Welcome To

SolarAttic's Annual Stockholder's Meeting

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Pre-Meeting Demo

- Introduction to Internet
- Search engines
- Power of the www
- How to find SolarAttic

"SolarAttic's site will be covered in more detail in the management presentation."

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Purpose Of Meeting

- Elect three directors
- Annual Report to shareholders
- Q&A Opportunity
- Directors election of officers

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Corporate Documents Available To Review

- Articles & By-Laws
- Stock Ledger
- 1996 Financial Records & Prior
- Stockholder Minutes & Records
- Directors Minutes & Records

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Reference Materials

- Minnesota Statute 302A (Corporation Act)
- Minnesota Statute 80A (Securities Act)
- Minnesota Rules 2875 (Securities Rules)
- Roberts Rules Of Order Revised
- SolarAttic IPO Historical Record
- SolarAttic Web Site Printed Reference
- SolarAttic Web Site - Search Engine Review
- SolarAttic Web Site - Link Sites Review
- Minnesota Commerce Dept SCOR Draft

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Products To Review

- Pool Heater Technical Manual
- Guide To Pool Heating
- Literature Portfolio
- Report: How To Calculate Pool Heating Costs
- Report: How To Create An Energy Efficient Pool
- Report: How To Understand Pool Heat Pumps

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Materials To Take

- New PCS1 Color Brochure
- New PCS1 Marketing Postcard
- Updated Space Heater Brochure
- GB-Series Preliminary Brochure

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No Old Business

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Agenda

7:00 Call to Order
- Quorum Present
- Approval of Agenda

7:15 Business
- Approval of Last Years Minutes
- Resolution to Approve All BOD & Officer Actions
- Nominations for Three Board Members
- Election of Three Board Members

7:30 Management Presentation
- Q&A

9:15 Adjournment

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Approval Of Agenda

Stockholder Approval Of Agenda (Without any changes)

Resolved:

"There being no requests for additions to the agenda prior to this annual meeting, the agenda shall hereby be approved as presented without any changes."

Motion made by:_____
Seconded by: _____
Discussion: _____
Votes in Favor/Opposing: _____

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Approval Of Minutes

Stockholder Approval Of Minutes
(With waiver of reading them aloud)

Resolved:

"That the minutes of the last stockholder's meeting which was the Annual Stockholder's Meeting held on 2/15/96 be approved as written and without being read aloud (waiver of reading them aloud)."

Motion made by:_____
Seconded by: _____
Discussion: _____
Votes in Favor/Opposing: _____

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Approval Of Actions

Stockholder Approval Of 1996 Actions

Resolved:

"That all purchases, contracts, contributions, compensations, acts, decisions, proceedings, elections, and appointments by the Officers or Board of Directors during 1996, and all matters referred to in the Stockholder Letters for the Fiscal Year ending 12-31-96 be and the same hereby are approved and ratified."

Motion made by:_____
Seconded by: _____
Discussion: _____
Votes in Favor/Opposing: _____

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Election of Directors

- **Management recommends the existing 3 directors be relected:**
  - **Larry Matthews**
  - **Larry Garde**
  - **Ed Palmer**

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Opening Nominations

Stockholder Approval Of Opening Nominations

Resolved:

"Motion to open nominations for the board of directors for the election of THREE directors to serve for the year of 1997-1998."

Motion made by:_____
Seconded by: _____
Discussion: _____
Votes in Favor/Opposing: _____

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Motion To Nominate

Motion to Nominate Board of Director Candidate

Nomination of: Larry Matthews
Motion made by:_____
Seconded by: _____

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Motion To Nominate

Motion to Nominate Board of Director Candidate

Nomination of: Larry Garde
Motion made by:_____
Seconded by: _____

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Motion To Nominate

Motion to Nominate Board of Director Candidate

Nomination of: Ed Palmer
Motion made by:_____
Seconded by: _____

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Motion To Nominate

Motion to Nominate Board of Director Candidate

Nomination of: _____
Motion made by:_____
Seconded by: _____

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Motion To Nominate

Motion to Nominate Board of Director Candidate

Nomination of: _____
Motion made by:_____
Seconded by: _____

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Motion To Nominate

Motion to Nominate Board of Director Candidate

Nomination of: _____
Motion made by:_____
Seconded by: _____

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Closing Nominations

Stockholder Approval Of Closing Nominations

Resolved:

"Motion to close nominations for the board of directors."

Motion made by:_____
Seconded by: _____
Discussion: _____
Votes in Favor/Opposing: _____

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Discussion

- Any further candidate discussion?
  -
  -
  -
  -
  -

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Approval of Slate Vote

Stockholder Approval Of Slate of Candidates

Resolved:

"Motion to adopt the slate of board of director candidates as presented."

Motion made by:_____
Seconded by: _____
Discussion: _____
Votes in Favor/Opposing: _____

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Management Presentation

- 1996 In Review
- 1997 Plans & Goals
- Internet Strategy
- Sales Strategy
- DPO Strategy
- Q&A

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18-24 Mo. Strategic Plan

- Keep Pacing Business
- Prosecute 4th Patent
- Make Foreign Patent Application
- Test some Sales Initiatives
- Create Ventilation Product
- Create Combo Space Heating/Ventilation Product
- Raise additional private investment capital
- Update Financial Model $100M/10Year
- Resolve Securities Law Issue with State
- Get Public ASAP

Last Year's Slide

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1996 Accomplishments 1

- Took space-vent prototype into product concept
- Tested pre-production product concept at Fair
- Acquired Stepanek Pool list of 600,000+ addresses
- Started building databases for expanded sales
- Created Internet Web site as a marketing tool
- Located new sheet vendor - Marksman Metals
- Shipped 26 Pool Heating Systems
- Advanced the fourth patent application
- Started transition - development to operating co

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1996 Accomplishments 2

- Tested sales concept - Business Opportunity ad
- Created preliminary brochure for GB-Series
- Assisted in the creation of “Energy City”
- Supported MEI’s Energy Alley efforts
- Increased pricing and updated all literature
- Expanded computer system- After April crash
- Studied SCOR & initiated “Test-the-Waters”
- Developed concept for fifth patent - technology
- Ended year in good shape to going into 1997

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State Fair Marketing Test

- Presentation of preproduction unit of combined space heating and ventilation system.
- People, again wanted to buy this product out of the booth.
- Space heater itself even looked better in larger context.

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1996 Sales

- 26 Pool Heating Systems
- 1 Space Heater (BD465)

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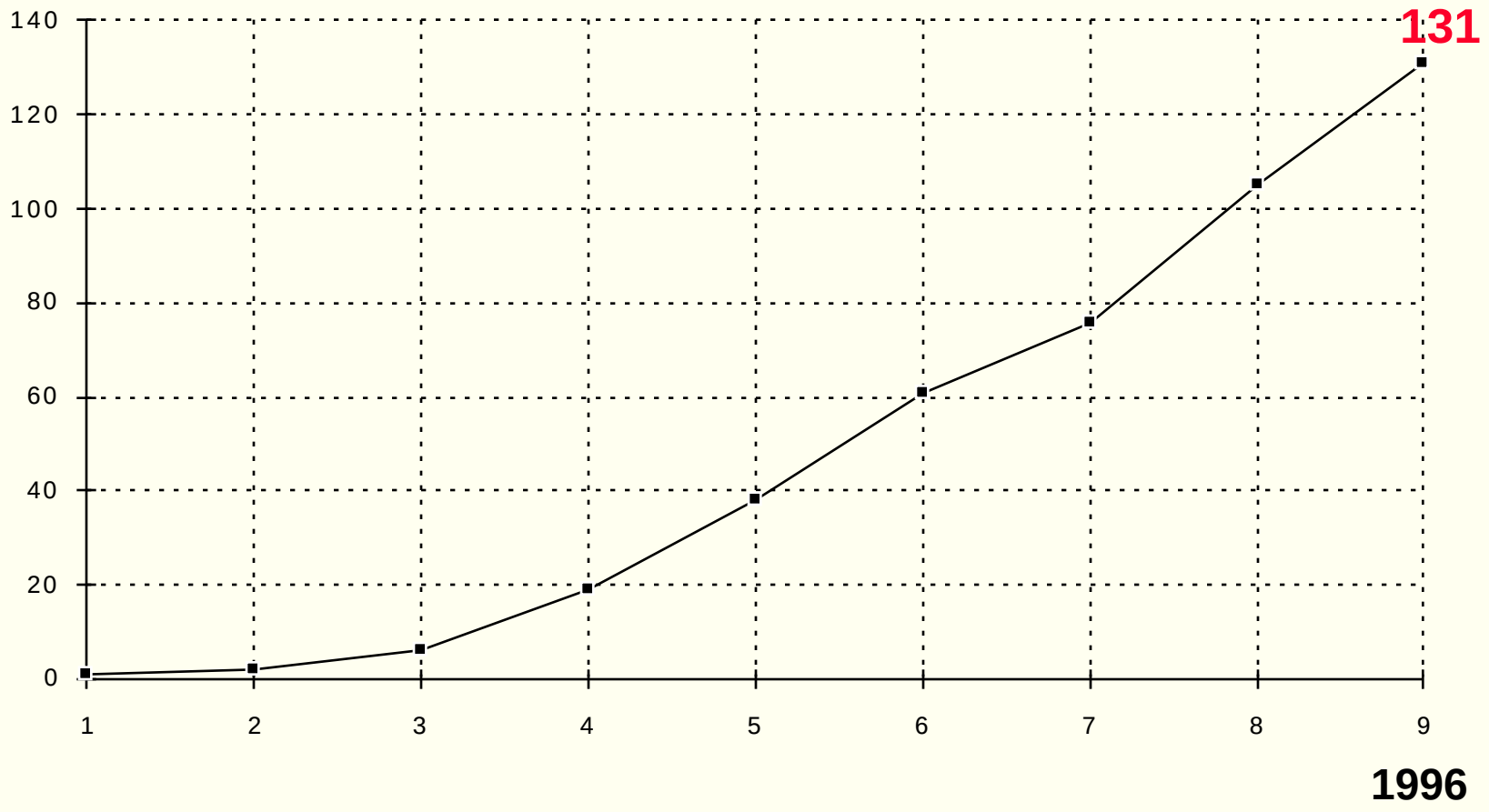
Cumulative

Historical PCS1 Sales



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States Shipped Into

Year	Total	States (YEAR FIRST SHIPPED TO)
1988	1	Florida
1989	2	Minnesota
1990	3	California
1991	9	Kentucky, Georgia, New York, New Jersey, North Carolina, Connecticut
1992	13	Arizona, Wisconsin, Ohio, Massachusetts
1993	17	Maryland, Texas, Michigan, Tennessee
1994	24	Arkansas, Indiana, New Hampshire, Missouri, Nebraska, South Carolina, Pennsylvania
1995	27	Alabama, Louisiana, Mississippi
1996	29	Oregon, Washington

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1996 Pool Inquiries

- No PR or Advertising - Quiet
- 266 Pool Inquiries (529 Total)
- Followup Calls Made - JK
- 26 Pool System Sales
- 9.77% DM Response Rate

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TOP 4 Inquiry Sources

- 326 State Fair
- Pool & Spa News 49
- Dulley 1995 Article 25
- Referrals 23

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FROM LAST YEAR

1995 Dulley Inquiries

- April 23, 1995 Dulley PR
- 326 Inquiries Received
- Followup Calls Made - JK
- 23 Dulley Sales (29 Total)
- 7.05% DM Response Rate

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Financial Review

- 1996 Operations Summary
- Cash Resources
- Balance Sheet 12/31/96
- Equity Growth
- Commentary

Non-GAAP Adjusted
Unaudited Company Data

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Operations Summary

SolarAttic spent the majority of the time during 1996 still in a development mode. This included prosecuting the fourth patent and developing the combination space heating-ventilation system. It also included regrouping and planning for the next DPO. SolarAttic staredt the transition to an operating entity. A fifth patent opportunity was discovered contingent upon the 4th issuing. Cash was still the major limiting factor throughout the year.

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P&L Statement - Part 1

Net Sales		46967.98
Cost of Goods Sold		24168.47
Gross Profit		22799.51
Expenses		
R & D	51022.67	
Salaries & Wages	21600.00	
Amortization	9782.26	
Marketing	8047.68	
Repairs	6464.59	
Medical	6116.20	
Interest	6073.41	
Depreciation	3988.43	
Transaction Fees	3870.02	
Utility	3015.77	
Rent	2988.00	
Office Supplies	2799.33	
Auto	2200.78	
Payroll Taxes	2006.78	
Mfr Supplies	1801.27	
Legal	1610.00	
Telephone	1597.47	
Software	1597.33	
Tax Expense	1506.65	

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P&L Statement - Part 2

Online Services	1467.04	
Computer Supplies	1068.39	
Postage	1045.31	
Book	869.17	
Training	787.50	
Travel	727.07	
Long Distance Calls	714.31	
Printing	688.79	
Sales Dept	597.78	
Audio/CD/Video	597.62	
Data Processing/Entry	545.00	
T & E	543.85	
Insurance	541.00	
Maintenance	504.05	
Computer Repairs	474.67	
Dues	436.00	
Subscriptions	423.56	
Expendable Tools	224.43	
Advertising	199.25	
Misc	120.11	
Bank Charge	44.16	
Warranty	15.77	
Total Expenses		150723.47
Net Income		-127923.96

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Non-cash Analysis

		NON-CASH
R & D	51022.67	43205.96
Amortization	9782.26	9782.26
Marketing	8047.68	6305.35
Repairs	6464.59	6010.00
Medical	6116.20	2140.25
Depreciation	3988.43	3988.43
Transaction Fees	3870.02	2301.00
	89291.85	73733.25

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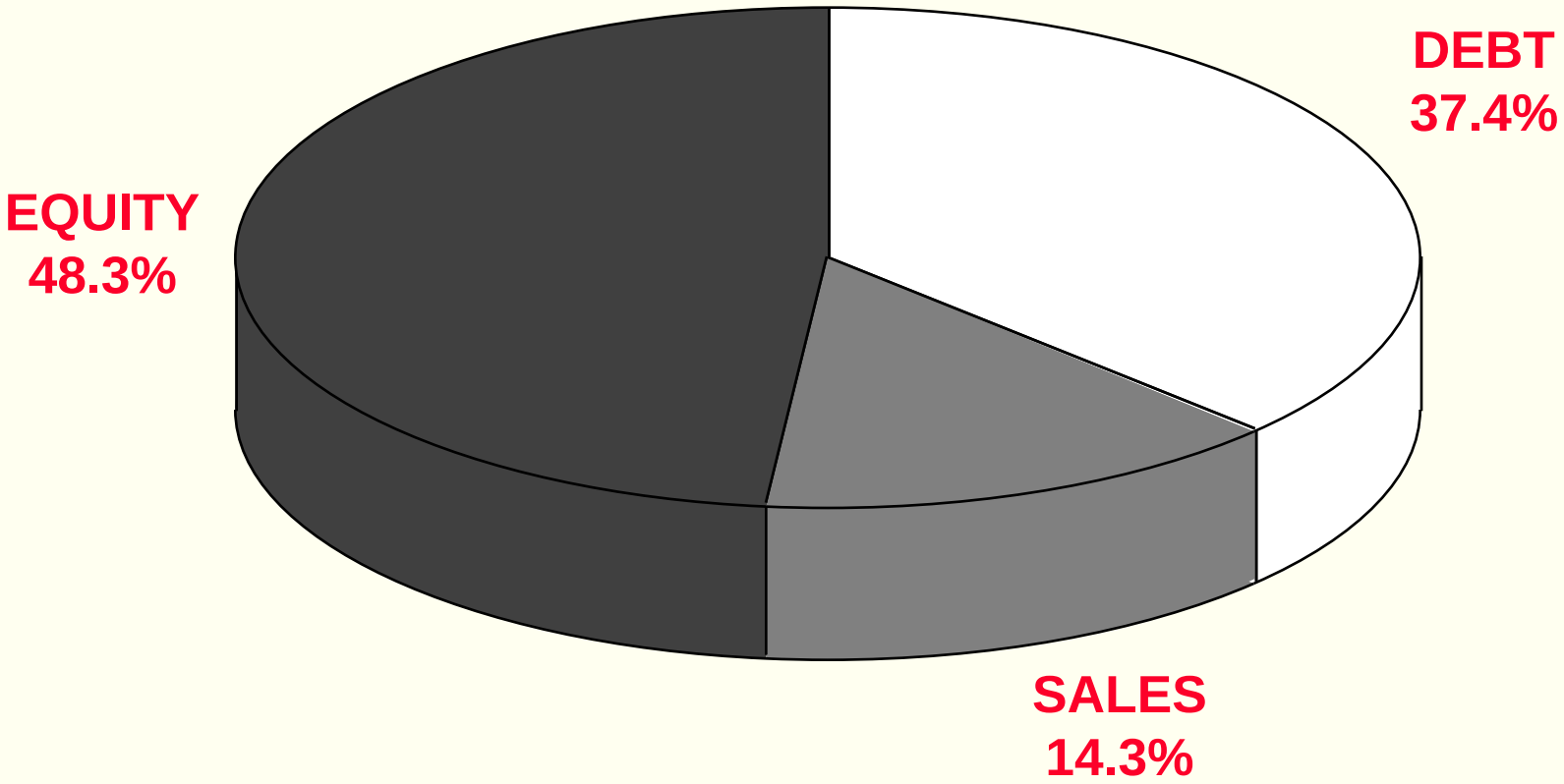
Cash Resources 96



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Balance Sheet - Assets

Current Assets		
Current Inventory	40,927.08	
Cash 1	29,698.02	
Prepaid Expenses	3,025.00	
Accounts Receivable	429.71	
Total Current Assets		74,079.81
Fixed Assets		
Accumulated Amortization	(30,987.54)	
Accumulated Depreciation	(24,708.87)	
U.S. Patent Re. 32,607	61,200.00	
Stepanek Pool List	33,000.00	
Computer Hardware	27,448.58	
Office Equipment & Fixtures	5,505.74	
New Machinery & Equipment	4,385.94	
Signs & Displays	4,301.46	
TSA - LH Improvements	3,932.00	
Used Machinery & Equipment	300.00	
Total Fixed Assets		84,377.31
Total Assets		158,457.12

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Liabilties & Equity Side

Current Liabilities		
Current Maturities-LB Mtg	544.06	
Accounts Payable	(291.65)	
Use Tax Payable	393.23	
Accrued FICA	271.65	
Accrued MN Income W/H	32.28	
Accrued FED Income W/H	3.75	
Total Current Liabilities		953.32
Long-Term Liabilities		
Long Beach Mtg	89,455.94	
Total Long-term Liabilities		89,455.94
Total Liabilities		90,409.26
Owners Equity		
Equity Accounts		
Common Stock (NO PAR)	544,352.60	
Retained Earnings	(348,380.78)	
Net Income 1996	(127,923.96)	
Total Equity Accounts		68,047.86
Total Liabilities and Owners Equity		158,457.12

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Shares Outstanding

- 8,977,216 Issued
- 1,665,993 Options

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Ratio Analysis

- **Current Ratio 78:1**
  - **Current Assets/Current Liabilities**
- **Quick Ratio 35:1**
  - **Current Assets - Inventory/Current Liabilities**
- **Cash Ratio 31:1**
  - **Cash Account/Current Liabilities**
- **Debt Ratio 57%**
  - **Total Liabilities/Total Assets * 100**
- **Net Working Capital $73,126**
  - **Current Assets - Current Liabilities**

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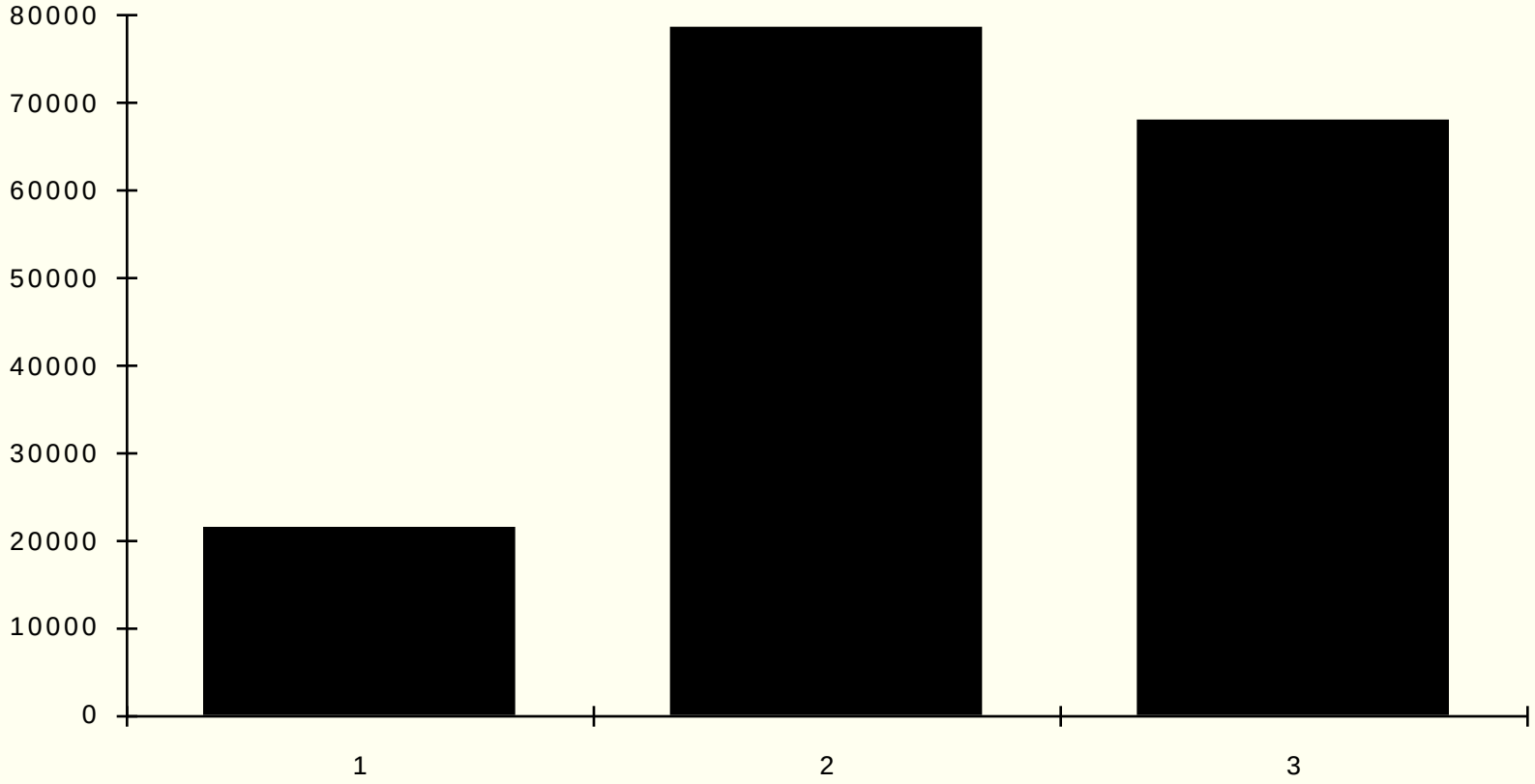
Equity Growth



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1997 Breakaway Year

"This is the year SolarAttic moves from being a developmental entity into a being a full operating entity. This is SolarAttic's breakaway year!"

Edward G. Palmer **President**

97' THEME

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Technology Continues

- **Prosecute Fourth Patent**
  - **Continuation Application 08/717,148**
- **File Internationally 4th Patent**
  - **New Filing Deadline 11/22/96**
- **Fifth Patent**
  - **Possible if fourth patent issues**
  - **After we are fully operational**

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1997 Strategic Plan

- Ramp Up Sales via direct mktg
- Expand Product Offerings
- Expand WEB Site
- Test-The-Waters DPO
- Expand Capital Resources

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1997 Specific Objectives

- Full-time sales via postcard & db in pool market
- Prosecute 4th Patent & make foreign application
- Start production of combo space-vent product
- Create Ventilation Product
- Install ventilation product into Energy City Home
- Present ventilation product at MN State Fair
- Raise additional private investment capital
- Update Financial Model $100M/10Year
- Get Public ASAP via DPO Strategy

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Sales & Mktg Strategy

Internal
PR Fax & Web
Broadcast

WEB Site
Resource

Direct Mail
DB Marketing

WWW
Networking PR

Sale

Telephone
Followup Calls

Media Relations
PR Effort $$

AD Agency
Advertising $$

Mktg Brochures
& Databases

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Internet Search Engines

- Alta Vista
- Yahoo
- Excite
- Web Crawler
- Hot Bot
- Infoseek
- Many others

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Internet Strategy

- **On Line Highlights**
  - **PrimeHost Control Panel (Hits & Pareto Analysis)**
  - **Search engine test of “SolarAttic” name**
  - **Site links to other web areas**
  - **PDF file strategy**
  - **AOL Mail pickup**
- **Off Line Highlights**
  - **Netscape site details**
  - **AOL Press miniweb**

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DPO Strategies

- Test-the-Waters via web site
  - Build database of Investors
  - Identify where to make SCOR filings
  - Limit expenses vis FORM U-7
    - Format as standard prospectus
- If needed, bypass Minnesota
- Help MN Develop SCOR

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IPO-What Worked?

- Legal Strategy
- Printing Strategy
- Marketing Strategy
- PR Strategy
- SEC Chicago Office
- Fallback Financial Strategy

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IPO-What Didn't?

- Audit Strategy
- Management Strategy
- Cash Resources
- Time - Too Short a Period
- MN Bureaucrat's Law Violations

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IPO Expense Analysis

Accounting	14,350.00	30.55%
Advertising	12,607.61	26.84
Legal	8,832.50	18.80
Printing	4,487.93	9.55
Postage	3,388.88	7.21
Government Fees	1,167.25	2.48
Public Relations	1,075.00	2.29
Office Supplies	800.04	1.70
Misc	267.50	0.57
Escrow Fees	0.00	0.00
TOTALS	$46,976.71	100.00%

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MN Securities Division

- Denied 80A15 (2) (a) (2) filing
  - Stated we were advertising securities
  - This would be illegal & no stop order is issued to ‘prevent’ sales
- Approved 80A15 (2) (a) (p) sales
- SCOR “Attitudes” Revealed
- Offered our web site as “test”

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Commerce SCOR Draft

14 Subd. 6. [STOP ORDERS.] The commissioner may in the
15 commissioner's discretion issue a stop order for any of the
16 following additional reasons:
17 (1) the issuer's principal place of business is not in this
18 state;
19 (2) at least 50 percent of the issuer's full-time employees
20 are not located in this state;
21 (3) at least 80 percent of the net proceeds of the offering
22 are not going to be used in connection with the operations of
23 the issuer in this state; or
24 (4) if the issuer is a seed or venture capital fund, at
25 least 50 percent of the money received from the sale of the
26 securities will not be used to make seed or venture capital

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Commerce SCOR Draft

/96 [REVISOR] EB/SK 97-0255

months before the start of and during the offering of the
2 securities under securities and exchange commission Rule 504 in
3 reliance on an exemption under section 3(b). The issuer may not
4 split its common stock, or declare a stock dividend for two
5 years after effectiveness of the registration, except that in
6 connection with a subsequent public offering, the issuer may
7 upon application and consent of the administrator take this
8 action.

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MN SCOR Legislation

- **Senate Author**
  - **Senator Ed Oliver @ 296-4837**
- **House Author- File #379**
  - **Representative Ron Abrams @ 296-9934**

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SCOR Valuation

ASSUMPTIONS

1. Return on Investment Expectation(X times Original) _____
2. Timeframe Expectation (Years till ROI) _____
3. Price-Earnings Expectation (Comparable Public Cos)_____
4. Projected 5th Year NIAT Earnings _____
5. Common Stock Outstanding _____
6. Investment Amount _____

CALCULATIONS

7. Fifth Year Valuation (3 x 4) _____
8. First Year Valuation (7 ÷ 1) _____
9. Ownership Investment Represents (6 ÷ (6+8)) _____

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General Q&A

- Any question needing answers?

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97' THEME

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