

Name of Recipient: John Doe

Memorandum Number: 100

**CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM  
FOR ACCREDITED INVESTORS ONLY**

**WIDGET ACQUISITION CORP., INC.**  
an **OHIO** corporation

**Offering of Shares of Preferred Stock and Warrants**

**Minimum of \$2,000,000**

**Maximum of \$2,500,000**

**Minimum Subscription per Investor - \$100,000 (100 Shares and attached Warrants;  
Each Preferred Share to be issued with Warrants to purchase one share of Common Stock on a  
fully-diluted basis)**

This Private Placement Memorandum (“Memorandum”) is intended solely for the use of the person whose name is set forth above and such person’s advisors and may not be given to any other person or reproduced (except for use by such person and such person’s advisors in connection with evaluating an investment by such person in **Widget Acquisition Corp., Inc.**, an **Ohio** corporation (the “Issuer”).

The shares of Preferred Stock (the “Preferred Shares”) and warrants (the “Warrants” and, collectively with the Preferred Shares, the “Securities”) offered hereby are offered only to investors who or that qualify as “Accredited Investors,” as defined in Regulation D promulgated under the Securities Act of 1933, as amended (the “Securities Act”). The Securities have not been registered under the Securities Act or any applicable state or federal securities laws. The Securities are being offered pursuant to exemptions from registration as provided by Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder.

	<u>Price to Investors</u>	<u>Proceeds to Us(a)</u>
Price Per Share	\$1,000	\$ 1,000
<u>Aggregate Offering:</u>		
Minimum: 2,000 Preferred Shares and attached Warrants	\$2,000,000	\$ 2,000,000
Maximum: 2,500 Preferred Shares and attached Warrants	\$ 2,500,000	\$ 2,500,000

- (a) Before deducting expenses related to the offering which are payable by the Issuer and are estimated to be up to approximately \$150,000.

**This Memorandum has not been approved or disapproved by the Securities and Exchange Commission, any state securities commission or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Memorandum. Any representation to the contrary is a criminal offense.**

**The Securities are speculative and involve a high degree of risk. Investors must be prepared to bear the economic risk of their investment for an indefinite period and be able to withstand the total loss of their investment. See “Risk Factors.”**

This Memorandum supersedes all prior or contemporaneous written or verbal communications made on behalf of, or pertaining to, the Issuer. No persons other than the Issuer are authorized to make any statements or to provide information about the Issuer to prospective investors.

**The date of this Memorandum is December 1, 20xx**

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**SAMPLE**

## NOTICES TO INVESTORS

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. 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.

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 AND THE TAX CONSEQUENCES OF SUCH AN INVESTMENT. THIS OFFERING IS BEING MADE IN RELIANCE UPON ONE OR MORE EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT.

THE ISSUER IS EXEMPT FROM THE PROVISIONS OF THE INVESTMENT COMPANY ACT OF 1940 PURSUANT TO SECTION 3(C)(1) THEREOF. CONSEQUENTLY, INVESTORS WILL NOT BE AFFORDED THE PROTECTIONS OF THE INVESTMENT COMPANY ACT.

THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ISSUER'S ARTICLES OF INCORPORATION (AS AMENDED FROM TIME TO TIME, THE "ARTICLES"), THE ISSUER'S CODE OF REGULATIONS (AS AMENDED FROM TIME TO TIME, THE "REGULATIONS") AND PURSUANT TO REGISTRATION OR EXEMPTION FROM THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THERE WILL BE NO PUBLIC MARKET FOR THESE SECURITIES AND THERE IS NO OBLIGATION ON THE PART OF ANY PERSON TO REGISTER THESE SECURITIES UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE ISSUER FOR AN INDEFINITE PERIOD OF TIME.

AN INVESTMENT IN THE SECURITIES IS A SPECULATIVE INVESTMENT INVOLVING SIGNIFICANT RISKS. SEE "RISK FACTORS". IT IS NOT, AND SHOULD NOT BE CONSIDERED TO BE, A COMPLETE INVESTMENT PROGRAM. INVESTORS MUST HAVE ADEQUATE MEANS OF PROVIDING FOR THEIR ONGOING FINANCIAL NEEDS AND CONTINGENCIES WITHOUT RELYING ON DISTRIBUTIONS OR WITHDRAWALS FROM THE ISSUER AND MUST BE ABLE TO AFFORD THE LOSS OF THEIR ENTIRE INVESTMENT IN THE PREFERRED IN THE ISSUER. ADMISSION AS AN INVESTOR OF THE ISSUER IS NOT OPEN TO THE GENERAL PUBLIC.

THIS MEMORANDUM IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE ARTICLES AND REGULATIONS OF THE ISSUER AND THE SUBSCRIPTION DOCUMENTATION PACKAGE RELATED HERETO, THE FORM OF EACH OF WHICH IS ATTACHED HERETO AS AN EXHIBIT. NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN AS CONTAINED IN THIS MEMORANDUM AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUER. STATEMENTS IN THIS MEMORANDUM ARE MADE AS OF THE DATE HEREOF UNLESS STATED OTHERWISE HEREIN, AND NEITHER THE DELIVERY OF THIS MEMORANDUM AT

## SUMMARY OF THE OFFERING

- Issuer:** Widget Acquisition Corp., Inc. an Ohio corporation incorporated in 2007. As used in this Memorandum and any supplement, the terms “WAC,” “Issuer,” “we,” “us,” or “our” refer to Widget Acquisition Corp., Inc..
- Purpose:** WAC has been formed by ABC Capital, Inc. (“ABC”) for the primary purpose of acquiring substantially all of the assets (the “Acquisition”) of Blue Widget Company, Inc. (“BWC” collectively with the predecessor company of BWC, the “Company”). The Company is in the business of manufacturing redundant default high speed widgets for the aerospace industry.
- Preferred Shares:** WAC shall issue Preferred Shares with detachable warrants to accredited investors only. The Preferred Shares will accumulate dividends at the rate of 12% per annum which may be paid, subject to certain debt covenants, at any time at the option of WAC. All accrued and unpaid dividends would be paid prior to or concurrent with redemption of the Preferred Shares.
- Warrants:** Each Preferred Share shall be issued with warrants to purchase one shares of WAC’s fully-diluted common stock (or 1.0% of fully-diluted common stock for each 100 Preferred Shares) (the “Warrants” and, together with the Preferred Shares, the “Securities”) at any time prior to ten years from the date of issuance. The Warrants will be exercisable at a nominal price of \$0.01 per share of common stock and will have, among other features, a cashless exercise option. The Warrants will benefit from anti-dilution protection and the shares of common stock into which such Warrants are convertible shall receive demand and piggyback registration rights, tag-along rights, preemptive rights, and will contain other terms and provisions to be satisfactory to WAC. Holders of Warrants will have the right to sell their Warrants (or common stock issued from the exercise thereof) back to WAC (“Put Option”) at any time subsequent to five years after Closing and WAC would have the right to purchase the Warrants (or the common stock issued from the exercise thereof) from the holders of the Warrants (“Call Option”) at any time subsequent to six years after Closing. This Put/Call will be valued at fair market value as determined by an independent appraiser.
- Preferred Return:** Subject to the terms herein and in the Articles of Incorporation and Subscription Package, the Preferred Shares shall be entitled to a preferred rate of return of 25% per annum (the “Preferred Return”). In the event Investors earn less than a 25% annual rate of return on the Preferred Shares taking into account all principal, dividends, and distributions on the Preferred Shares, the Warrants, and the common stock issued by the exercise thereof, Investors shall be entitled to the proceeds from the sale of common stock of WAC held by ABC until the earlier of (a) Investors achieve a 25% annual rate of return or (b) the Investors receive 100% of the proceeds from the sale of the common stock of WAC held by ABC (which equals 60% of the fully-diluted common stock of WAC). Investors shall be entitled to this Preferred Return only in the event that (a) the Warrants, or the common stock issued by the exercise thereof are purchased pursuant to (i) the Call Option, (ii) some other forced exercise, or (iii) a liquidity event, or (b) the Warrants remain worthless through expiration.
- Use of Proceeds:** To (a) fund a portion of the Acquisition purchase price, (b) fund growth and working capital of WAC subsequent to the Acquisition, and (c) pay fees and

## RISK FACTORS

*The risk factors set forth in this Memorandum do not include all of the risks relative to an investment of this type or to a particular investment. These risk factors contain forward-looking statements that involve significant risks and uncertainties. Discussions containing such forward-looking statements may be found in the "Risk Factors" section below and elsewhere in this Memorandum generally. The Issuer's actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors. Prospective investors, therefore, should not rely solely on this information in evaluating the merits of this investment, but should consult with their own attorneys, accountants or other advisors to the extent they deem appropriate.*

**THE PURCHASE OF THE SECURITIES INVOLVES A HIGH DEGREE OF RISK WHICH RENDERS THIS INVESTMENT SUITABLE ONLY TO PERSONS OF ADEQUATE MEANS WHO HAVE NO NEED FOR LIQUIDITY IN THIS INVESTMENT. THEREFORE, IN ADDITION TO THE MATTERS SET FORTH ELSEWHERE IN THIS OFFERING MEMORANDUM, PROSPECTIVE INVESTORS SHOULD CONSIDER THE FOLLOWING FACTORS CAREFULLY BEFORE MAKING A DECISION TO PURCHASE:**

**The financial information contained in this Memorandum may not be reliable.**

A variety of financial statements have been compiled about the Company, its affiliates and predecessors, but such financial information has not been prepared in accordance with generally accepted accounting principles. The business and operations of the Company and its affiliates have gone through several significant reorganization events, including the acquisition of the Company's real estate assets through a foreclosure brought against a predecessor company. As a result, the financial information about the Company's business and prospects is not organized in the same manner as one would expect with a single company having a continuity of business operations and financial results over a long period of time. This Memorandum is based on information that the Issuer considers to be reliable, but the Issuer does not represent that it is accurate or complete in any respects, and it should not be relied on as such. Neither the Issuer nor ABC Capital, Inc. has independently verified any of the information contained herein (financial, legal or otherwise) and neither makes any representation or warranty regarding the accuracy or completeness of the Memorandum and shall have no liability for any representation (expressed or implied) contained in or for any omissions herein.

**The Company may not achieve its projections.**

The Company has been profitable since 1998. Since 2004, the Company's sales have doubled and profitability has increased 125%. No commitments or guarantees can be made by the Issuer with respect to its future financial performance.

**General economic conditions can hurt us.**

The Issuer's ability to generate revenue is dependent on economic conditions in general, and factors that affect the aircraft demand and the aerospace market specifically. And while the Company generates 40% of its revenue from replacement parts for the aerospace market, the Issuer cannot be spared from the damaging effects of poor economic conditions.

**We rely on the aerospace industry.**

The Issuer's ability to generate revenues is dependent on the ability of its customers to maintain appropriate levels of sell-through to foreign and domestic airlines. Because the issuer is unable to control

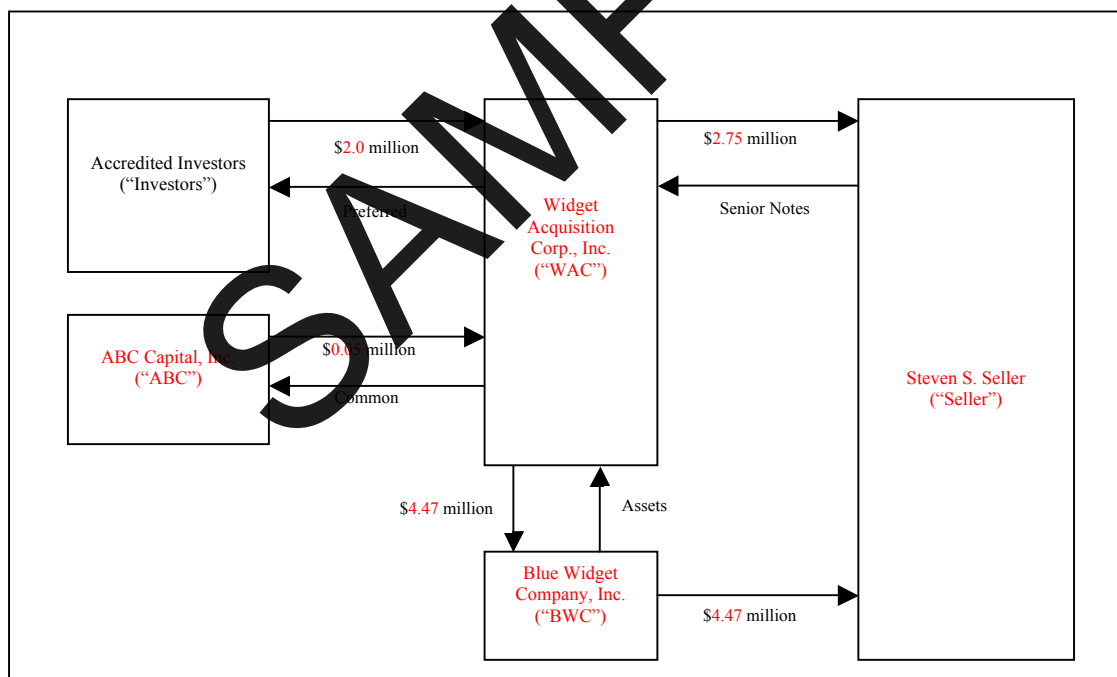
## CONFLICTS OF INTEREST

Mr. Smith and Mr. Jones, principals of ABC Capital, Inc. will, and others who will serve on the Board of Directors of the Issuer and control the Issuer may have interests in a variety of activities other than the Issuer. Accordingly, conflicts may arise in the allocation of time between the Issuer and one or more of these activities. Potential conflicts of interest could exist or may develop in the future among the Issuer, its Investors, and/or any affiliate of the foregoing, which should be considered carefully by each potential investor. Although the principals expect to devote substantial time to the activities of the Issuer, there is no requirement that anyone devote full time to the affairs of the Issuer. Specifically, through ABC Capital, Inc., Mr. Smith and Mr. Jones will continue to pursue the acquisition of various enterprises. Such activities may detract from the time Mr. Smith and Mr. Jones devote to the Issuer. ABC Capital, Inc. currently has no intention of acquiring a business that competes with the Issuer.

## BUSINESS

ABC Capital, Inc. ("ABC") incorporated the Issuer for the purposes of acquiring substantially all of the assets of Blue Widget Company, Inc. (dba Safety Widget, in Akron, Ohio) from Steven S. Seller (the "Seller") for approximately \$4,470,000 (the "Acquisition"). These assets relate to the business of the design and manufacture of high tolerance, double default redundant high-speed widgets used in the aerospace industry. The Issuer has executed a Letter of Intent with the Seller attached to this Memorandum as Exhibit A. The Issuer expects to consummate the Acquisition on or about February 15, 2008. The following illustrates the transaction and the relationships of the parties:

### TRANSACTION SUMMARY



## Products and Services

The Company is a leading designer and manufacturer of double default redundant high-speed widgets for all of the major aerospace companies. The Company was founded in 1949 as a ...

You know your company, or your acquisition target, better than anyone. Just describe in two to three paragraphs the history of your company, what it does or makes, and why it's important.

Below are some discussion points to consider:

1. When was the company founded?
2. Describe some of the relevant company milestones.
3. What are the major (greater than 20% of revenue) products or services offered?
4. What are the products used for?
5. How does your customer use the product or service – part of another product; offered for resale?
6. What advantage(s) do your products offer to its customers over the competitions?
7. Are there any new products that the company is introducing?

## Strategy

The Company is an industry leader in the design and manufacture of double default redundant widgets used in the... WAC intends to expand the product offering by introducing .... The Issuer will also leverage its technology in widgets to providing widgets for the automotive and marine.... The Issuer has developed a strategy aimed to increase sales to \$20 million per year within five years:

- *Item 1. Discussion...*
- *Item 2. Discussion...*
- *Item 3. Discussion...*

As with the section above you know what the strategy is for you company. Strategy is the “how” of achieving your goals and objectives, and is a function of your capabilities, the competition and your position vis-à-vis the competition. Below are some discussion points to consider:

1. State the Company's goals and objectives and a time frame within which you want to achieve them.
2. What capabilities do you have that you can leverage to achieving your goals; e.g. distribution, access to certain technology, sales network, sales process, etc.
3. What capabilities do you need to achieve your goals and objectives; and how will you acquire these capabilities, how long will it take, what will it cost?
4. What is the company's competitive strategy? Is it to dominate a niche in a broader category; consolidate smaller competitors; acquire a competitor/participant in an adjacent market, region, etc.?

## Customers, Sales and Marketing

The Company's customers are large and medium-sized aerospace companies that...

## SOURCES AND USES OF FUNDS

Together with the proceeds from the issuance of the senior note to the Seller and the assumption of liabilities, the Issuer plans to use the proceeds of the issuance of a minimum amount \$2,000,000 of its Preferred Shares to (a) consummate the Acquisition and (b) fund growth and working capital needs after the Acquisition. The anticipated sources and uses of funds are as follows:

NAME OF ACQUISITION VEHICLE			
Source of Funds		Uses of Funds	
Senior Term Loan <sup>(a)</sup>	\$2,750,000	Cash in Bank <sup>(f)</sup>	\$650,000
Preferred Shares <sup>(b)</sup>	2,000,000	Purchase Assets	4,470,000
Operating Liabilities Assumed <sup>(c)</sup>	360,000	WAC Closing Costs <sup>(g)</sup>	150,000
Leases and Notes Payable Assumed <sup>(d)</sup>	110,000		
Common Stock <sup>(e)</sup>	50,000		
<b>Total Sources of Funds</b>	<b>\$5,270,000</b>	<b>Total Uses of Funds</b>	<b>\$5,270,000</b>

**NOTES:**

- (a) Senior Note issued to Seller. Due **three** years from the date of issue. Interest accrues at the rate of **eight** percent (**8.0%**) per annum and is due at maturity. **WAC** may prepay the Senior Note at any time without penalty.
- (b) Preferred Shares to be issued by **WAC**. Cumulative dividends accrue at the rate of **12.0%** per annum. Due **five** years from the date of issue.
- (c) Estimate includes certain accounts payable and customer deposits of the Company.
- (d) Estimate includes capital leases on certain factory and transportation equipment of the Company.
- (e) Common stock to be issued to **ABC Capital, Inc.**
- (f) Amount equals proceeds from the issuance of Preferred Shares and Common Stock less **\$1,250,000** paid to Seller in cash at Closing less certain transaction and closing costs identified herein.
- (g) Includes costs of due diligence, accounting, legal, financing, **\$50,000** in structuring and due diligence fees to be paid to **ABC** at Closing, and other miscellaneous expenses related to the transaction and closing.

As set forth in the Letter of Intent, the Seller has agreed to provide financing in the form of a secured senior note in the amount of **\$2,750,000** for a period of **three** years. Interest shall accrue at the rate of **8.0%** per annum and shall be due at maturity. We expect to refinance the Seller note once we achieve certain financial performance targets; however, for financial projection purposes below, we have assumed that the senior note will be repaid in full at maturity from cash, and interest will be paid monthly.

To the extent more than **\$2,000,000** of Preferred Shares are issued, such additional proceeds will be used to ratably reduce the Seller note and provide additional working capital.

The assumed liabilities are expected to be limited to leases, trade payables, short term debt and operating liabilities.

## CAPITALIZATION

The following table sets forth the Company's capitalization at the close of this transaction.

	\$	% of Capitalization
Senior Term Loan <sup>(a)</sup>	\$2,100,000	
Leases and Notes Payables Assumed	110,000	
<b>Total Debt</b>	<b>2,210,000</b>	<b>52%</b>
Preferred Shares <sup>(b)</sup>	2,000,000	
Common Equity	50,000	
<b>Total Equity</b>	<b>2,050,000</b>	<b>48%</b>
<b>Total Capitalization</b>	<b>4,260,000</b>	<b>100%</b>

NOTE:

- (a) Debt is net of Cash at Closing.
- (b) Assumes the minimum issuance of Preferred Shares

## FINANCIAL INFORMATION

For the year ended December 31, 2006, the Company generated revenue and EBITDA of \$9.0 million and \$1.0 million. Financial information for the years ended December 31, 200X through December 31, 200X is provided below. For the year ended December 31, 2007, the Company expects to generate revenue and EBITDA of approximately \$1.0 million and \$1.3 million, respectively.

### Financial Discussion

#### 2001-2002

The Company grew revenue in 2001 by \$.5 million to \$5.0 million with the introduction of... Gross profit grew to \$2.0 million with gross margins expanding by 50 basis points to 40% by absorbing excess capacity. SG&A expense increased by \$.3 million with the addition of...

#### 2002-2003

The Company's sales grew...

#### 2003-2004

The Company's sales grew...

#### 2004-2005

The Company's sales grew...

#### 2005-2006

The Company's sales grew...

**Note: The following pro forma financial information is presented for informational purposes only, as an aid to understanding the Issuer’s expected operating results. This pro forma information is not prepared in accordance with generally accepted accounting principles and should not be considered a substitute for historical financial information presented in accordance with GAAP. The pro forma measures used by the Issuer may be different from pro forma measures used by the Company. This pro formal financial information in no way represents or warrants actual future results of the Issuer.**

NAME OF COMPANY CONSOLIDATED STATEMENT OF INCOME				
	200X	200X	200X	200X
Revenue				
Gross Profit				
Gross Margin				
SG&A				
Taxable Income				
Net Income				
Interest				
Depreciation				
Amortization				
EBITDA Adjustments				
EBITDA				

NAME OF COMPANY CONSOLIDATED STATEMENT OF CASH FLOWS				
	200X	200X	200X	200X
Net Income				
Depreciation				
Amortization				
Changes in Current Assets				
Changes in Current Liabilities				
Cash Provided by (Used in) Operations				
Changes in Plant, Property & Equipment				
Changes in Intangible Assets				
Cash Used in Investing Activities				
Changes in Debt				
Changes in Equity				
Cash From Financing Activities				
Net Change in Cash				
Beginning Cash				
Ending Cash				

*Unaudited and not prepared in accordance with generally accepted accounting principles*

## TAX MATTERS

### Federal Tax Considerations

The following is a general discussion of certain of the expected United States federal income tax consequences applicable to persons who purchase the Securities. This discussion is intended as a descriptive summary only and does not purport to be a complete technical analysis or listing of all potential tax considerations that may be relevant to holders of Securities, nor does this discussion take into account any special circumstances of certain types of investors including those subject to special treatment under the federal income tax laws.

This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), existing Treasury regulations promulgated thereunder ("Regulations") and judicial decisions, and on current administrative rules, practices and interpretations of law of the Internal Revenue Service (the "Service"). It is possible that changes in the law may be effected by future legislation and that interpretations of the law may be changed or modified by judicial decisions and by the Service in its Regulations, rules and practices. Any such change may or may not be retroactively applied. No opinion of counsel will be obtained nor ruling of the Service requested, in connection with the organization of the issuer and the issuance of the Securities.

**Each prospective investor is urged to consult his, her or its tax advisor as to the particular tax consequences to such person of the acquisition, ownership or disposition of the Preferred Shares and Warrants. Prospective investors should not construe this summary of tax consequences as tax advice.**

### Tax Considerations Relating to the Issuer

*Tax Status.* The Issuer is organized as an Ohio corporation and will be treated as an association taxable as a corporation for federal tax purposes. As such, the Issuer will be subject to tax on its income at the corporate level and taxable income, loss, deductions or credits of the Issuer will not flow through to the investors for inclusion on their federal tax returns.

*Tax on Formation.* The formation of the Issuer and the issuance of the Preferred Shares and Warrants are transactions that should not give rise to any recognition of gain or loss to the Issuer.

*Corporate Tax Rates.* Under current law, the rate of federal income taxation on taxable corporate income is graduated, starting with a 15% rate on taxable income up to \$50,000, a 25% rate on taxable income between \$50,000 and \$75,000, and a 34% rate on taxable income between \$75,000 and \$100,000. Taxable income between \$100,000 and \$335,000 is subject to a 39% marginal rate, which drops to 34% on taxable income between \$335,000 and \$10,000,000.

*Dividends.* To the extent that the Issuer pays dividends with respect to the Preferred Shares, the Issuer will not be entitled to a deduction for income tax purposes.

*Aspects of Potential Double Taxation.* In addition to the corporate income tax imposed on corporate taxable income, the shareholders of a C corporation such as the Issuer effectively pay a second tax when the earnings are distributed. If earnings are distributed as dividends, the recipients of such dividends (i.e., the shareholders) must pay taxes separately on his, her or its share of the dividends, even though the income earned to enable the corporation to pay the dividend has already been subject to tax.

## Tax Treatment of Investors

*Purchase of Securities.* The offering price of the Securities will be allocated between Preferred Shares and Warrants for purposes of determining an investor's tax basis. The Issuer has not determined the present value of the Preferred Shares or the Warrants for this purpose.

*Dividends.* Any dividends paid on the Preferred Shares will be taxable to the holders of such stock as dividends, to the extent of the Company's earnings and profits. **Currently, the maximum tax rate on dividends paid by corporations to individuals is 15% (or 5% for taxpayers in the 10% and 15% ordinary income brackets).**

*Sale of Stock.* If a holder sells its Preferred Shares, the gain or loss recognized on that sale, measured by the difference between the sale price and the basis in the Preferred Shares, will be subject to capital gains taxation. **Under present law, net long-term capital gains on stock held more than 12 months are taxed generally at a maximum rate of 15% (or 5% for 10% and 15% bracket taxpayers). Short-term gains, however, are taxed at the taxpayer's highest ordinary income tax rate.**

*Warrants.* The issuance of detachable warrants is part of the investment with the purchase of the Preferred Shares. The exercise of a Warrant will not subject the holder to any tax consequences. A holder's basis in the common stock acquired upon exercise of a Warrant will equal the exercise price of \$0.01, plus any basis in the Warrant at the time of exercise.

If an investor exercises his or her warrants and acquires common stock of the Issuer, he or she must hold such stock for a period of **12 months** before being able to recognize long-term capital gains treatment in connection with any disposition of such stock.

## DESCRIPTION OF CAPITAL STOCK

The description provided below is not complete and should be read in conjunction with the Issuer's forms of Articles of Incorporation, Code of Regulations and Subscription Documentation Package attached to this Memorandum as Exhibits.

Ownership of Company's Preferred and Common Equity, both pre-offering and post-closing, is presented in the following table:

	<u>Pre Offering</u>		<u>Post Closing</u>	
	<u># of Shares</u>	<u>%</u>	<u># of Shares</u>	<u>%</u>
<b><u>Preferred Shares:</u></b> <sup>(a)</sup>				
Investors	0	0%	1,900	95%
Mr. Smith	0	0%	50	5%
Mr. Jones	0	0%	50	5%
Total Preferred Shares	0	0%	2,000	100%
<b><u>Common Shares:</u></b>				
Investors – Warrants	0	0%	1,900	24.85%
Mr Smith <sup>(b)</sup>	500	50%	2,300	30.075%
Mr. Jones <sup>(b)</sup>	500	50%	2,300	30.075%
Management Option Pool	0	0%	1,147	15.00%
Total Common Shares	1,000	100%	7,647	100.00%

NOTES:

In the Subscription Documentation Package, each prospective investor will be required to make certain warranties and representations to the Issuer and provide certain information to the Issuer relating to the suitability of the investment. The Securities will be sold only to Investors who/which qualify as “Accredited Investors” as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act and who/which the Issuer believes are otherwise suitable. An investment in the Securities is suitable only for persons who can afford to make high-risk, non-liquid investments and for persons who can afford to lose their entire investment.

**Each prospective investor should consult an independent legal counsel, accounting advisor, tax advisor or other advisor as to the legal, economic, tax and related aspects of the investment described herein and as to its suitability for such investor.**

#### LEGAL MATTERS

Leventhal, Kline and O’Reilly PLL (“LKO”) has represented the Issuer in connection with the securities offered by this Memorandum. In that capacity, LKO has relied on information provided to it by the Issuer and its principals without independent investigation and accordingly, does not confirm the accuracy or completeness of the information contained in this Memorandum. LKO is not making any recommendation as to the purchase of the securities offered by this Memorandum. LKO represents the Issuer in connection with this offering and does not represent any investor with respect to this offering or with respect to any investor’s status as a securityholder of the Issuer.

#### ADDITIONAL INFORMATION

The Issuer will give each investor and its representatives and advisors, if any, the opportunity to ask questions and receive answers concerning the terms and conditions of this offering and to obtain any additional information that the Issuer can obtain without unreasonable effort or expense to enable investors to verify the accuracy of the information furnished to it. Any such questions should be directed to either Mr. Sam Smith or Mr. Jeff Jones at the addresses and phone numbers as follows:

Sam Smith  
ABC Capital, Inc.  
123 4<sup>th</sup> Street  
Anytown, Ohio 11111  
Tel: 555.555.1235  
Fax: 555.555.4321  
Email: Sam@ABCCapital.com

Jeff Jones  
ABC Capital, Inc.  
123 4<sup>th</sup> Street  
Anytown, Ohio 11111  
Tel: 555.555.1235  
Fax: 555.555.4321  
Email: Jeff@ABCCapital.com

No other persons have been authorized to give information or to make any representations concerning this offering, and if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer.

Copies of the forms of Articles of Incorporation, Code of Regulations and the Subscription Documentation Package accompany this Memorandum as Exhibits B, C and D, respectively.