company's development.

### USE OF PROCEEDS

9. (a) The following table sets forth the use of the proceeds from this offering:

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

- (b) If there is no minimum amount of proceeds that must be raised before the Company may use the proceeds of the offering, describe the order or priority in which the proceeds set forth above in the column "If Maximum Sold" will be used.

**Note:** After reviewing the portion of the offering allocated to the payment of offering expenses, and to the immediate payment to management and promoters of any fees, reimbursements, past salaries or similar payments, a potential investor should consider whether the remaining portion of his investment, which would be that part available for future development of the Company's business and operations, would be adequate.

10. (a) If material amounts of funds from sources other than this offering are to be used in conjunction with the proceeds from this offering, state the amounts and sources of such other funds, and whether funds are firm or contingent. If contingent, explain.

- (b) If any material part of the proceeds is to be used to discharge indebtedness, describe the terms of such indebtedness, including interest rates. If the indebtedness to be discharged was incurred within the current or previous fiscal year, describe the use of the proceeds of such indebtedness.
- (c) If any material amount of the proceeds is to be used to acquire assets, other than in the ordinary course of business, briefly describe and state the cost of the assets and other material terms of the acquisitions. If the assets are to be acquired from officers, directors, employees or principal stockholders of the Company or their associates, give the names of the persons from whom the assets are to be acquired and set forth the cost to the Company, the method followed in determining the cost, and any profit to such persons.
- (d) If any amount of the proceeds is to be used to reimburse any officer, director, employee or stockholder for services already rendered, assets previously transferred, monies loaned or advanced, or otherwise, explain:
11. Indicate whether the Company is having or anticipates having within the next 12 months any cash flow or liquidity problems and whether or not it is in default or in breach of any note, loan, lease or other indebtedness or financing arrangement requiring the Company to make payments. Indicate if a significant amount of the Company's trade payables have not been paid within the stated trade term. State whether the Company is subject to any unsatisfied judgments, liens or settlement obligations and the amounts thereof. Indicate the Company's plans to resolve any such problems.
12. Indicate whether proceeds from this offering will satisfy the Company's cash requirements for the next 12 months, and whether it will be necessary to raise additional funds. State the source of additional funds, if known.

### CAPITALIZATION

13. Indicate the capitalization of the Company as of the most recent practicable 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 therefrom:

	As of: ___/___/___ (date)	<u>Amount Outstanding</u> <u>As Adjusted</u>	
		<u>Minimum</u>	<u>Maximum</u>
Debt:			
Short-term debt (average interest rate ____%)	\$ _____	\$ _____	\$ _____
Long-term debt (average interest Rate ____%)	\$ _____	\$ _____	\$ _____
Total Debt	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
Stockholders equity (deficit):			
Preferred stock – par value x no. of outstanding shares (By class of preferred in order of preferences)			
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
Common stock – par value x no. of outstanding shares	\$ _____	\$ _____	\$ _____
Additional paid in capital	\$ _____	\$ _____	\$ _____
Retained earnings (deficit)	\$ _____	\$ _____	\$ _____
Total stockholders equity (deficit)	\$ _____	\$ _____	\$ _____
Total Capitalization	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>

Number of preferred shares authorized to be outstanding:

<u>Class of Preferred</u>	<u>Number of Shares Authorized</u>	<u>Par Value Per Share</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Number of common shares authorized: \_\_\_\_\_ shares. Par 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.

### DESCRIPTION OF SECURITIES

14. The securities being offered hereby are:

- Common Stock
- Preferred or Preference Stock
- Notes or Debentures
- Units of two or more type of securities composed of: \_\_\_\_\_
- Other: \_\_\_\_\_

15. These securities have:

- | Yes                      | No                       |   |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Cumulative voting rights                              |
| <input type="checkbox"/> | <input type="checkbox"/> | Other special voting rights                           |
| <input type="checkbox"/> | <input type="checkbox"/> | Preemptive rights to purchase in new issues of shares |
| <input type="checkbox"/> | <input type="checkbox"/> | Preference as to dividends or interest                |
| <input type="checkbox"/> | <input type="checkbox"/> | Preference upon liquidation                           |
| <input type="checkbox"/> | <input type="checkbox"/> | Other special rights or preferences (specify): _____  |

Explain: \_\_\_\_\_  
\_\_\_\_\_

16. Are the securities convertible?  Yes  No  
If so, state conversion price or formula. \_\_\_\_\_  
Date when conversion becomes effective: \_\_\_\_/\_\_\_\_/\_\_\_\_  
Date when conversion expires: \_\_\_\_/\_\_\_\_/\_\_\_\_

17. (a) If securities are notes or other types of debt securities:

- (1) What is the interest rate? \_\_\_\_%  
If interest rate is variable or multiple rates, describe: \_\_\_\_\_  
\_\_\_\_\_
- (2) What is the maturity date? \_\_\_\_/\_\_\_\_/\_\_\_\_  
If serial maturity dates, describe: \_\_\_\_\_  
\_\_\_\_\_
- (3) Is there a mandatory sinking fund?  Yes  No Describe: \_\_\_\_\_  
\_\_\_\_\_
- (4) Is there a trust indenture?  Yes  No  
Name, address and telephone number of Trustee \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- (9) Are the securities callable or subject to redemption?  Yes  No  
Describe, including redemption prices: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(10) Are the securities collateralized by real or personal property?  Yes  No  
 Describe: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

(7) If these securities are subordinated in right of payment of interest or principal, explain the terms of such subordination. \_\_\_\_\_  
 \_\_\_\_\_

How much currently outstanding indebtedness of the Company is senior to the securities in right of payment of interest or principal? \$\_\_\_\_\_.  
 How much indebtedness shares in right of payment on an equivalent (pari passu) basis? \$\_\_\_\_\_. How much indebtedness is junior (subordinated to the securities)? \$\_\_\_\_\_.

(b) If notes or other types of debt securities are being offered and 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. "Earnings" means pre-tax income from continuing operations plus fixed charges and capitalized interest. "Fixed charges" means interest (including capitalized interest), amortization of debt discount, premium and expense, preferred stock dividend requirements of majority owned subsidiary, and such portion of rental expense as 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 notes or other debt securities.

		Last Fiscal Year		
		Actual	Pro Forma	
			Minimum	Maximum
<u>"Earnings"</u>	=			
<u>"Fixed Charges"</u>				
If no earnings, show "Fixed Charges" only				

**Note:** Care should be exercised in interpreting the significance of the ratio of earnings to fixed charges as a measure of the "coverage" of debt service, as the existence of earnings does not necessarily mean that the Company's liquidity at any given time will permit payment of debt service requirements to be timely made. See Question Nos. 11 and 12. See also the Financial Statements and especially the Statement of Cash Flows.

18. If securities are Preference or Preferred stock:  
 Are unpaid dividends cumulative?  Yes  No  
 Are securities callable?  Yes  No

Explain:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**Note:** Attach to this Disclosure Document copies or a summary of the charter, by law or contractual provision or document that gives rise to the rights of holders of Preferred or Preference Stock, notes or other securities being offered.

19. If securities are capital stock of any type, indicate restrictions on dividends under loan or other financing arrangements or otherwise:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

20. Current amount of assets available for payment of dividends (if deficit must be first made up, show deficit in parenthesis): \$\_\_\_\_\_.

**PLAN OF DISTRIBUTION**

21. The selling agents (that is, the persons selling the securities as agent for the Company for a commission or other compensation) in this offering are:

Name: _____	Name: _____
Address: _____	Address: _____
_____	_____
Telephone (____) _____	Telephone (____) _____

22. Describe any compensation to selling agents or finders, including cash, securities, contracts or other consideration, in addition to the cash commission set forth as a percent of the offering price on the cover page of this Disclosure Document. Also indicate whether the Company will indemnify the selling agents or finders against liabilities under the securities laws. ("Finders" are persons who for compensation act as intermediaries in obtaining selling agents or otherwise making introductions in furtherance of this offering.)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

23. Describe any material relationships between any of the selling agents or finders and the Company or its management.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Note:** After reviewing the amount of compensation to the selling agents or finders for selling the securities, and the nature of any relationship between the selling agents or finders and the Company, a potential investor should assess the extent to which it may be inappropriate to rely upon any recommendation by the selling agents or finders to buy the securities.

24. If this offering is not being made through selling agents, the names of persons at the Company through which this offering is being made:

Name: _____	Name: _____
Address: _____	Address: _____
_____	_____
Telephone (____) _____	Telephone (____) _____

25. If this offering is limited to a special group, such as employees of the Company, or is limited to a certain number of individuals (as required to qualify under Subchapter S of the Internal Revenue Code) or is subject to any other limitations, describe the limitations and any restrictions on resale that apply:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Will the certificates bear a legend notifying holders of such restrictions? Yes No

26. (a) Name, address and telephone number of independent bank or savings and loan association or other similar depository institution acting as escrow agent if the proceeds are escrowed until minimum proceeds are raised:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- (b) Date at which funds will be returned by escrow agent if minimum proceeds are not raised:  
\_\_\_\_/\_\_\_\_/\_\_\_\_

Will interest on proceeds during escrow period be paid to investors? Yes No

27. Explain the nature of any resale restrictions on presently outstanding shares, and when those restrictions will terminate, if this can be determined:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Note:** Equity investors should be aware that unless the Company is able to complete a further public offering or the Company is able to be sold for cash or merged with a public company that their investment in the Company may be illiquid indefinitely.

#### DIVIDENDS, DISTRIBUTION AND REDEMPTIONS

28. If the Company has within the last five years paid dividends, made distributions upon its stock or redeemed any securities, explain how much and when:

#### OFFICERS AND KEY PERSONNEL OF THE COMPANY

29. Chief Executive Officer:

Title: \_\_\_\_\_

Name: \_\_\_\_\_ Age: \_\_\_\_\_

Office Street Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone No.: (\_\_\_\_) \_\_\_\_\_

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:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

30. Chief Operating Officer:

Title: \_\_\_\_\_

Name: \_\_\_\_\_ Age: \_\_\_\_\_

Office Street Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone No.: (\_\_\_\_) \_\_\_\_\_

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:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

31. Chief Financial Officer:

Title: \_\_\_\_\_

Name: \_\_\_\_\_ Age: \_\_\_\_\_

Office Street Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone No.: (\_\_\_\_) \_\_\_\_\_

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



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Education (degrees, schools, and dates):

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Also a Director of the Company? Yes No

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

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32. Other Key Personnel:

(A) Name: \_\_\_\_\_ Age: \_\_\_\_\_

Title: \_\_\_\_\_

Office Street Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone No.: (\_\_\_\_) \_\_\_\_\_

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

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Education (degrees, schools, and dates):

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Also a Director of the Company? Yes No

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

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(B) Name: \_\_\_\_\_ Age: \_\_\_\_\_

Title: \_\_\_\_\_

Office Street Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone No.: (\_\_\_\_) \_\_\_\_\_

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

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Education (degrees, schools, and dates):

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Also a Director of the Company?  Yes  No

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

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### DIRECTORS OF THE COMPANY

33. Number of Directors: \_\_\_\_\_ If Directors are not elected annually, or are elected under a voting trust or other arrangement, explain:

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34. Information concerning outside or other Directors (i.e. those not described above):

(A) Name: \_\_\_\_\_ Age: \_\_\_\_\_

Office Street Address:

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Telephone No.: (\_\_\_\_) \_\_\_\_\_

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

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Education (degrees, schools, and dates):

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(B) Name: \_\_\_\_\_ Age: \_\_\_\_\_

Office Street Address:

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Telephone No.: (\_\_\_\_) \_\_\_\_\_

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

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Education (degrees, schools, and dates):

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(C) Name: \_\_\_\_\_ Age: \_\_\_\_\_

Office Street Address:

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Telephone No.: (\_\_\_\_) \_\_\_\_\_

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

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Education (degrees, schools, and dates):

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35. (a) Have any of the Officers or Directors ever worked for or managed a company (including a separate subsidiary or division of a larger enterprise) in the same business as the Company?  
 Yes  No  
Explain:

(b) If any of the Officers, Directors or other key personnel have ever worked for or managed a company in the same business or industry as the Company or in a related business or industry, describe what precautions, if any, (including the obtaining of releases or consents from prior employers) have been taken to preclude claims by prior employer for conversion or theft of trade secrets, know-how or other proprietary information.

(c) If the Company has never conducted operations or is otherwise in the development stage, indicate whether any of the Officers or Directors has ever managed any other company in the start-up or development stage and describe the circumstances, including relevant dates.

(d) If any of the Company's key personnel are not employees but are consultants or other independent contractors, state the details of their engagement by the Company.

(e) If the Company has key man life insurance policies on any of its Officers, Directors or key personnel, explain, including the names of the persons insured, the amount of insurance, whether the insurance proceeds are payable to the Company and whether there are 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.

36. If a petition under the Bankruptcy Act or any State insolvency law was filed by or against the Company or its Officers, Directors or other key personnel, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of any such persons, or any partnership in which any of such persons was general partner at or within the past five years, or any corporation or business association of which any such person was an executive officer at or within the past five years, set forth below the name of such persons, and the nature and date of such actions.

**Note:** After reviewing the information concerning the background of the Company's Officers, Directors and other key personnel, 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.

### PRINCIPAL STOCKHOLDERS

37. Principal owners of the Company (those who beneficially own directly or indirectly 10% or more of the common and preferred stock presently outstanding) starting with the largest common stockholder. Include separately all common stock issuable upon conversion of convertible securities (identifying them by asterisk) and show average price per share as if conversion has occurred. Indicate by footnote if the price paid was for a consideration other than cash and the nature of any such consideration.

(a) Name: \_\_\_\_\_

Office Street Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone No. (\_\_\_\_\_) \_\_\_\_\_

Principal occupation:

<u>Class of Shares</u>	<u>Average Price Per Share</u>	<u>No. of Shares Now Held</u>	<u>% of Total</u>	<u>No. of Shares Held After Offering, if All Securities Sold</u>	<u>% of Total</u>

(b) Name: \_\_\_\_\_

Office Street Address: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Telephone No. (\_\_\_\_\_) \_\_\_\_\_

Principal occupation:

<u>Class of Shares</u>	<u>Average Price Per Share</u>	<u>No. of Shares Now Held</u>	<u>% of Total</u>	<u>No. of Shares Held After Offering, if All Securities Sold</u>	<u>% of Total</u>

(c) Name: \_\_\_\_\_

Office Street Address: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Telephone No. (\_\_\_\_\_) \_\_\_\_\_

Principal occupation:

<u>Class of Shares</u>	<u>Average Price Per Share</u>	<u>No. of Shares Now Held</u>	<u>% of Total</u>	<u>No. of Shares Held After Offering, if All Securities Sold</u>	<u>% of Total</u>

38. Number of shares beneficially owned by Officers and Directors as a group:

Before offering: \_\_\_\_\_ shares (\_\_\_\_\_% of total outstanding)

After offering:

a) Assuming minimum securities sold: \_\_\_\_\_ shares (\_\_\_\_\_% of total outstanding)

b) Assuming maximum securities sold: \_\_\_\_\_ shares (\_\_\_\_\_% of total outstanding)

(Assume all options exercised and all convertible securities converted.)

**MANAGEMENT RELATIONSHIPS, TRANSACTIONS AND REMUNERATION**

39. (a) If any of the Officers, Directors, key personnel or principal stockholders are related by blood or marriage, please describe.
- (b) If the Company has made loans to or is doing business with any of its Officers, Directors, key personnel or 10% stockholders, or any of their relatives (or any entity controlled directly or indirectly by any of such persons) within the last two years, or proposes to do so within the future, explain. (This includes sales or lease of goods, property or services to or from the Company, employment or stock purchase contracts, etc.) State the principal terms of any significant loans, agreements, leases, financing or other arrangements.
- (c) If any of the Company's Officers, Directors, key personnel or 10% stockholders has guaranteed or co-signed any of the Company's bank debt or other obligations, including any indebtedness to be retired from the proceeds of this offering, explain and state the amounts involved.

40. (a) List all remuneration by the Company to Officers, Directors and key personnel for the last fiscal year:

	<u>Cash</u>	<u>Other</u>
Chief Executive Officer	\$ _____	\$ _____
Chief Operating Officer	_____	_____
Chief Accounting Officer	_____	_____
Key Personnel:		
_____	_____	_____
_____	_____	_____
_____	_____	_____
Others:		
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total:	\$ _____	\$ _____
Directors as a group (number of persons _____)	\$ _____	\$ _____

- (b) If remuneration is expected to change or has been unpaid in prior years, explain:
- (c) If any employment agreements exist or are contemplated, describe:

41. (a) Number of shares subject to issuance under presently outstanding stock purchase agreements, stock options, warrants or rights: \_\_\_\_\_ shares (\_\_\_\_\_% of total shares to be outstanding after the completion of the offering if all securities sold, assuming exercise of options and conversion of convertible securities). Indicate which have been approved by shareholders. State the expiration dates, exercise prices and other basic terms for these securities:
- (b) Number of common shares subject to issuance under existing stock purchase or option plans but not yet covered by outstanding purchase agreements, options or warrants: \_\_\_\_\_ shares.
- (d) Describe the extent to which future stock purchase agreements, stock options, warrants or rights must be approved by shareholders.
42. If the business is highly dependent on the services of certain key personnel, describe any arrangements to assure that these persons will remain with the Company and not compete upon any termination:

**Note:** After reviewing the above, potential investors should consider whether or not the compensation to management and other key personnel directly or indirectly, is reasonable in view of the present stage of the Company's development.

### LITIGATION

43. Describe any past, pending or threatened litigation or administrative action which has had or may have a material effect upon the Company's business, financial condition, or operations, including any litigation or action involving the Company's Officers, Directors or other key personnel. State the names of the principal parties, the nature and current status of the matters, and amounts involved. Give an evaluation by management or counsel, to the extent feasible, of the merits of the proceedings or litigation and the potential impact on the Company's business, financial condition, or operations.

### FEDERAL TAX ASPECTS

44. If the Company is an S corporation under the Internal Revenue Code of 1986, and it is anticipated that any significant tax benefits will be available to investors in this offering, indicate the nature and amount of such anticipated tax benefits and the material risks of their disallowance. Also, state the name, address and telephone number of any tax advisor that has passed upon these tax benefits. Attach any opinion or any description of the tax consequences of an investment in the securities by the tax advisor.

Name of Tax Advisor: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Telephone No. (\_\_\_\_\_) \_\_\_\_\_

Note: Potential investors are encouraged to have their own personal tax consultant contact the tax advisor to review details of the tax benefits and the extent that the benefits would be available and advantageous to the particular investor.

### **MISCELLANEOUS FACTORS**

44. Describe any other material factors, either adverse or favorable, that will or could affect the Company or its business (for example, discuss any defaults under major contracts, any breach of bylaw provisions, etc.) or which are necessary to make any other information in this Disclosure Document not misleading or incomplete.

### **FINANCIAL STATEMENTS**

46. Attach reviewed or audited financial statements for the last fiscal year and unaudited financial statements for any interim periods thereafter. If since the beginning of the last fiscal year the Company has acquired another business the assets or net income of which were in excess of 20% of those for the Company, show pro forma combined financial statements as if the acquisition had occurred at the beginning of the Company's last fiscal year.

The Company does hereby agree to provide to investors in this offering for five years (or such longer period as required by law) hereafter annual financial reports containing a balance sheet as of the end of the Company's fiscal year and a statement of income for said fiscal year, all prepared in accordance with generally accepted accounting principles and accompanied by an independent accountant's report. If the Company has more than 100 security holders at the end of the fiscal year, the financial statements shall be audited.

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

47. If the Company's financial statements show losses from operations, explain the causes underlying these losses and what steps the Company has taken or is taking to address these causes.
48. Describe any trends in the Company's historical operating results. Indicate any changes now occurring in the underlying economics of the industry or the Company's business which, in the opinion of Management, will have a significant impact (either favorable or adverse) upon the Company's results of operations within the next 12 months, and give a rough estimate of the probable extent of the impact, if possible.
49. If the Company sells a product or products and has had significant sales during its last fiscal year, state the existing gross margin (net sales less cost of such sales as presented in accordance with generally accepted accounting principles) as a percentage of sales for the last fiscal year: \_\_\_\_%.



What is the anticipated gross margin for next year of operations? Approximately \_\_\_\_%. If this is expected to change, explain. Also, if reasonably current gross margin figures are available for the industry, indicate these figures and the source or sources from which they are obtained.

50. Foreign sales as a percent of total sales for last fiscal year: \_\_\_\_%. Domestic government sales as a percent of total domestic sales for last fiscal year: \_\_\_\_%. Explain the nature of these sales, including any anticipated changes:

### SIGNATURES

A majority of the Directors and the Chief Executive and Financial Officers of the Company shall sign this Disclosure Document on behalf of the Company and by so doing thereby certify that each has made diligent efforts to verify the material accuracy and completeness of the information herein contained. By signing this Disclosure Document, the Chief Executive and Chief Financial Officers agree to make themselves, the Company's books and records, copies of any contract, lease or other document referred to in the Disclosure Document, or any other material contract or lease (including stock operations and employee benefit plans), except any proprietary or confidential portions hereof, and a set of the exhibits to this Disclosure Document, available to each investor prior to the time of investment, and to respond to questions and otherwise confirm the information contained herein prior to the making of any investment by such investor.

The Chief Financial Officer signing this form is hereby certifying that the financial statements submitted fairly state the Company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated, all in accordance with generally accepted accounting principles consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Chief Executive Officer:

\_\_\_\_\_

Title: \_\_\_\_\_

Chief Financial Officer:

\_\_\_\_\_

Title: \_\_\_\_\_

Directors:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_