



Private Placement Memorandum

Document 4101A

www.leaplaw.com

Access to this document and the LeapLaw web site is provided with the understanding that neither LeapLaw Inc. nor any of the providers of information that appear on the web site is engaged in rendering legal, accounting or other professional services. If you require legal advice or other expert assistance, you agree that you will obtain the services of a competent, professional person and will not rely on information provided on the web site as a substitute for such advice or assistance. Neither the presentation of this document to you nor your receipt of this document creates an attorney-client relationship.

Name of Recipient

[COMPANY NAME]

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

_____ Units (“Units”),
each Unit consisting of _____ shares of
Series A Convertible Preferred Stock
and a Warrant to Purchase _____ Shares of Common Stock at \$_____ per share

[DATE]

The securities described herein have not been registered under the Securities Act of 1933, as amended (the “Act”), or any state securities laws. The securities may not be sold, transferred or otherwise disposed of by any investor unless the securities being transferred are registered under the Act or, in the opinion of counsel acceptable to the Company, registration is not required under the Act. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time.

[DATE]

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM
___ UNITS

[COMPANY NAME]

\$ _____

Each Unit consisting of (i) _____ shares of Series A Convertible Preferred Stock, par value \$ _____, and (ii) a Warrant to purchase _____ shares of Common Stock, par value \$ _____, at \$ _____ per share.

Offering Price of \$ _____ per Unit

The Units offered hereby (the “Units”) are being offered by [COMPANY NAME] (the “Company”) solely to persons who meet the definition of “accredited investors” set forth in Rule 501(a) of Regulation D (“Regulation D”) promulgated under the Securities Act of 1933, as amended (the “Act”). The Offering price of the Units is \$ _____ per Unit, with a minimum purchase of one Unit required. The Company may accept subscriptions for less than one Unit.

This Offering is made on a “best efforts, minimum/maximum” basis and consists of _____ Units, each Unit consisting of _____ shares of Series A Convertible Preferred Stock, \$ _____ par value (“Preferred Stock”), and Warrants. Each Warrant entitles the holder to purchase _____ shares of the Company’s Common Stock, \$ _____ par value, at \$ _____ per share until [DATE]. The shares of Common Stock underlying the Warrants and the shares of Common Stock into which the Preferred Stock may be converted have certain registration rights, but will be “restricted securities” for purposes of Rule 144.

THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK AND THEIR PURCHASE SHOULD BE CONSIDERED ONLY BY PERSONS WHO CAN AFFORD TO SUSTAIN A TOTAL LOSS OF THEIR INVESTMENT. SEE “RISK FACTORS.”

	Price to Offeree	Proceeds to Company ¹
Per Unit	\$ _____	\$ _____
Total Minimum ²	\$ _____	\$ _____
Total Maximum ³	\$ _____	\$ _____

¹ Before deducting expenses of this Offering to the Company of approximately \$ _____. See “Terms of the Offering.”

² The Units are offered on a “best efforts, minimum-maximum” basis. If at least _____ Units (the “Minimum Offering”) have not been sold by [DATE], unless extended by the Company but not beyond [DATE] (the “Expiration Date”), none will be sold and all funds collected from subscribers will be refunded promptly without any deductions. Pending the sale of the Minimum Offering prior to the Expiration Date, all funds will be held in an escrow account by [NAME OF LAW FIRM], counsel to the Company. Once at least _____ Units are sold, a closing and subsequent closings will be held. The Company may sell more than _____ Units. See “Terms of the Offering.”

³ The Maximum Offering includes soft fees aggregating approximately \$ _____, which will be converted to Units pursuant to the terms of this Offering and included in the amount raised in this Offering. Of the \$ _____, (a) \$ _____ represents accrued and unpaid salary payable to [NAME OF OFFICER], the [TITLE] of the Company, (b) approximately \$ _____ represents accrued legal fees payable to [NAME OF LAW FIRM], which fees will convert to Units in this Offering at a ratio of \$ _____ for each \$ _____ of indebtedness (c) \$ _____ represents funds loaned to the Company by [NAME OF OFFICER], pursuant to certain Secured Promissory Notes, which Notes will be satisfied in full upon conversion to the Units offered hereunder and (d) \$ _____ represents funds loaned to the Company by [NAME OF OFFICER], the [TITLE] of the Company, pursuant to a Secured Promissory Note, which Note will be satisfied in full upon conversion to the Units offered hereunder. [NAME OF OFFICER] accrued salary will not convert and will continue to accrue if only the Minimum Offering is raised.

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION WHERE NOT AUTHORIZED.

TABLE OF CONTENTS

The Offering.....
Summary of the Offering
Summary Financial Data.....
Risk Factors.....
Dividend Policy.....
Use of Proceeds.....
Business
Management.....
Principal Stockholders
Certain Transactions.....
Description of Units and Securities.....
Investor Suitability Standards
Terms of the Offering.....
Professional Support

Exhibits

- A - Subscription Agreement
- B - Form of Warrant
- C - Investor Rights Agreement

[COMPANY NAME]
CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM
THE OFFERING

[COMPANY NAME] (the “**Company**”) is a corporation organized under the laws of the State of [STATE].

The Company is proposing to issue up to ___ Units (the “**Maximum Offering**”) for \$_____ per Unit. Each Unit consists of _____ shares of Preferred Stock and a Warrant to purchase _____ shares of Common Stock a \$_____ per share. The Company will have one or more closings to purchase the Units subject to the sale of at least ___ Units.

If at least ___ Units (the “**Minimum Offering**”) have not been sold by [DATE] unless extended by agreement of the Company, but not beyond [DATE] (the “**Expiration Date**”), none will be sold and all funds collected from subscribers will be refunded promptly, with interest, and without any deductions. Pending the sale of the Minimum Offering prior to the Expiration Date, all funds will be held in an escrow account by [NAME OF LAW FIRM], counsel to the Company. Once at least ___ Units are sold, a closing and subsequent closings will be held.

Each investor must acquire at least one Unit (\$_____), although the Company reserves the right to sell fractional Units in its discretion.

Subscribers and the Company will execute a Subscription Agreement (a copy of which is attached hereto as Exhibit A). The description of the Offering in this Confidential Private Placement Memorandum is qualified in its entirety by reference to the Subscription Agreement.

NO INVESTOR SHOULD INVEST IN THE SECURITIES OFFERED HEREBY WITHOUT CAREFULLY REVIEWING THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM AND THE EXHIBITS HERETO, INCLUDING THE SUBSCRIPTION AGREEMENT.

Subscription Procedure

In order to subscribe for the Units, each prospective investor will be required to complete, execute and deliver [NAME OF LAW FIRM], [ADDRESS], Attention: [LAWYER'S NAME], the following documents:

1. One completed and executed copy of the Subscription Agreement, which makes certain representations concerning the investor's suitability.
 2. One completed and executed copy of the Purchaser Questionnaire for each investor.
 3. A check or wire transfer, payable or sent to "[COMPANY NAME] Escrow Account" in the amount of the purchase price per Unit of \$____ multiplied by the number of Units subscribed for.
-

THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK.

THIS MEMORANDUM AND THE EXHIBITS HERETO (COLLECTIVELY, AND AS MAY HEREAFTER BE SUPPLEMENTED, THE "MEMORANDUM") DO NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED.

NO OFFERING LITERATURE OR ADVERTISING IN WHATEVER FORM SHALL BE EMPLOYED IN THE OFFERING OF THE UNITS EXCEPT FOR THIS MEMORANDUM AND THE ATTACHMENTS HERETO, OR STATEMENTS CONTAINED HEREIN. NO PERSON HAS BEEN AUTHORIZED TO MAKE REPRESENTATIONS WITH RESPECT TO THE UNITS, EXCEPT THE REPRESENTATIONS CONTAINED HEREIN.

THIS MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE PERSON WHOSE NAME APPEARS ABOVE. ANY REPRODUCTION OF THIS MEMORANDUM IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS OTHER THAN TO THE OFFEREE'S ADVISOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY, IS PROHIBITED.

THE OFFEREE, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREES TO RETURN THIS MEMORANDUM AND ALL ENCLOSED DOCUMENTS TO THE COMPANY IF THE OFFEREE DOES NOT AGREE TO PURCHASE ANY OF THE SECURITIES OFFERED HEREBY.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY 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.

NOTICE TO RESIDENTS OF ALL STATES

THESE UNITS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED, THESE UNITS 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.

NOTICE TO CONNECTICUT RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER SECTION 36-495 OF THE CONNECTICUT UNIFORM SECURITIES ACT. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE ACT, OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

NOTICE TO ILLINOIS RESIDENTS

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE ILLINOIS SECURITIES LAW BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THIS OFFERING.

NOTICE TO MASSACHUSETTS RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MASSACHUSETTS UNIFORM SECURITIES ACT, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THIS OFFERING. THESE SECURITIES CANNOT BE SOLD,

TRANSFERRED, OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

NOTICE TO PENNSYLVANIA RESIDENTS

PURSUANT TO SECTION 207 (M) OF THE PENNSYLVANIA SECURITIES ACT OF 1972 (THE "1972 ACT"), EACH PENNSYLVANIA RESIDENT WHO ACCEPTS AN OFFER TO PURCHASE SECURITIES EXEMPTED FROM REGISTRATION UNDER SECTIONS 203(D), (F), (~) OR (R) OF THE 1972 ACT DIRECTLY FROM AN ISSUER OR AN AFFILIATE OF AN ISSUER SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE WITHOUT INCURRING ANY LIABILITY TO THE SELLER, UNDERWRITER (IF ANY) OR ANY OTHER PERSON, WITHIN TWO BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE ISSUER OF HIS WRITTEN BINDING CONTRACT OF PURCHASE, OR IN THE CASE OF A TRANSACTION IN WHICH THERE IS NO WRITTEN BINDING CONTRACT OF PURCHASE, WITHIN TWO BUSINESS DAYS AFTER HE MAKES THE INITIAL PAYMENT FOR THE SECURITIES BEING OFFERED. TO ACCOMPLISH THIS WITHDRAWAL, A SUBSCRIBER NEED ONLY SEND A LETTER OR TELEGRAM TO THE COMPANY AT THE ADDRESS SET FORTH IN THE TEXT OF THE MEMORANDUM, INDICATING HIS OR HER INTENTION TO WITHDRAW. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY. IT IS PRUDENT TO SEND SUCH LETTER BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME WHEN IT WAS MAILED. IF THE REQUEST IS MADE ORALLY (IN PERSON OR BY TELEPHONE, TO THE COMPANY AT THE NUMBER LISTED IN THE TEXT OF THE MEMORANDUM), A WRITTEN CONFIRMATION THAT THE REQUEST HAS BEEN RECEIVED SHOULD BE REQUESTED. NEITHER THE PENNSYLVANIA SECURITIES COMMISSION NOR ANY OTHER AGENCY HAS PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING, AND ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO VERMONT RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE VERMONT SECURITIES ACT, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

SUMMARY OF THE OFFERING

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Private Placement Memorandum. See "Risk Factors" for information to be considered by prospective investors.

THE COMPANY

Overview

[COMPANY OVERVIEW]

Principal Offices

Our principal offices are located at [PRINCIPAL OFFICE ADDRESS], telephone _____; fax _____; [URL]. We were incorporated in [STATE] on [DATE OF INCORPORATION].

THE OFFERING

Securities Offered:	__ Units, each Unit consisting of _____ shares of Series A Convertible Preferred Stock, par value \$ ____, and Warrants to purchase __ shares of Common Stock, par value \$ ____, at ____ per share.
Preferred Stock:	Each Unit will include __ shares of Series A Convertible Preferred Stock, par value \$ _____. See "Description of Units and Securities-Preferred Stock."
Warrants:	Each Warrant is exercisable until [DATE] to purchase _____ shares of Common Stock, par value \$ ____, for ____ per share.
Price per Unit:	\$ _____
Minimum Investment:	1 Unit (\$ _____), subject to fractional Units at the Company's discretion.
Investors:	The Shares will be offered only to "accredited investors" as defined in Regulation D under the Securities Act.
Closings:	The Company expects to hold the Initial Closing of the Offering after __ Units (\$ _____) have been subscribed for and additional closings thereafter on an interim basis. The Final Closing is expected to occur on or about 45 days from the Offering Date, [DATE], subject to extension for up to 30 days.
Common Stock and Common Stock Equivalents Outstanding Prior to the Offering	_____ shares
Common Stock and Common Stock Equivalents Outstanding After the Offering	_____ shares (Maximum Offering) _____ shares (Minimum Offering)
Expenses:	Purchasers of Units will be responsible for their own fees and expenses, including the costs, fees and expenses of their counsel and other advisors. Each purchaser of Units will be required to indemnify the Company for any finder's fees for which such purchaser is responsible.

Use of Proceeds	The Company expects to receive net proceeds of approximately \$_____ in the case of the Maximum Offering. The Company’s Board of Directors will allocate the net proceeds among the Company based upon the current and future state of operations and prospects of each such entity. See “Use of Proceeds.”
Subscription Documents	The purchase of the Units will be made pursuant to a Subscription Agreement that will contain, among other things, customary representations and warranties by the Company, investment representations of the purchasers, including representations that may be required by the Securities Act and applicable state “blue sky” laws, and appropriate conditions to closing, including, but not limited to, qualification of the offer and sale of the Common Stock issuable upon conversion thereof under applicable state “blue sky” laws. See “Subscription Procedures.”

RISKS

The Units are being offered for investment purposes only. No market for the Units currently exists nor is there any assurance that any market will develop. This Offering involves certain risks and immediate substantial dilution. See “Risk Factors”.

Use of Proceeds

The net proceeds from the sale of the Units will be used to fund the Company’s operations, including payment of accounts payable, the payment of salaries and other organizational expenses, and for working capital and general corporate purposes.

Suitability Standards

We are offering the Units solely to investors that satisfy certain suitability standards, including the ability to afford a complete loss of their investment. See “Terms of the Offering.”

Unless the context indicates otherwise, all share and per share figures in this Memorandum referring to the Company's Common Stock (i) are adjusted to reflect the conversion of all shares of the Company's Preferred Stock into Common Stock, and (ii) assume no exercise of the Warrants or any other options or warrants to purchase Common Stock.

SUMMARY OF FINANCIAL DATA

Four Months Ended
[DATE]

Statement of Operations Data:

Sales
Net Income (loss) from operations
Net income (loss) after taxes
Cash flow

As of [DATE]

Balance Sheet:

Total assets.....
Accounts Payable
Accrued Salary
Short and Long-term debt
Capital lease obligations
Stockholders' equity

[NOTATIONS, if any]

RISK FACTORS

Investment in the securities offered hereby involves certain risks and is suitable only for investors of substantial financial means who have no need for liquidity in their investment. Prospective investors should carefully consider the following risk factors:

Limited Operating History; Limited Historical Financial Data; Operating Losses

[INSERT INFO]

Projections

This Memorandum contains projections prepared by the Company on the basis of its own limited operating history, market research, financial modeling and budgeting. Although the projected results are those which management believes to be reasonable, there is not significant prior history upon which to base such projections. Such projections are based on fully disclosed assumptions that may prove to be erroneous, and no assurances can be given that the premises and assumptions on which such projections are based are valid or that such projections will be realized. Such projections are provided for the information of prospective investors, are intended to represent one possible set of results, and should not be relied upon in making an investment decision with respect to the Units. Such projections have not been prepared or examined by independent accountants.

Necessity for Additional Financing

The Company requires the proceeds from this Offering to continue operations. Management believes that the net proceeds from the Maximum Offering together with operating revenues will satisfy the Company's operating cash requirements for approximately [PERIOD OF TIME]; and that the net proceeds from the Minimum Offering together with operating revenues will satisfy the Company's operating cash requirements for approximately [PERIOD OF TIME]. However, no assurance can be given that additional working capital will not be required or if required, that additional financing can be obtained on terms satisfactory to the Company, if at all. Any such financing may result in substantial dilution of the Company's existing shareholders. [The Company has not sought to borrow funds from commercial sources, and there can be no assurance that the Company will be able to borrow or otherwise obtain funds from commercial or other sources.]

[Our Inability to Protect Our Intellectual Property Could Impair Our Competitive Advantage.]

[Our success and ability to compete depend in part upon proprietary technology. We rely primarily on a combination of copyright, trademark, and trade secret laws, nondisclosure agreements, and technical measures to protect our proprietary technology. We also limit access to, and distribution of, our proprietary technology and trade secrets.]

[Although we intend to pursue registrations for our key intellectual property, we currently rely on common law rights to protect our unregistered trademarks as well as our trade dress rights. Common law trademark rights generally are limited to the geographic area in which the trademark is actually used, while a U.S. federal registration of a trademark enables the registrant to stop the unauthorized use of the trademark by any third party anywhere in the United States. Currently, we have no patents on our proprietary technology, business processes, or products. The Company has all right title and interest in and to provisional Patent Application no. _____ entitled [TITLE] filed with the U.S. Patent Trademark Office on [DATE] (the "Patent Application") with respect to its intellectual property.]

[There can be no assurance that the patent covered by the Patent Application will issue. There can be no assurance that our efforts to protect our intellectual property rights will adequately deter misappropriation or independent third-party development of our intellectual property or prevent an unauthorized third party from obtaining or using information that we regard as proprietary. There also can be no assurance that our competitors will not independently develop proprietary rights similar to ours. Litigation may be necessary in the future to protect our trade secrets or other intellectual property rights or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on our business, financial condition, and results of operations.]

Risks Inherent in Operations

The Company is subject to all the risks inherent in a small company seeking to develop, introduce, market and distribute new products. The likelihood of the Company's success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the development, introduction, marketing and distribution of new products in a competitive environment.

Reliance Upon Key Personnel

The Company is largely dependent upon the personal efforts and abilities of [NAMES, TITLES AND DESCRIPTION OF CONTRIBUTION TO THE COMPANY]. The loss or unavailability of the services of [ANY OF] [EITHER OF] them may

have a materially adverse effect upon the Company. Each of [NAMES OF KEY EXECUTIVES] has a written employment agreement with the Company, which provides for a [TERM] employment term commencing [DATE], specifying salary, benefits and other remuneration and contains his respective job description. See "Management". The Company is contemplating employment agreements for other key members of management; however, there can be no assurance that the Company will enter into such agreements or that terms will be agreed upon. The Company does not have key-man life insurance on the lives of either [NAME OF KEY EXECUTIVES] and there are no plans at this time to purchase any such insurance. Further, if the Company should decide to purchase such insurance, there can be no assurance that [NAME OF KEY EXECUTIVES] will qualify for such insurance or, if they do, that such insurance will be available at affordable rates or, if purchased, such insurance would adequately compensate the Company for the loss of their respective services.

Control by Existing Management

Upon completion of this Offering, assuming completion of the Maximum Offering, conversion of all outstanding shares of Preferred Stock into Common Stock and no exercise of options or warrants outstanding, officers and directors as a group will directly own _____ shares of Common Stock out of _____ shares which will be outstanding (_____ shares of Common Stock out of _____ shares if the Minimum Offering), or approximately __% (__% if the Minimum Offering). [NAME OF KEY EXECUTIVES], will directly own ___ shares and ___ shares, respectively, of Common Stock out of ___ shares of Common Stock which will be outstanding (___ shares if Minimum Offering), or approximately 51% and ___% respectively (__% and __%, respectively, if the Minimum Offering). After this Offering, the management of the Company, principally [NAME OF KEY EXECUTIVES], will be able to control the Board of Directors and the policies and affairs of the Company.

Competition

Although we believe that our products and services will compete favorably in our market segments, we may not maintain a competitive position against current and potential competitors and market acceptance for our products and services has not yet been demonstrated. Many of the current and potential competitors have longer operating histories, greater name recognition, larger installed bases, and significantly greater financial, technical, marketing, and sales resources than we do. As a result, competitors may be able to react more quickly to emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products. In addition, certain of our current competitors may broaden or enhance their offerings to provide a more comprehensive solution competing more effectively with our products and services. See "Business-Competition."

Dilution

Investors purchasing shares of Preferred Stock included in the Units offered will be paying a per share price significantly in excess of the previous purchase price paid to the Company for shares of Common Stock and will experience immediate and substantial dilution.

Arbitrary Offering Price

There is no present public trading market for the Company's Common Stock and the price at which the Units are being offered bears no relationship to conventional criteria such as book value or earnings per share. The Company has determined the offering price based primarily on its projected operating results. There can be no assurance that the offering price bears any relation to the current fair market value of the Common Stock.

No Market for Common Stock

No public market exists for the Units, the Company's Common Stock, or the shares of Preferred Stock or the Warrants included in the Units, and it is not likely that a public market will develop or exist in the foreseeable future. In addition, resale of the Units, or the shares of Preferred Stock or the Warrants included in the Units, is limited both by provisions of the Act and agreements which each subscriber will make in the Subscription Agreement. Accordingly, each subscriber must be prepared to hold his/her shares for an indefinite period of time without any expectation of realizing any proceeds from the resale thereof during such period.

Possible Future Issuance of Common Stock

The Company is authorized to issue up to _____ shares of Common Stock. Currently there are _____ shares of Common Stock and equivalents issued and outstanding. Assuming completion of the Maximum Offering, conversion of the Preferred Stock into shares of Common Stock and exercise of the Warrants, there would be _____ shares (_____ if the Minimum Offering) of Common Stock outstanding. Inasmuch as the Company may use authorized but unissued shares of Common Stock to issue additional securities to raise capital, to acquire stock or assets of other companies, to compensate

employees or to undertake other activities without stockholder approval, there may be further significant dilution of stockholders' interests.

No Dividends Likely

Since its inception, the Company has had no earnings and has not paid any dividends on its Common Stock. The Company intends for the foreseeable future to follow a policy of retaining all or substantially all of its earnings, if any, to finance the development and expansion of its business.

Limited Liability for Directors and Officers

Our [NAME OF CHARTER] eliminates the personal liability of a director or officer to the Company and our stockholders for monetary damages for breach of fiduciary duty of care as a director, subject to certain exceptions, to the fullest extent allowed by [STATE] law. Accordingly, except in limited circumstances, directors and officers of the Company will not be liable to the Company or our stockholders for breach of this duty.

DIVIDEND POLICY

Since its inception, the Company has not paid dividends on its Common Stock. Payment of future dividends, if any, will be determined by the Company's Board of Directors based on conditions then existing, including the Company's financial condition, capital requirements, cash flow, profitability, business outlook and other factors. Additionally, the Company intends for the foreseeable future to follow a policy of retaining all or substantially all of its earnings, if any, to finance the development and expansion of its business.

USE OF PROCEEDS

After deduction of legal, filing, accounting, printing and other expenses of this Offering, which are estimated to be approximately \$_____, the estimated net proceeds to the Company will be approximately \$_____ for the Maximum Offering (\$_____0 for the Minimum Offering). The net proceeds from the sale of the Units will be used to fund the Company's operations, including payment of accounts payable, the payment of salaries and other organizational expenses, and for working capital and general corporate purposes.

The Maximum Offering includes soft fees and existing loans aggregating \$_____, which will be converted to Units pursuant to the terms of this Offering and included in the amount raised in this Offering. Of the \$_____, (a) \$_____ represents accrued and unpaid salary payable to [NAME OF OFFICER], the [TITLE] of the Company, (b) approximately \$_____ represents accrued legal fees payable to [NAME OF LAW FIRM], which fees will convert to Units in this Offering at a ratio of \$___ for each \$_____ of indebtedness (c) \$_____ represents funds loaned to the Company by [NAME OF OFFICER], pursuant to certain Secured Promissory Notes, which Notes will be satisfied in full upon conversion to the Units offered hereunder and (d) \$_____ represents funds loaned to the Company by [NAME OF OFFICER], the [TITLE] of the Company, pursuant to a Secured Promissory Note, which Note will be satisfied in full upon conversion to the Units offered hereunder. [NAME OF OFFICER] accrued salary will not convert and will continue to accrue if only the Minimum Offering is raised.

BUSINESS

Overview

[COMPANY OVERVIEW]

Channel Development Sales Strategy

[SALES STRATEGY]

General Business Model

[GENERAL BUSINESS MODEL]

Value Propositions

[VALUE PROPOSITION]

Benefits

[BENEFITS]

Revenue Model

[REVENUE MODEL]

Competition

[COMPETITION]

Financials

[FINANCIALS]

The [COMPANY NAME] Platform

Objective

[INSERT INFO]

The Problem

[INSERT INFO]

The Solution

[INSERT INFO]

MANAGEMENT

Directors and Executive Officers

The Company has assembled a group of executive managers experienced in the industry in the effort to develop its business. The following table sets forth certain information with respect to each of the directors and executive officers of the Company:

Name

Age

Position

Bios

[INSERT INFO]

Remuneration

The following table sets forth the cash compensation to be paid by the Company during the 12 month period following the completion of this Offering to each of its executive officers whose aggregate cash compensation will exceed \$_____ on an annual basis, and to all executive officers as a group.

Executive Compensation

The annual salary, anticipated bonuses for fiscal year [YEAR], and previously issued employee stock options of our executive officers are as follows:

<u>Name and Positions for which Compensated</u>	<u>Annual Compensation(1)</u>		<u>Employee Stock Options(4)</u>
	<u>Salary</u>	<u>Bonus(es)(3)</u>	

[NOTATIONS, if any]

Equity Incentive Plan

The Company's [YEAR] Equity Incentive Plan (the "Plan") was adopted by the Board of Directors of the Company on [YEAR]. A total of _____ shares (after giving effect to the ___ for one stock split) of Common Stock have been reserved for awards under the Plan. The Plan is intended to be an incentive to the key employees of, and persons who provide services to, the Company by enabling them to acquire or increase their equity interest in the Company. The Plan is administered by the Company's Board ("Board"). The Board may make awards under the Plan in the form of stock options (both qualified and non-qualified), stock appreciation rights, performance shares, restricted stock or stock units. The Board has complete authority to designate persons to receive awards, to grant the awards, to determine the form of the award and to fix all terms of any awards granted. Incentive stock options (which are intended to qualify as incentive stock options under Section 422A of the Internal Revenue Code) may be granted only to employees of the Company and must have an exercise price of not less than 100% of the fair market value of the Company's Common Stock on the date of grant (___% for incentive options granted to any 10% stockholder of the Company). The aggregate exercise price of the shares as to which an incentive stock option becomes exercisable in any year may not exceed \$ _____. The term of incentive stock options may not exceed ten years (five years in the case of options granted to any 10% stockholder of the Company). Non-qualified stock options and other stock awards may be granted on such terms (as to date of grant, vesting, number of shares, exercise price in the case of options, purchase price, restrictions on transfer, forfeiture and other provisions) as the Board may determine. The Plan may be

suspended or discontinued by the Board and may be amended by the Board, except that the stockholders of the Company must approve any amendment if such approval is required to comply with any applicable tax or regulatory requirement.

As of [DATE], there were _____ options to purchase shares outstanding. The Company does not intend to grant options to purchase shares prior to the conclusion of this Offering.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information as of [DATE] with respect to the beneficial ownership of the Company's Common Stock by all persons known by the Company to be the beneficial owners of more than five percent (5%) of any such class, and by each director and executive officer, and by all officers and directors as a group. Unless otherwise specified, the named beneficial owner has, to the Company's knowledge, sole voting and investment power.

Common Stock

<u>Name of Beneficial Owner</u>	<u>Number of Shares Pre-Offer</u>	<u>Number of Shares Post-Offer</u>	<u>Percent of Class</u>	
			<u>Pre-Offer</u>	<u>Post-Offer</u>
<u>Directors and Executive Officers</u>				

[NOTATIONS, if any]

CERTAIN TRANSACTIONS

[IF ANY]

DESCRIPTION OF UNITS AND SECURITIES

The Company is authorized to issue (i) _____ shares of Common Stock, par value \$ ____ and (ii) _____ shares of Preferred Stock, par value \$ ____ per share. No shares of Preferred Stock are or will be issued and outstanding prior to this Offering.

The Units

Each Unit consists of _____ shares of Preferred Stock and a Warrant to purchase _____ shares of Common Stock exercisable at ____ per share. Subject to applicable restrictions on transfer under law, the components of the Units will be immediately separately transferable.

Common Stock

The holders of Common Stock are entitled to receive dividends as and when declared by the Board of Directors out of funds legally available therefor. Upon liquidation, dissolution or winding-up of the Company, holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities. Each share of Common Stock entitles the holder thereof to one vote on all matters submitted to shareholders. The Common Stock is not subject to redemption or to liability for further calls, and is nonassessable. The holders of Common Stock have no conversion, preemptive or other subscription rights. There is no cumulative voting for the election of Directors. There are no redemption or sinking fund provisions applicable to the Common Stock. There are currently _____ shares of Common Stock issued and outstanding held by ____ shareholders of record.

Preferred Stock

The holders of Preferred Stock are entitled to [one] vote for each share of Common Stock into which such Preferred Stock could then be converted and with respect to such vote, such holders have the same voting right as holders of Common Stock. Except on certain matters affecting the rights and preferences of the Preferred Stock and to the extent otherwise required by law, holders of Preferred Stock shall not be entitled to vote as a separate class. Subject to the dividend preferences applicable to any other class of preferred stock which may come into existence, holders of Preferred Stock shall be entitled to receive cumulative dividends in preference to holders of Common Stock at the rate of \$ ____ per share per year as may be paid out of funds legally available therefor. Holders of Preferred Stock are entitled, after holders of any other preferred stock which may come into existence, to a liquidation preference of ____ per share plus any accrued but unpaid dividends or the amount that the holders of Preferred Stock would have received had they converted to Common Stock immediately prior to such liquidation, and no more. A holder of Preferred Stock may convert into Common Stock at any time upon the election of such holder, and shall convert automatically upon an equity offering by the Company which raises net proceeds to the Company of not less than \$1,000,000 (after payment of all fees and expenses including any placement agent's discounts and commissions). The Preferred Stock is convertible into Common Stock at a rate of one share of Common Stock for every one share of Preferred Stock, subject to certain adjustments. In addition, holders of Preferred Stock will be granted certain "piggy-back" registration rights; see Exhibit C annexed hereto, which contains a complete description of such registration rights. The Preferred Stock has no preemptive or other subscription rights.

Warrants

Each Unit will include one Warrant. Each Warrant will entitle the holder to purchase _____ shares of Common Stock of the Company for ____ per share until [DATE]. Alternatively, the holder of the Warrants can surrender the Warrants without cash payment and receive an amount of shares of Common Stock at the time of surrender equal to (x) the aggregate market value of the shares of Common Stock represented by the Warrants surrendered, less the exercise price of the shares of Common Stock represented by the Warrants surrendered (y) divided by the then market value of one share of Common Stock.

The exercise price and number of shares of Common Stock issuable upon exercise of the Warrants are subject to adjustment for the issuance of Common Stock (or options, warrants or convertible securities for Common Stock) at an issuance (or exercise price or purchase price) of less than the then exercise price of the Warrants. Further, the Warrants are subject to appropriate adjustments for stock splits, reverse stock splits and stock dividends, and corporate reorganizations.

Reference is made to Exhibit B, the form of the Warrants, for complete description of the terms thereof.

Miscellaneous

The description of the Company's Common Stock and Preferred Stock here and elsewhere in this Memorandum are qualified in their entirety by reference to (i) the Company's [NAME OF CHARTER], as amended, and (ii) the applicable provisions of [STATE] law.

The Company's [NAME OF CHARTER] eliminates Directors' liabilities for breaches of duties to the fullest extent permitted by [STATE] law. The Company's [NAME OF CHARTER] further provides for indemnification of its officers and directors.

INVESTOR SUITABILITY STANDARDS

Investment in the Units involves certain risks and is suitable only for persons of adequate financial means who have no need for liquidity with respect to this investment and who can afford the risk of a complete loss of their investment.

The Units will be sold only to subscribers who the Company reasonably believes are "accredited investors," as that term is defined in Regulation D promulgated under the Act.

Accredited investors are those who, at the time of sale of the Units, fall within certain categories enumerated in Rule 501(a) of Regulation D, including any of the following:

- (1) Any bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(13) of the Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- (2) Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;
- (3) Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;
- (4) Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;
- (5) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds \$1,000,000;
- (6) Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
- (7) Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii); and
- (8) Any entity in which all of the equity owners are accredited investors.

Each investor must also make certain representations to the general effect that such investor:

- (a) does not have an overall commitment to investments which are not readily marketable that is disproportionate to his net worth, and that his investment in the Units will not cause such overall commitment to become excessive;
- (b) has adequate net worth and means of providing for his current needs and personal contingencies to sustain a complete loss of his investment in the Company at the time of investment, and has no need for liquidity in his investment in the Units;
- (c) is acquiring Units for his own account, for investment only and not with a view toward resale or distribution; and
- (d) is aware that he may not be able to liquidate his investment in the event of emergency or for any other reason because the transferability of Units will be subject to restrictions in the Subscription Agreement and will be affected by restrictions on resales imposed by the Act and the securities laws of certain states.

In addition, an investment in the Units must not exceed ten percent (10%) of an investor's net worth.

The Company reserves the right to accept subscriptions from subscribers who do not meet all of the above suitability standards but who are otherwise qualified to purchase Units.

TERMS OF THE OFFERING

The ___ Units (the “**Maximum Offering**”) offered hereby are being offered and sold on a “best efforts, minimum/maximum basis” exclusively by the Company. The Units are offered at \$_____ per Unit, with a minimum required purchase of one Unit unless the Company, in its sole discretion, otherwise determines.

If at least ___ Units (the “**Minimum Offering**”) have not been sold by [DATE], unless extended by agreement of the Company, but not beyond [DATE] (the “**Expiration Date**”), none will be sold and all funds collected from subscribers will be refunded promptly, without any deductions. Pending the sale of the Minimum Offering prior to the Expiration Date, all funds will be held in an escrow account with [NAME OF LAW FIRM] counsel to the Company. Once at least ___ Units are sold, a closing and subsequent closings may be held. The Company may sell more than ___ Units.

The Company will pay all expenses in connection with qualifying the Units offered hereby for sale under the laws of such states where offers or sales will be made.

The Company’s officers, directors, employees and affiliates may purchase Units on the same terms and conditions as other investors. All such purchases may be counted towards satisfying the ___ Unit Minimum Offering.

PROFESSIONAL SUPPORT

Legal

The validity of the securities offered hereby will be passed upon for the Company by [NAME OF LAW FIRM], [CITY/STATE]

Accounting

The Company has not yet selected an independent certified public accounting firm to handle its accounting, audit and tax-related issues.

EXHIBIT A
to [COMPANY NAME]
Private Placement Memorandum

SUBSCRIPTION DOCUMENTS

EXHIBIT B
to [COMPANY NAME]
Private Placement Memorandum

FORM OF WARRANT

EXHIBIT C
to [COMPANY NAME]
Private Placement Memorandum

INVESTOR RIGHTS AGREEMENT