SolarAttic

30,000 To 960,000 Shares
Common Stock
No Par Value

SolarAttic, Inc. (the "Company" or "SolarAttic") hereby offers up to 960,000 shares of the Company's Common Stock (the "Shares") at an offering price of $5.00 per Share (the "Offering"). The minimum subscription is 100 shares and the maximum subscription is the shares remaining to be sold at any given time. Prior to this offering, there has been no public market for the Company's Common Stock. The Offering will begin on the date of this Prospectus (the "Prospectus") and continue for up to twelve months or until the Company has sold all the Shares offered hereby, whichever is less, or such earlier date as the Company may close or terminate the Offering. There is a Minimum Offering of 30,000 Shares. All proceeds will be escrowed until the Minimum Offering is reached.

In connection with this Offering, no person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such other information or representations should not be relied upon as having been authorized by the Company. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, Shares in any state where the offer and sale of the Shares is not lawful. The delivery of this Prospectus at any time does not imply that the information herein contained is correct as of any time subsequent to the date hereof.

THE SECURITIES OFFERED HEREBY ARE HIGHLY SPECULATIVE, INVOLVE A HIGH DEGREE OF RISK AND IMMEDIATE SUBSTANTIAL DILUTION, AND SHOULD BE PURCHASED ONLY BY PERSONS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. SEE "RISK FACTORS."

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 SECURITIES HAVE NOT BEEN RECOMMENDED OR APPROVED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THESE AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Sales Commissions (1)	Proceeds to Company (2)
Per Share	$5.00	$.50	$4.50
Total Min	$150,000	$11,000	$123,000
Total Max	$4,800,000	$480,000	$4,080,000

(1) The Company plans to offer and sell the Shares directly to investors and has not retained any underwriters, brokers or placement agents in connection with the Offering. The Company may pay up to a 10% commission to a licensed broker. Management will not receive compensation for sales of securities offered hereby. (2) Proceeds after deduction of offering expenses estimated at $16,000 for the minimum or $240,000 if the maximum offering is sold.

SolarAttic, Inc.
15548 95th Circle NE
Elk River MN 55330
(612) 441-3440

The date of this Prospectus is August 16, 1999

"Own A Piece of the Global Warming Solution!"

Cross Reference Table to Form 1A Questions (Model A)

#	Description of Question	Page	#	Description of Question	Page
1	The Company	4	20	Dividend Coverage	NA
2	Risk Factors	7-11	21	Plan of Distribution	12
3A	Description of the Business	4, 16-56	21	Identity Of Selling Agent	NA
3B	Stage of Product Development	25-41	22	Compensation For Securities Sales	NA
3C	Description of Industry/Competition	42-53	23	Material Relationships With Company	NA
3D	Marketing Strategy/Major Customers	46-52	24	Offers By Company Personnel	4, 12
3E	Impact Of Backlog	NA	25	Offering Limitation/Resale Restriction	NA
3F	Number and Type of Employees	55	26A	Terms Of Escrow	1, 12, X-1
3G	Properties Owned/To be Acquired	20, 56	26B	Return Of Escrow Funds	11
3H	Dependence On Intellectual Property	8, 20, 55	27	Resale Restrictions On Current Stock	9-10, 63
3I	Governmental Regulation Impact	NA	28	Dividends, Distributions,Redemptions	NA
3J	Description of Subsidiaries	NA	29	Chief Executive Officer	57
3K	Corporate History	17-20	30	Chief Operating Officer	57
4A	Milestones: Strategy To Profitability	22-24	31	Chief Financial Officer	57
4B	Impact-Delayed/Failed Milestones	5, 13, 22-24	32	Other Key Personnel	57-58
5	Earnings Per Share	6	33	Number Of Directors	58
6	Price/Earnings Multiple	NA	34	Outside Or Other Directors	58
7A	Net Tangible Book Value	15	35A	Prior Mgmt Of Competitive Business	NO
7B	Securities Sold in Last 12 Months	60	35B	Precautions Used Resulting From 35A	NA
8A	Investor % Ownership	15	35C	Development Stage Mgmt Experience	57-58
8B	Post Offering Market Value	14	35D	Key Personnel Not Employees	NA
9A	Use Of Proceeds Table	13	35E	Key Man Life Insurance Policies	NA
9B	Allocations Prioritized	13, 22-24	36	Bankruptcy Petitions	NA
10A	Other Sources Of Funds	NA	37	Principal Stockholders	61
10B	Repayment Of Debt	6, 13, F10	38	Directors & Officer Ownership	61
10C	Acquisition Of Assets	NA	39A	Relationships	56
10D	Reimbursement Of Insiders	NA	39B	Terms of Business with Officers etc.	55, 59-61
11	Cash Flow Requirements	5, F1-17	39C	Officer Guarantees, etc.	60, F1-17
12	Sufficiency Of Offering Proceeds	5	40A	Compensation	59
13	Capitalization	14, 62-63	40B	Changes In Compensation/Or Unpaid	59
14	Type Of Securities	1, 5, 62	40C	Employment Contracts	NA
15	Special Rights	62	41A	Options	62
16	Convertible Securities	NO	41B	Other Options/Stock Option Plans	10, 60, 62
17A	(1) Interest Rates	NA	41C	Stock Option Approvals	62
17A	(2) Special Maturity Rates	NA	42	Dependence on Key Personnel	11, 63
17A	(3) Sinking Fund	NO	43	Litigation	55
17A	(4) Trust Indentures	NO	44	S-Corporation Federal Tax Aspects	NA
17A	(5) Terms of Call or Redemption Rights	NO	45	Miscellaneous Factors	NA
17A	(6) Collateralized Securities	NA	46	Financial Statements	F1-17
17A	(7) Subordinated Securities	NA	47	Management Discussion Of Losses	16-56
17B	Debt Service Coverage:Earnings Fixed	NA	48	Management Discussion Of Trends	NA
18	Description Of Preferred Stock	NA	49	Gross Margins	49
19	Restrictions On Payment Of Dividends	NA	50	Foreign Sales	NA

If the question (#) is not applicable to the Company, this is indicated by "NA" and nothing further is contained in this Prospectus. If the answer is "NO", this is the Company's response to a yes/no question that did not pertain to the Company. The Company has chosen to use a standard narrative disclosure. This table is for cross-reference purposes.

THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION"). HOWEVER, THE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREBY ARE EXEMPT FROM REGISTRATION.

THIS OFFERING HAS BEEN REGISTERED UNDER THE SECURITIES LAWS OF MINNESOTA AND NEW YORK ONLY. THE SHARES OFFERED HEREBY MAY BE SOLD TO THE GENERAL PUBLIC ONLY IN THOSE TWO STATES (SEE "LIMITED STATE REGISTRATIONS"). SUCH REGISTRATIONS, HOWEVER, DO NOT CONSTITUTE AN ENDORSEMENT OR APPROVAL BY THESE TWO OR ANY OTHER STATE SECURITIES COMMISSION OF ANY SECURITIES OFFERED OR THE TERMS OF THIS OFFERING. NO STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR COMPLETENESS OF THIS PROSPECTUS OR ANY OTHER SELLING LITERATURE.

CERTAIN OTHER STATES PROVIDE AN EXEMPTION FROM REGISTRATION FOR ACCREDITED INVESTORS. IN THOSE STATES, ACCREDITED INVESTORS MAY ALSO INVEST IN THIS OFFERING. IT SHOULD BE NOTED, HOWEVER, THAT NOT ALL STATES PROVIDE AN EXEMPTION FOR ACCREDITED INVESTOR PURCHASES.

THIS OFFERING INVOLVES SUBSTANTIAL RISKS (SEE "RISK FACTORS") AND SHOULD BE CONSIDERED ONLY BY PERSONS ABLE TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

AN ESCROW ACCOUNT HAS BEEN ESTABLISHED TO ESCROW THE PROCEEDS FOR THE MINIMUM OFFERING AMOUNT. THEREFORE, ALL PROCEEDS FROM THE FIRST 30,000 SHARES SOLD WILL BE PLACE INTO THIS ESCROW ACCOUNT. AT THE TIME THE MINIMUM ESCROW IS REACHED, THE FUNDS WILL BE RELEASED AND THE STOCK CERTIFICATES WILL BE ISSUED TO THE SUBSCRIBERS. AT THE TIME OF SUBSCRIPTION, AN INVESTOR WILL NOT BE ABLE TO ASCERTAIN HOW MANY SHARES WILL BE PURCHASED BY OTHER INVESTORS.

ANY PERSON WHO PURCHASES THE SECURITIES OFFERED HEREBY SHALL HAVE THE UNQUALIFIED AND UNWAIVABLE RIGHT TO RESCIND SUCH PURCHASE WITHIN 72 HOURS OF THE EXECUTION OF A WRITTEN AGREEMENT TO PURCHASE ANY SECURITIES OFFERED HEREBY, THE DELIVERY OF A CONFIRMATION OF SALE, OR THE PAYMENT FOR ANY SECURITIES OFFERED HEREBY, WHICHEVER SHALL OCCUR FIRST. RESCISSION MAY BE ACCOMPLISHED BY COMPLETING AND MAILING THE FORM PROVIDED ON PAGE X-3 OF THIS PROSPECTUS.

ADDITIONAL INFORMATION

The Company has filed with the above individual states an Offering Registration Statement with respect to the securities offered hereby. This Prospectus omits certain information contained in the Registration Statement and reference is hereby made to the Offering Registration Statement and exhibits attached thereto for further information with respect to the Company and the Shares. All exhibits filed in connection with the Registration Statement have been posted on the Company's Internet site for ease of inspection by investors. These exhibits include the Company's Articles of Incorporation, By-Laws and certain other documents. The Company's Internet Web address is http://www.solarattic.com. The Company's Email address for electronic communications is ceo@solarattic.com. The Company will, upon written or oral request, provide, at no cost to each person, who has received a Prospectus, a copy of any information that is incorporated herein by reference. To request such information, call or write Edward G. Palmer, CEO, SolarAttic, Inc at 15548 95th Circle NE, Elk River, Minnesota 55330-7228 (612) 441-3440 or simply fax your request to (612) 441-7174.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION, FINANCIAL STATEMENTS & NOTES THERETO APPEARING ELSEWHERE IN THIS PROSPECTUS. SEE "RISK FACTORS" FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE COMMON STOCK OFFERED HEREBY.

The Company

SolarAttic, Inc. (the Company), a Minnesota corporation, was formed on August 11, 1986 and was in the development stage through December 31, 1996. The year 1997 is the first year during which it was considered an operating company. Sales are currently throughout the continental United States. However, markets for the Company's technology and products are international in nature. SolarAttic manufactures solar-powered water heating, solar-powered space heating and attic ventilation systems. The solar-powered heating systems use the heat that collects in the attic space as a result of solar radiation on the roof. The attic ventilation systems use the Company's new duct technology that collects or distributes air evenly along its length, which is useful in collecting attic air for heat transfer, attic ventilation or other purposes. The Company believes its strengths are its technology patents and experience in developing systems that harness the heat energy contained in hot attic air. The Company believes that its proprietary heating systems can replace or augment heating systems that use fossil fuels or conventional solar panel technology. The Company believes that its new duct technology can replace or augment devices that are used for ventilation, air collection or air distribution in attics and other building structures.

SolarAttic currently markets a swimming pool heating system, a space heating system, a combination space heating ventilation system and a ventilation system. All products use the solar thermal energy contained in hot attic air. A domestic hot water heating system, based on the same principle of transferring attic heat energy into water has been developed and patented but is not currently being marketed. (See "RESEARCH AND DEVELOPMENT").

All of the Company's current systems contain the feature of capturing and using solar energy without the use of roof-mounted or yard-mounted solar collection panels. SolarAttic's hidden-inside-the-attic heat exchange systems offer an alternative to traditional solar technology. Users do not have to install on their property solar thermal heat collection panels for heating space or liquids, which are considered by some to be visually objectionable. Based upon the Company's engineering studies and customer testimonials, the Company believes its technology reduces utility costs in swimming pool heating, space heating and ventilation applications.

The Company's objective is to continue to research, develop and manufacture equipment, which captures and transfers the thermal energy contained in solar-generated, hot attic air. The Company's strategy is to continue to develop methods and products to enhance and control the heat generating capacity of attic spaces while developing systems and equipment to transfer attic heat to purposeful applications such as water heating and space heating. At the same time, SolarAttic intends to develop distribution channels for the systems and equipment it designs and develops. The Company's current main goal is to expand marketing, sales and manufacturing operations.

The exact corporate name is "SolarAttic, Inc." The Company was incorporated in the State of Minnesota on August 11, 1986 as MN Corporate Charter Number 5H-1049. Its principal executive offices are located at 16820 Highway 10, Suite 130, Elk River, Minnesota 55330. The Company currently manufactures in Suite 140 at the same address. The Company's mailing address is 15548 95th Circle NE, Elk River, Minnesota 55330. Its telephone number is (612) 441-3440. Its fax number is (612) 441-7174 and Email address is ceo@solarattic.com. The Company maintains a Web site at http://www.solarattic.com. The Company's fiscal year is January 1 through December 31. The person to contact with respect to this offering or to purchase the securities described herein is Edward G. Palmer, the Company's president & CEO.

The Offering

Common Stock Offered	30,000 To 960,000 shares
Offering Price	$5.00 per share
Common Stock Outstanding	9,985,947 shares (a)
Outstanding After Minimum	10,015,947 shares (b)
Outstanding After Maximum	10,945,947 shares (c)
Dividend Policy	The Company does not anticipate paying dividends on its capital stock in the foreseeable future.
Use of Proceeds	The net proceeds to the Company from the sale of the Shares, after deduction of offering expenses (d) estimated at 15%, will be: $4,080,000 if 100% of the Shares are sold, $2,040,000 if 50% of the Shares are sold, $1,020,000 if 25% of the Shares are sold, $123,000 if the Minimum Shares are sold. Notwithstanding the exact amount of net proceeds available, the Company expects to use substantially all of such proceeds for marketing, sales, R&D, inventory, and for other working capital purposes. The minimum number of shares is 30,000. Proceeds will be escrowed by the Company until this minimum has been reached. All subscription funds will be paid paid directly to the Company. (e)

(a) Shares outstanding as of June 30, 1999.
(b) Assumes Minimum Shares are sold. Excludes shares of Common Stock subject to exercise of options outstanding or the Company's incentive stock option plan for employees.
(c) Assumes Maximum Shares are sold. Excludes shares of Common Stock subject to exercise of options outstanding or the Company's incentive stock option plan for employees.
(d) Offering expenses reflect the cost of printing, distribution, postage, advertising, employees, professional fees, etc. (See "Use of Proceeds").
(e) All checks will be made payable directly to the Company for escrow or stock issuance.

The Company believes that the proceeds from its Minimum Offering are not necessary for its short-term survival (over next 12-months). Because of limited overhead, existing sales agreements and sales strategies, survival over this short-term period is already provided for along with a slow level of expansion capacity. This Offering is made to obtain additional expansion capital and the necessary resources to accelerate the Company's growth.

Summary Financial Information

Statements of Operations Data:

	Six Month Periods Ending June 30,	
	1998	**1999**
Net sales	$53,491	$107,450
Gross profit	23,946	59,742
Operating expenses	105,217	118,332
Operating (loss)	(81,271)	(58,590)
Net (loss)	(89,113)	(67,809)
Net (loss) per share	(.01)	(.01)
Common shares outstanding (a)	9,400,671	9,983,449

(a) Weighted average common stock that was outstanding during each period.

Balance Sheet Data:

	June 30, 1999	As Adjusted (b)
Cash & Cash Equivalents	$10,408	$3,984,633
Working Capital	15,360	3,989,585
Total Assets	254,344	4,334,344
Long-Term debt, less current portion	105,775	0
Total Stockholder's Equity	38,469	4,118,469

(b) As adjusted reflects the June 30, 1999 data adjusted to give effect to the sale of all of the Shares offered hereby and the payment of the offering expenses estimated at $720,000 and long term debt at $105,775. There can be no assurance that all the shares offered hereby will be sold.

LIMITED STATE REGISTRATIONS

Only residents of those states in which the Shares have been qualified for sale under applicable securities or Blue-Sky laws may purchase Shares in this Offering. Each potential investor will be required to execute a subscription agreement, which among other things requires the potential investor to certify his or her state of residence.

RISK FACTORS

THE SHARES OFFERED HEREBY ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK. POTENTIAL INVESTORS SHOULD CAREFULLY CONSIDER THE POSSIBILITY THAT THEIR ENTIRE INVESTMENT IN THESE SHARES MAY BE LOST AND SHOULD CONSIDER, BEFORE PURCHASING SHARES OFFERED HEREBY AND IN ADDITION TO THE OTHER INFORMATION IN THIS PROSPECTUS, THE FOLLOWING RISK FACTORS.

Limited Operating History; Losses

The Company was incorporated on August 11, 1986 and the Company has incurred losses in each of its historical years. As of June 30, 1999, the Company has accumulated net losses totaling $809,808. There can be no assurance that the Company will operate profitably in the future.

Minimum Offering Amount and Escrow; Irrevocability of Subscriptions

There is a Minimum Offering of 30,000 Shares, which must be sold in this Offering. An escrow account has been established and all proceeds from subscription funds will be escrowed until the Minimum Offering has been sold. There can be no assurance that the minimum shares offered would actually be sold. All Subscriptions are irrevocable after 72 hours. See "PLAN OF DISTRIBUTION" & "SUBSCRIPTION AGREEMENT".

Arbitrary Determination of Purchase Price

The offering price of the shares has been arbitrarily determined by the Company and does not bear any relationship to book value, assets, earnings, or any other accepted criterion of value. The offering price should not be regarded as an indication of any future market price of the securities offered hereby. Each prospective investor should make an independent evaluation of the fairness of such price. See "DILUTION" and "CERTAIN TRANSACTIONS."

Dilution

This offering involves immediate substantial dilution of the net tangible book value of the Common Stock offered hereby from the offering price of $5.00 per share. Such dilution in net tangible book value will be $4.63 per share if all the Shares offered are sold. This is a dilution of 92.5 percent in net tangible book value. See "DILUTION."

Y2K Issue

The Company has completed its Y2K assessment and is unaware of any significant internal issues that could cause operational problems. However, like all companies, any general downturn in overall economic conditions could be expected to affect the Company and impact its operations.

New Technology Uncertainties; Market Acceptance Uncertain

The products and technology being developed by the Company and which the Company intends to market are not established in the market place and may not be accepted by consumers. SolarAttic has limited product exposure in the pool, space heating and ventilation markets; and, as a result, the Company has only limited experience with its products. Some solar engineering and ventilation professionals are unsure regarding the use and application of the Company's new technology. Some solar panel professionals disagree with the Company on the efficacy and application of the Company's technology. Some pool professionals are skeptical about the efficacy and application of the Company's technology in the area of heating swimming pools. Also, market skepticism about new products in general can create significant obstacles for the Company. As a result of these new technology and market factors, no assurance can be made about the efficacy of the Company's technology, marketplace acceptance and whether or not the Company's technology will be successful in making the Company profitable and viable.

Intellectual Property

Certain information and knowledge developed by SolarAttic and used in the design and manufacture of its products are regarded as proprietary by the Company. SolarAttic relies on a combination of trade secret and other intellectual property law including holding patents and evaluating the benefits of obtaining patents. Such protection, however, may not preclude competitors from developing products similar to the Company's products. In addition, the laws of certain foreign countries may not protect the Company's intellectual property rights to the same extent, as do the laws of the United States.

Existing Company patents are only U.S. Patents and the Company has only recently filed for patent protection outside of the United States (for its new duct technology). Although the Company continues to evaluate and implement protective measures, there can be no assurance that these efforts will be successful or that third parties will not assert intellectual property infringement claims against the Company. No such claims or litigation related to any such matter are currently pending against SolarAttic. However, there can be no assurance that any such claim will not be initiated, that the Company would prevail in any such litigation seeking damages or an injunction against the sale of the Company's products, or that SolarAttic would be able to obtain any necessary licenses on reasonable terms or at all. See "BUSINESS—Proprietary Rights."

No Underwriter Involved; "Best Efforts" Offering

The Company is selling its stock directly to the public. There are no underwriters or broker-dealers involved. There can be no assurance that the Company will be successful in selling any or all of its own stock to the public.

Illiquidity; Lack of Public Market; Non-Registration in Certain Jurisdictions

The Shares purchased in the Offering will be freely tradable under the Federal securities laws. However, the Shares have been registered in only a limited number of states and may not be sold or otherwise transferred to persons who are residents of any state in which the Shares have not been registered unless they are subsequently registered or there exists an exemption from the applicable state's registration requirements with respect to such sale or transfer.

Prior to the Offering, although a substantial number of shares of the Company's Common Stock are freely tradable under federal securities laws, there has been no public trading market for the Common Stock. Following the Offering, the Company plans to facilitate the trading of its Common Stock through the use of some type of World Wide Web bulletin board based trading mechanism. At a minimum, this would allow persons interested in purchasing or selling shares of Common Stock to meet prospective trading partners. Trading in this type of informal market should not be considered by investors as a reliable avenue for liquidity of their investment.

The Company's long-term plan for providing liquidity to its shareholders is to develop a public market for its Common Stock by soliciting securities brokers to become market makers of the shares. However, to date the Company has not solicited any such securities brokers nor does the Company have any immediate plans to do so. There can be no assurance that the Company will be successful in soliciting a market maker if it attempts to do so.

Following the Offering, the Company will still be considered a "non-reporting" issuer whose securities are not listed or subject to regulation under the Securities Exchange Act of 1934 (the "1934 Act"). The vast majority of all broker-dealers generally do not engage in the sale or trading of securities of a "non-reporting" issuer. Further limitations upon the development of a trading market are likely by virtue of regulations under Rule 15c2-11 of the 1934 Act which require that before broker-dealers can make a market in the Company's securities and thereafter as they continue making the market the Company must provide these broker-dealers with current information about the Company. The Company presently has formulated no specific plans to distribute current information to broker-dealers and probably will only do so if there appears otherwise to be adequate interest in making a market in the Company's securities. Furthermore, in view of the absence of an underwriter, the relatively small size of the Offering and the nature of the Company as a "non-reporting" issuer, there is virtually no likelihood that a regular trading market will develop in the near term, if at all, or that if developed it will be sustained. The Shares might not be able to be resold at the offering price or any other price. Accordingly, an investment in the Company's Common Stock should be considered highly illiquid.

No Dividends in Foreseeable Future

The Company has never paid dividends and does not anticipate paying dividends in the foreseeable future. See "Dividend Policy."

Penny Stock Regulation

The Commission recently adopted rules that regulate broker-dealer practices in connection with transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the Commission that provides information about penny stocks and the nature and level of risks in the penny stock market.

The broker-dealer must also provide the customer with bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from such rules the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. If the Company's Common Stock becomes subject to the penny stock rules, investors in this Offering may find it more difficult to sell their shares. In such event, any broker-dealer who desires to sell the Company's Common Stock will have to do so in compliance with the penny stock rules.

Shares Eligible For Future Sale & Rule 144

Of the 9,985,947 shares of Common Stock currently outstanding (as of June 30, 1999), all but 3,505 shares were offered and sold by the Company in private transactions in reliance upon an exemption from registration under the Securities Act. Accordingly, all of such shares are "restricted securities" as defined by Securities and Exchange Commission Rule 144 ("Rule 144").

Under the Securities Act, Rule 144 shares cannot be resold without registration except in reliance on Rule 144 or another applicable exemption from registration.

In general, under Rule 144, a person (or persons whose shares are required to be aggregated), including any affiliate of the Company, who beneficially owns restricted shares for a period of at least ONE YEAR (reduced recently from two years) is entitled to sell within any three month period shares equal in number to the greater of (i) 1 percent of the then outstanding shares of the Common Stock (109,459 shares if all of the shares offered hereby are sold) or (ii) the average weekly trading volume of the same class of shares during the four calendar weeks preceding the filing of the required notice of sale with the Commission. The seller must also comply with the notice and manner of sale requirements of Rule 144, and there must be current public information available about the Company. In addition, any person (or persons whose shares are required to be aggregated) who is not, at the time of sale, nor during the preceding three months, an affiliate of the Company, and who has beneficially owned restricted shares for at least three years, can sell such shares without regard to notice, manner of sale, public information or the volume limitations described above. Shares of Common Stock first became eligible for resale under Rule 144 in November of 1989 (assuming the other requirements of Rule 144 are met).

Of the current 9,985,947 shares outstanding, 9,438,232 shares (94.5%) are aged past one year from their date of issue and qualify under Rule 144 for conditional sales. Of the current 9,985,947 shares outstanding, 8,886,695 shares (89%) are aged past three years and qualify for immediate resale under Rule 144 without registration except as may be required for certain "control stock." Sales of stock under Rule 144 may have a depressive effect on the price of the Common Stock in any trading markets that may develop for the Company's stock.

No prediction can be made as to the effect, if any, that future sales of the above described outstanding Common Stock, or the availability of such Common Stock for sale, will have on the market price prevailing from time to time. Sales of substantial amounts of such Common Stock in the public market, or the perception that such sales may occur, could adversely affect the then prevailing market price. See "SHARES ELIGIBLE FOR FUTURE SALE."

Outstanding Stock Options & Employee Incentive Stock Option Plan

There are currently outstanding 500,000 shares of stock options expiring December 31, 2000 through December 31, 2003. The Company also has an incentive stock option plan with 1,000,000 shares of Common Stock set aside for employees. The plan expires in the year 2001 and no shares have been issued under the plan. No prediction can be made as to the effect, if any, that future sales or potential sales of these stock options or incentive stock options may have on the market price of the Common stock prevailing from time to time.

Possible Volatility of Stock Price

If a market does develop, there can be no assurance that it will be maintained or that the market price of the Company's securities will not decline below the initial public offering price. The trading price of the securities is likely to be subject to significant fluctuations.

Exercise of Stock Options, Stock Plan and Future Offerings; Added Dilution

If any of the above described 500,000 stock options are exercised, it will result in an additional and substantial further dilution in the net tangible book value of any investment. There are 1,000,000 shares of Common Stock set aside in the Company's employee incentive stock option plan. No options have been issued to any employee from this plan to date. However, any options granted and subsequently exercised could have a significant additional dilutive effect. In addition, the Company may issue stock again in future public offerings, which would also have significant additional dilutive effects. See "DILUTION" and "NOTES TO FINANCIAL STATEMENTS."

No Cumulative Voting

There is no cumulative voting for the election of directors of the Company. The owners of less than a majority of the Common Stock outstanding may not be able to elect any directors.

Control by Existing Shareholder

After this Offering, EJ Partners Limited Partnership will own and Edward G. Palmer the Company's President will have the ability to direct the vote of — 41.1% of the Company's outstanding Common Stock. As such, EJ Partners Limited Partnership may have the ability to elect the entire Board of Directors and, very likely, the ability to control all matters requiring shareholder approval. The General Partner of EJ Partners Limited Partnership is the "EJ Palmer Trust" which is also known as "The Edward G. Palmer Family Trust" of which Edward G. Palmer, the Company's President is the Trustee. See "PRINCIPAL SHAREHOLDERS."

Dependence upon Current Management

The Company is dependent upon the management services of Edward G. Palmer, the Company's President. To the extent that Mr. Palmer's services would become unavailable to the Company, the Company would greatly suffer. There is no assurance that the Company would be able to employ qualified persons to replace Mr. Palmer. The Company does not currently have "key man" insurance or any employment contract with Mr. Palmer. See "MANAGEMENT."

Competition

While the Company manufactures proprietary solar and ventilation products and to its knowledge has no direct competitors selling the same equipment, the Company faces stiff competition from well-entrenched and well-established competitive products within the markets that the Company's products will serve. Some competitors certainly have substantially more business and marketing resources than the Company. Therefore, there can be no assurance that the Company will operate profitably within this competitive environment.

Effects of Escrow

If the Minimum Offering is not reached, the Company will have to refund all amounts paid for the shares offered hereby. This could result in a lengthy period of up to twelve months whereby investment funds are tied up without any interest accruing. Stock certificates will not be issued until after the minimum is reached. If refunds are due from a failure to reach the minimum, the refund payments will not contain any interest payments or deductions.

Self Insured For Product Liability Risks

The Company carries general liability, theft and fire insurance. However, it is self-insured for product liability risks without any stop loss insurance. To the extent that the Company would suffer a catastrophic product liability loss, for any reason, it would have a severe negative impact on the Company and could cause the Company to fail and result in a complete loss of all equity investment made in the Company. There can be no assurance that the Company will be able to obtain sufficient insurance coverage for all potential liabilities that the Company is either now or in the future may become exposed to. There can also be no assurance that the Company will be able to obtain any product liability insurance or even that the Company would be able to afford such product liability insurance if it is available to the Company.

NOTE: IN ADDITION TO THE ABOVE RISKS, BUSINESSES ARE OFTEN SUBJECT TO RISKS NOT FORESEEN OR FULLY APPRECIATED BY MANAGEMENT. IN REVIEWING THIS PROSPECTUS, POTENTIAL INVESTORS SHOULD KEEP IN MIND OTHER POSSIBLE RISKS THAT COULD BE IMPORTANT.

PLAN OF DISTRIBUTION

The Company is offering to sell 30,000 to 960,000 newly issued Shares at a price of $5.00 per share. There is a required minimum number of 30,000 Shares to be sold pursuant to the Offering. The Offering will begin on the date of this Prospectus and continue for up to twelve months or until all of the Shares offered are sold, whichever is less, or such earlier date as the Company may close or terminate the Offering. The minimum investment for the Offering is 100 shares ($500). The maximum investment is the remaining available shares to be sold at any given time.

The Company plans to offer and sell the Shares directly to investors and has not retained any underwriters, brokers or placement agents in connection with the Offering. The Company will escrow all proceeds from the sale of the first 30,000 shares. In the event the minimum escrow is not reached during the allowable period of time, all subscriber funds will be returned without interest and without deduction.

The Company has a database with over 1297 investors that previously contacted the Company with an interest in investing from the states of Minnesota and New York. The Company intends to first contact these prospective investors with a direct mail announcement and stock offer. The Company then plans to conduct local media advertising in the Minneapolis-St. Paul area and will present the Company to Minnesota fairgoers at the 1999 Minnesota State Fair. The Company will back up these marketing efforts with an extensive web site containing all available Offering information including Registration documents that are not a part of this Prospectus. Databases of financial brokers and money managers in the State of New York may also be used to market the Company's Offering. The Company will make it easy to invest by allowing for the use of credit cards to purchase its stock. To reach the maximum possible pool of investors, the Company has chosen to only have a minimum purchase requirement of 100 shares. Edward G. Palmer, the Company's president and CEO shall conduct the Offering on behalf of the Company.

To Subscribe for Shares, each prospective investor must complete, date, execute and deliver to the Company a subscription agreement and have paid the purchase price of the Shares subscribed for by check or money order payable to SolarAttic, Inc. Credit card purchases of common stock will be accepted. A copy of the subscription agreement is attached at the end of this Prospectus at page X-1. Subscriptions become irrevocable after 72 hours. The form on page X-3 can be used to rescind the purchase of the Shares during this period.

The Company reserves the right to accept or reject any subscription in part or in its entirety or to allocate Shares among prospective investors. If any subscription is rejected, funds received by the Company for such subscription will be returned to the subscriber without interest or deduction.

Within five days of its receipt of a subscription agreement accompanied by payment of the purchase price, the Company will send by first class mail a written confirmation to notify the subscriber of the extent, if any, to which such subscription has been accepted by the Company. Not more than thirty days following the completion of escrow or the mailing of its written confirmation if escrow has been completed, a subscriber's Common Stock certificate will be mailed by first class mail. The company shall not use the proceeds paid by any investor until the Common Stock certificate evidencing such investment has been mailed.

Although the Company's long-term plan for providing liquidity to its shareholders is to develop a public market for its Common Stock by soliciting securities brokers to become market-makers of the shares, to date the Company has not solicited any such securities brokers nor does the Company have immediate plans to do so. See "RISK FACTORS."

NOTE: EQUITY INVESTORS SHOULD BE AWARE THAT UNLESS THE COMPANY IS ABLE TO COMPLETE A FURTHER PUBLIC OFFERING OR THE COMPANY IS ABLE TO BE SOLD FOR CASH OR MERGED WITH A PUBLIC COMPANY THAT THEIR INVESTMENT IN THE COMPANY MAY BE ILLIQUID INDEFINITELY.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Shares, after deduction of estimated offering expenses and potential sales commissions to brokers, will be $4,080,000 if all of the Shares offered are sold, $2,040,000 if 50% of the Shares offered are sold, $1,020,000 if 25% of the Shares offered are sold, and $123,000 if the Minimum Offering proceeds are sold. The following table sets forth the Company's anticipated use of the proceeds at these levels.

	960,000 Shares Sold		**480,000 Shares Sold**		**240,000 Shares Sold**		**30,000 Shares Sold**	
Gross Proceeds	$4,800,000	(100%)	$2,400,000	(50%)	$1,200,000	(25%)	$150,000	(3%)
Less Expenses								
Commissions (a)	480,000		240,000		120,000		11,000	
Office Supplies	5,000		3,500		2,000		500	
Printing	17,000		10,000		7,000		4,000	
Postage	19,200		8,000		5,000		1,200	
Employees	10,000		4,000		2,000		0	
Legal	4,000		2,000		1,200		1,200	
Filing Fees	12,100		2,100		1,100		1,100	
Public Relations	12,500		1,500		1,000		0	
Email Campaign	24,000		12,000		1,700		0	
Advertising	120,000		70,000		35,000		4,000	
Miscellaneous	16,200		6,900		4,000		4,000	
Total Expenses	720,000	(15%)	360,000	(15%)	180,000	(15%)	27,000	(18%)
Net Proceeds	$4,080,000	(85%)	$2,040,000	(85%)	$1,020,000	(85%)	$123,000	(82%)

Use of Minimum (b)				**Minimum Plan**	
Sales Staff				58,000	(47%)
Trade Shows				16,000	(13%)
Advertising				21,000	(17%)
Inventory				18,800	(15%)
Office Staff				9,200	(7%)
				$123,000	100%

Use of Proceeds (c)	**100% Plan**		**50% Plan**		**25% Plan**	
Marketing/Sales	1,920,000	(47%)	960,000	(47%)	480,000	(47%)
R & D	480,000	(12%)	240,000	(12%)	120,000	(12%)
Inventory	120,000	(3%)	100,000	(5%)	70,000	(7%)
Debt Reduction	200,000	(5%)	200,000	(10%)	115,000	(11%)
Working Capital	1,360,000	(33%)	540,000	(26%)	235,000	(23%)
Total Net Proceeds	$4,080,000	(100%)	$2,040,000	(100%)	$1,020,000	(100%)

Notes: (a) Any commissions not paid to brokers will be applied to working capital. (b) SolarAttic believes that this specific minimum plan will significantly increase growth rates and will help drive its annual sales to above $400k. (c) Use of proceeds for the various amounts above the minimum will be apportioned on a percentage basis as indicated above. Pending application of its proceeds of the Offering, the Company may invest the net proceeds in short-term, investment-grade, and interest-bearing securities.

THE ABOVE REPRESENTS THE COMPANY'S BEST ESTIMATE OF ITS ALLOCATION OF NET PROCEEDS BASED UPON ITS CURRENT BUSINESS OPERATIONS, ITS CURRENT BUSINESS PLANS AND CURRENT ECONOMIC AND BUSINESS CONDITIONS AND IS SUBJECT TO REALLOCATION AMONG THE CATEGORIES LISTED ABOVE.

NOTE: AFTER REVIEWING THE PORTION OF THE OFFERING ALLOCATED TO THE PAYMENT OF OFFERING EXPENSES, POTENTIAL INVESTORS SHOULD CONSIDER WHETHER THE REMAINING PORTION OF HIS, HER OR ITS INVESTMENT, WHICH WOULD BE THAT PORTION OR PART AVAILABLE FOR FUTURE DEVELOPMENT OF THE COMPANY'S BUSINESS AND OPERATIONS, WOULD BE ADEQUATE.

CAPITALIZATION

The following table shows the capitalization of the Company as of June 30, 1999, on an actual basis and on an as adjusted basis giving effect to the Offering if, of all the Shares offered herein, 100 percent, 50 percent, 25 percent and the Minimum Offering are sold. The table assumes the payment of offering expenses estimated at 15%. See "USE OF PROCEEDS."

	June 30, 1999				
	Actual	As Adjusted for Shares Sold			
		960,000 Shares	480,000 Shares	240,000 Shares	30,000 Shares
Common Stock, no par value; 100,000,000 shares authorized; Shares issued and outstanding:	9,985,947	10,945,947	10,465,947	10,225,947	10,015,947
Current paid-in capital	$871,777	$871,777	$871,777	$871,777	$871,777
Additional paid-in capital		4,080,000	2,040,000	1,020,000	123,000
Stock notes receivable	(23,500)	(23,500)	(23,500)	(23,500)	(23,500)
Accumulated deficit	(809,808)	(809,808)	(809,808)	(809,808)	(809,808)
Total stockholders' equity	$38,469	$4,118,469	$2,078,469	$1,058,469	$161,469

IMPLICIT POST-OFFERING VALUE

The above table does not reflect shares of Common Stock, which are subject to the exercise of options or the Company's incentive stock option plan. If all Shares are sold and all existing options are exercised—there would be 11,445,947 shares outstanding. At $5.00 per share, this would be a market value of $57.2 Million. The exercise value of all options outstanding is $260,000. When added to the $4,118,469 stockholders' equity resulting from all Shares sold the total stockholders' equity would be $4,378,469. At an estimated market value of $57.2 Million, the Company's market value would be $57.2 ÷ $4.38 or 13 times the Company's actual net equity.

NOTE: AFTER REVIEWING THE ABOVE, POTENTIAL INVESTORS SHOULD CONSIDER WHETHER OR NOT THE OFFERING PRICE FOR THE SECURITIES IS APPROPRIATE AT THE PRESENT STAGE OF THE COMPANY'S DEVELOPMENT.

DILUTION

The NET TANGIBLE BOOK VALUE ("NTBV") of the Company as of June 30, 1999 was $2,163 or approximately $.0002 per share of Common Stock. Net tangible book value represents the physical assets of the Company minus all of the Company's liabilities. The formula used to calculate this value is (Net Tangible Book Value = Total Tangible Assets - Total Liabilities). The net tangible book value does not include any of the Company's non-physical assets such as the Company's four patents, trade secrets and customer lists, etc.

Giving effect to the sale by the Company of all 960,000 Shares at a public offering price of $5.00 per Share, there will be an immediate substantial dilution in the NET TANGIBLE BOOK VALUE to purchasers of Shares as set forth below. Dilution is determined by subtracting net tangible book value per share after the Offering from the initial offering price. The following table sets forth as of June 30, 1999 a comparison of the respective investments of the current shareholders and the public investors.

The table below does not take into effect the additional and substantial dilution of exercised options or the employee stock option plan. See "INVESTOR % OWNERSHIP" below.

Offering Price		$5.00
Net tangible book value per share before offering	$.0002	
Increase to current shareholders in net tangible book value due to offering	$.3727	
Net tangible book value per share after offering	$.3729	$.3729
Dilution per share to public investors		$4.63
Percent dilution per share to public investors		92.5%

INVESTOR % OWNERSHIP

The above table does not reflect shares of Common Stock, which are subject to the exercise of options or the Company's incentive stock option plan. If all Shares are sold and all existing options are exercised—there would be 11,445,947 shares outstanding. Investors in the Offering would own 960,000 shares ÷ 11,445,947 shares then outstanding or 8.4% of the Company.

NOTE: AFTER REVIEWING THE ABOVE, POTENTIAL INVESTORS SHOULD CONSIDER WHETHER OR NOT THE OFFERING PRICE FOR THE SECURITIES IS APPROPRIATE AT THE PRESENT STAGE OF THE COMPANY'S DEVELOPMENT.

THE BUSINESS

GENERAL

SolarAttic, Inc. (the Company), a Minnesota corporation, was formed on August 11, 1986 and was in the development stage through December 31, 1996. The year 1997 was the first year during which it was considered an operating company. Sales are currently throughout the continental United States. However, markets for the Company's technology and products are international in nature. SolarAttic manufactures solar-powered water heating, solar-powered space heating and attic ventilation systems. The solar-powered heating systems use the heat that collects in the attic space as a result of solar radiation on the roof. The attic ventilation systems use the Company's new duct technology that collects or distributes air evenly along its length, which is useful in collecting attic air for heat transfer, attic ventilation or other purposes. The Company believes its strengths are its technology patents and experience in developing systems that harness the heat energy contained in hot attic air. The Company believes that its proprietary heating systems can replace or augment heating systems that use fossil fuels or conventional solar panel technology. The Company believes that its new duct technology can replace or augment devices that are used for ventilation, air collection or air distribution in attics and other building structures. The Company's goal is to establish a nationwide network of independent dealers who will sell, install and service the Company's products.

SOLARATTIC'S VISION OF THE FUTURE

The future will see home attics being used as productive "Solar Energy Vehicles." Attics will be used to heat swimming pools, spas, hot tubs, hot water and space. Products will evolve to create a new roof and attic structure that will absorb more incident solar radiation instead of less [which is the current thinking]. New ventilation systems will provide a controlled attic ventilation and moisture environment that enables maximum heat extraction to occur.

Roofs will be painted black instead of white with newly [to be] developed "solar absorption paint." New asphalt shingles will absorb greater amounts of solar radiation. New roofing materials will conduct heat easily in one direction and hard in the opposite direction. These new products, plus others, will increase the effective heat collection and storage capacity of attics. Automatic ventilators will vent attics only when absolutely necessary. Houses will be built to optimize the attic as a "Solar Energy Vehicle." Attics will demonstrate their economics in terms of receiving, storing, and transferring free solar heat energy. Attics will evolve into a new solar class of device "the hybrid solar energy system" which will be part passive (the roof itself as a large solar collector) and part active (the "inside-the-attic" low cost forced air heat transfer system).

People around the world will take advantage of this new source of free solar heat energy through economical and practical products that require no massive or significant roof alterations. In fact, no solar thermal roof panels will be needed. However, photovoltaic energy cells ("PV cells") can be used to supply power for SolarAttic devices because most have small power requirements.

Markets will expand as the "low operating cost" water heating, space and ventilation systems supplied by SolarAttic, Inc. are accepted into the market place and displace other inefficient "fossil fuel" heating systems. Legislation will be enacted to help solve the "Greenhouse Effect" that will encourage home owners to stop using fossil fuel systems as alternative systems like the PCS1 swimming pool heater become more commonplace and it becomes readily apparent that we do not have to burn fossil fuels for such heating applications. SolarAttic, Inc. will be the leader, the creator, the innovator and the pacesetter in this FUTURE new marketplace.

The Company's founder and president, Ed Palmer, now believes that some aspect of the Company's new proprietary and patented energy technology can be applied to every single building structure worldwide regardless of its use, size or construction. Because of this, the Company's founder also believes that the markets for the Company's emerging new technology and products are now massive. See "MARKETING AND SALES".

SOLARATTIC'S MISSION

SolarAttic's mission is to be the primary creator, designer, manufacturer and market leader for all technology and products that make use of the newly emerging "Attic Solar Energy Vehicle."

HISTORICAL PERSPECTIVE

The Company began as Pool Heat Company in 1984, a Minnesota proprietorship owned entirely by Edward G. Palmer, the Company's current President and CEO. Pool Heat Company changed its name to Attic Technology, Inc. and organized itself as a Minnesota corporation in August 1986. In July 1993, the Articles of Incorporation were amended to change the name of the Company to SolarAttic, Inc.

The Company began by developing a design concept for an attic air-to-water heat exchanger which could heat swimming pools for as little as $11.00 per month in electricity consumption. In May 1991, a U.S. patent named "ATTIC SOLAR ENERGY VEHICLE" was granted to Edward G. Palmer. This is a solar technology patent which disclosed swimming pool heating, domestic hot water heating and space heating systems — all using solar-generated, heat energy contained in hot attic air. Mr. Palmer has assigned 100% of the patent rights to the Company.

In response to product publicity (several articles written about the Company) primarily concerning the Company's pool heating system, the Company has received product-related inquiries from 1990 through the present. Direct mail follow-ups to these inquiries have resulted in limited sales of the Company's pool heating and space heating systems. At December 31, 1997, the Company had sold a total of 167 pool heating systems to customers in 30 states.

The Company's first patent disclosure cited as a prior art reference an attic based space heating system patented by Ohio inventor David C. Smith. In 1992, the Company was able to acquire 100% of the rights to this U.S. Patent in exchange for stock in the Company. Subsequently, the Company also acquired the entire remaining space heater inventory from its original West Virginia manufacturer in exchange for stock in the Company. The acquisition of this second patent entitled "COMPACT ATTIC MOUNTED SOLAR HEATING PACK ASSEMBLY" was considered important from a strategic technology standpoint. The Company's technology was then focused on heating liquids with an air-to-liquid heat exchanger. The second patent added a proprietary air-to-air heat transfer component to the Company's technology base.

In March of 1994, the Company applied for a third U.S. Patent entitled "A SELF SUFFICIENT APPARATUS AND METHOD FOR CONVEYING SOLAR HEAT ENERGY FROM THE ATTIC." This patent disclosure showed how to provide free solar hot water using a combination of hot attic air and solar photovoltaic cells. In September 1995, a U.S. patent with the aforementioned name was granted to Edward G. Palmer. Mr. Palmer has assigned 100% of the patent rights to the Company. The Company successfully demonstrated a prototype of this hot water heating technology at the Minnesota State Fair during 1994. However, due to limited capital resources, the Company has not yet completed a domestic or commercial hot water heating product. See "RESEARCH AND DEVELOPMENT."

Along the Company's technology development path, it became obvious that there was more solar heat energy available in the attic than what the swimming pool heater was extracting. The Company's pool heaters were working well according to customer empirical reports and testimonials. Some customers, however, informed us that more heat was available at the ends of their attic. The question then arose: "How can we collect all of the solar heat inside the attic?"

As a result of further investigation, a fourth U.S. Patent was applied for in September of 1995 for a new and innovative duct technology. The patent application is entitled: "AN AIR DISTRIBUTOR OR COLLECTOR." The Company's founder, Edward G. Palmer and Professor Ephraim M. Sparrow at the University of Minnesota are co-inventors.

In 1995, a technical paper was first published in the SOLAR 95 PROCEEDINGS describing the Company's new technology. The paper was entitled: "ENHANCED APPLICATIONS OF ATTIC-COLLECTED SOLAR ENERGY." Professor Sparrow, engineering student John A. Sipple and the Company's founder Edward G. Palmer, wrote the paper.

On May 5, 1998, U.S. Patent 5,746,653 was issued with the above title in the names of both co-inventors. Both Mr. Palmer and Mr. Sparrow have assigned 100% of the patent rights to the Company. During September 1997, the Company filed for international patent protection through the United States Patent & Trademark Office ("USPTO"). By April of 1999, the Company had also completed in-country patent applications in the following foreign countries: Israel, Canada, New Zealand, Australia, United Kingdom, Italy, Spain, France, Germany and Switzerland. The Company believes that these foreign patents will be of value at some point in the future.

The fourth patent is a unique duct technology that allows for the even collection or distribution of air all along its entire length. To get this even collection or distribution of air (performance) out of the duct, it is perforated with holes that provide an "air flow through area" that increases as you progress down the length of the duct. The increased flow through area compensates for pressure losses along the duct's length thus causing the duct to collect air or distribute air evenly. The end of the duct opposite the fan end is typically capped albeit it can be left open under certain conditions. The duct can be any geometric shape or length. In the patent application, a circular non-insulated flex duct is described in detail. The flex duct can then wind its way around modern attic cavities which can be disjointed compared to older house structures with a rather straight attic from gable to gable.

The ramifications of the Company's new duct technology are very broad. Virtually any place that a duct is used to collect or distribute air is a candidate for use of the Company's new duct technology. As applied to the attic (solar) heat transfer systems, the duct technology will allow for an even more energy efficient solar heating system. Imagine, for example, the SolarAttic pool heater which is basically a radiator concept inside the attic. Pool water is pumped through the radiator coil while hot attic air is drawn across the coil. This is forced air convection technology. Just like the radiator inside your automobile except instead of cooling it is heating the water. The heat exchanger simply placed inside the attic is highly functional for its intended use. Pool owners appear quite satisfied. However, more heat energy is available (found) inside the attic.

With the Company's new duct technology, a section of duct perforated properly can be attached to the heat exchanger and stretched throughout the attic. The net result is that a smaller heat exchanger can be manufactured because of an increase in overall efficiency in heat collection. In addition, more flexibility is provided from an installation standpoint. Instead of having to mount the heat exchanger at the apex of the attic, it could then be placed in a more convenient location on the attic's floor with the duct itself extended up to and along the apex of large attics.

The same technology concept holds true for space heating and domestic hot water heating products. With the addition of the Company's new duct technology, both of these products will also be more energy efficient. It translates into more proprietary products and less competition.

Pool heating, space heating and hot water heating are the main areas of attic heat transfer. The same technology can be used for "process heating" applications in industrial settings. All of these heat transfer products can be augmented with the duct technology. However, the duct technology also offers product opportunities extending far beyond heat transfer inside the attic.

Take, for example, the issue of proper attic ventilation. The new duct, when coupled with a fan and appropriate controls, now offers consumers a unique way of controlling attic ventilation from the inside of the attic. Hence, a fourth product category has been created with the introduction of the SolarAttic Ridge Ventilator, which offers to control both humidity and temperatures inside the attic. This product was introduced at the 1997 Minnesota State Fair during August. It has been met with enthusiasm from fair visitors. Several systems were immediately ordered at the fair's introductory price. See "PRODUCTS."

A fifth product opportunity arose during the Company's development stage that takes advantage of the duct technology and other Company-owned patents. That is a modular system that combines space heating, ventilation, the duct and hot water heating. A combination space and ventilation system is now in the final prototype stages and is expected to be ready to market by the second quarter of 2000. Such a product, in Minnesota, would work as follows: In the fall and spring, the system will collect free attic (solar) heat and redistribute it back into the house to reduce home heating costs. In the winter, the system will vent the attic thereby working to reduce or eliminate ice dams caused by poor attic ventilation. In the summer, the system will vent the attic thereby reducing summer air conditioning costs.

From a modular concept, the Company expects to have a hot water heating module sometime in the future. When it is available, it can then be placed at the discharge air location. In the summer, then, as the hot attic air is discharged to reduce air conditioning costs—the hot air could then be used to heat domestic hot water before it is discharged outside. To create such a product requires that all elements be in place at the onset since the duct is designed and cut to a specific pressure loss and air flow (CFM) requirement. Therefore, it is not anticipated that a water-heating module could be retrofitted but would rather have to be part of the initial order as an option. See "PRODUCTS."

The Company's first three patents are U.S. Patents only. However, the Company has successfully made several international filings for the fourth patent's duct technology. Therefore, it is readily apparent that all of the systems built by the Company and sold overseas would have a competitive edge when the duct is incorporated into the product's design. Likewise, the Company now has additional and important technology that will not be easily copied overseas in those areas where overseas patent protection is granted. In some areas overseas, the Company may want to seek out business partners. SolarAttic does not envision any direct overseas operations. Instead, SolarAttic envisions overseas partners who could handle the relevant overseas markets.

During the first half of 1999, the Company advanced this modular concept further through the design and introduction of a computerized electronic control that monitors both temperature and humidity inside the attic. The new control is called the SAVC02 and is highly accurate to within ±1% Rh and ±1° F even to subzero temperatures. The control was designed to work across the three product categories of space heating, ventilation and the combination space heating-ventilation system (GB-Series). All products use the exact same computerized control. See "PRODUCTS."

One final historical perspective. All systems inside the attic consume relatively low amounts of electricity for the high corresponding amount of heat energy transferred. As a result, the low electrical energy consumption can easily be offset by the use of solar photovoltaic cells (PV cells). As SolarAttic's new technology has evolved, so has that of PV cells. Most noteworthy is the fact that new PV cells have been developed to take the form of roof shingles. Such a development then takes away the remaining number one sales objection to existing solar technology. The panels. People want renewable solar energy technology; they just don't want the solar roof panels. When SolarAttic's new inside-the-attic solar heating technology is coupled with new PV cells that look like roof shingles—it will be a strong product differentiation to that of traditional solar panel systems used in thermal heating applications (panels vs. no panels).

The technology exists today for SolarAttic to create and supply solar energy systems that will provide free domestic hot water without solar hot water panels. SolarAttic can also provide free attic ventilation. Both of these product categories are immediately adaptable to the use of PV cells due to their low energy consumption. Attic ventilation could therefore be a function of sunlight. Whenever the sun shines or there exists a relative amount of sunlight, the attic would vent automatically with no utility power consumption. Just like small solar powered calculators. Solar powered attic ventilation, in itself, is not a new idea. However, with the control over attic ventilation offered by the Company's new duct technology—there is a new category of ventilation!

This historical perspective shows that, while the Company has endured a prolonged developmental stage, it has continually progressed and advanced its new energy technology. With limited capital resources in Minnesota, time was the necessary substitute ingredient.

The development of the Company's technology has taken much longer than otherwise would have occurred with additional and substantial early capital. It has been unusual (and very difficult from a capital standpoint) for a new solar technology to emerge from Minnesota. The state that is often equated as Ice-Box, USA (home of International Falls). The end result, however, is that what started out as a simple pool heating concept in 1984 has evolved into a broad and expansive new solar energy and ventilation technology as it has progressed into 1999.

It should be noted that even though it has taken more time to develop this new technology in Minnesota, in the long run, it could save SolarAttic a lot of marketing costs. For example, if we had developed this technology in Florida, who would buy it in the northern states? Everything solar works in Florida. Doesn't it? Many times, the Company has heard the dialogue: "If it works in Minnesota, it should work in our state." That consumer thought is a critical long-run marketing message. It's a fact — SolarAttic's technology works in Minnesota!

In April of 1997, the Company moved out of its founder's garage manufacturing and basement office area and into the new "Elk River Business Center" office complex along Highway 10 in Elk River, Minnesota.

In April of 1999, the Company announced that it had entered its growth phase with the first quarter revenues up 249% from the first quarter of 1998 ($44,497 vs. $17,843). This followed a 1998 sales increase of 78% from 1997, which was up 31.7% from its prior year.

PATENTS & INTELLECTUAL PROPERTY

The Company believes its strengths are its technology patents and experience in developing systems that harness the heat energy contained in solar-generated, hot attic air. The Company has the following patents:

1. A solar technology patent that covers the SolarAttic PCS1 Pool Heater and the SolarAttic Domestic Hot Water Heater (under development). (See "RESEARCH AND DEVELOPMENT")

The Company filed a solar technology patent on September 7, 1989. Within the patent, swimming pool heating, domestic hot water heating and space heating systems were disclosed using the thermal energy contained in solar-generated, hot attic air. On May 14, 1991, U.S. Patent 5,014,770 was granted to Edward G. Palmer for the "ATTIC SOLAR ENERGY VEHICLE" (title of the patent). The Company has been assigned 100% of the patent rights by Mr. Palmer.

2. A patent for the SolarAttic Space Heater, acquired from its inventor in 1992.

In September 1992, the Company acquired all of the rights to U.S. Patent 4,502,476 which is now U.S. reissue patent number Re. 32,607 in exchange for 204,000 shares of the Company's common stock valued at 30¢ per share. The patent is currently valid and owned 100% by the Company.

U.S. Patent Re 32,607 is titled "COMPACT ATTIC MOUNTED SOLAR HEATING PACK ASSEMBLY." This patent describes what the Company markets as the SolarAttic Space Heater. This heating system takes warm attic air and distributes it into living spaces that need heat. The system is automatic, providing heat only when attic heat is available and when it is required in living spaces.

3. A solar technology patent that discloses how to derive free domestic hot water from hot attic air using an attic based heat exchanger in combination with solar photovoltaic cells.

On March 28, 1994, Mr. Palmer filed for a third U.S. Patent on behalf of the Company. The title of the U.S. Patent application by Edward G. Palmer is "A SELF-SUFFICIENT APPARATUS AND METHOD FOR CONVEYING SOLAR HEAT ENERGY FROM AN ATTIC." In this application, Mr. Palmer disclosed a system and method for providing for the self-sufficient extraction of solar heat energy from within the attic. Mr. Palmer has disclosed a solar-generated attic heat method whereby domestic hot water may be obtained without the use of external power from a utility company. On September 26, 1995, U.S. Patent 5,452,710 was granted to Edward G. Palmer. The Company has been assigned 100% of the patent rights by Mr. Palmer.

4. A duct technology patent that discloses how to collect or distribute air evenly all along its length by using an algorithm to perforate the duct to offset the pressure loss along its length.

On September 15, 1995, Mr. Palmer filed for a fourth U.S. Patent on behalf of the Company. The title of the patent application by Edward G. Palmer and co-inventor Ephraim M. Sparrow is "AN AIR DISTRIBUTOR OR COLLECTOR." In this application, Mr. Palmer and Mr. Sparrow disclose a new duct technology for collecting or distributing air evenly along its length.

The new duct technology is useful for collecting all solar derived hot attic air (heat energy). The collected heat can be used immediately at the intake of an air-to-liquid or air-to-air heat exchanger or it can be relocated to another location such as the intake of a furnace. It is also useful and has broad applications in air distribution, air collection and air ventilation systems.

On May 5, 1998, U.S. Patent 5,746,653 was granted to co-inventors Edward G. Palmer and Ephraim M. Sparrow. The Company has been assigned 100% of the patent rights by Mr. Palmer and Mr. Sparrow. By April 1999, SolarAttic had completed several international in-country filings for overseas patent protection. The countries filed in are: Israel, Canada, New Zealand, Australia, United Kingdom, Italy, Spain, France, Germany and Switzerland.

5. Upcoming Application: A temperature control technology patent for eliminating ice-dams in northern climates; for use in the venting of attics; and, for use in extracting free solar heat energy from the attic for purposes of space heating.

On June 1, 1999, SolarAttic announced the introduction of its new SAVC02 electronic control for ventilation of attics. The press release said the new control "Makes All Attic Ventilation Fans Smarter" because it was designed to be compatible with existing attic fans. In the Company's press release, Ed Palmer, SolarAttic's CEO said: "This is an exciting development for SolarAttic and represents yet another expansion of our proprietary technology. The company now expects to file for a fifth patent."

It is the Company's belief that when the new control system is combined with the Company's new duct technology, that ice-dams will be virtually eliminated. The combination of the two technologies work to "dry-out" attics during the winter and to eliminate the temperature differences across the roof deck itself, which is a major cause of ice-dams. This approach is new and unique in that it controls attic ventilation from its inside based upon attic humidity and temperature. It constitutes "a systems approach to attic ventilation."

"A Systems Solution to Attic Ventilation"

BUSINESS STRATEGY; MILESTONES

The Company's primary business strategy is to expand its marketing, sales and manufacturing operations. The Company believes that its management has the requisite skills and experience necessary to succeed in its marketing, sales and manufacturing operations. The Company's secondary strategy is to continue to research and develop innovative products that capitalize on the energy contained in solar-generated hot attic air. Also, to further develop the Company's new duct technology. The milestones below are major areas of focus for the Company's resources. The timing and costs for completion are uncertain and depend upon the availability of resources. The Company's milestones and plans include:

• **Continue to pace the business.** The Company has never had significant capital resources to rely upon and its primary survival strategy has been to simply pace the business. The Company continues to limit its overhead and operations so that they might not exceed available resources. The Company's financial focus is on cash-flow. It is the Company's patents, the long-term nature of the Company's energy technology and the founder's patience that gives the Company its ability to simply pace itself and continue its growth. The Company has consistently continued to progress in a forward direction from its inception, despite various periods of cash-flow difficulties, and believes that regardless of the outcome of this Offering—that it shall continue to do so.

• **If only the Minimum Offering is raised, sales resources will be expanded.** The focus of the Minimum Offering is to expand the resources and staffing for the Company's sales department. Upon receipt of the minimum proceeds, the Company will add both a local salesperson and an on-the-road sales person. These funds will also allow the Company to expand its advertising, trade show attendance, inventory and office staff in support of its sales efforts. Management believes that the combination of these factors will allow the Company to expand its gross revenues to $400k or beyond thereby helping to accelerate the Company's growth.

THE FOLLOWING ITEMS REQUIRE FUNDING BEYOND THE MINIMUM OFFERING!

• **File for a fifth U.S. Patent.** The Company believes its new electronic control technology is novel and unique enough to file for a fifth U.S. Patent. The Company now expects to file for this patent upon receipt of proceeds greater than the Minimum and less than 25% of this Offering.

• **Continue building the Company's customer list database.** During 1996, the Company acquired a customer list of 600,000 inground pool addresses in exchange for common stock in the Company. This list, however, is in typewritten form and requires data entry input into the Company's computer database to be most useful in direct marketing programs. The list is being entered into the database in anticipation of being used full time for marketing the Company's swimming pool heater in the near future. As of June 30, 1999, the database had reached 209,247 addresses and data entry is on temporary hold pending additional resources. The Company uses Macintosh computers and 4th Dimension database software and has full customization capabilities including laser printing on 600 dpi printers for use in direct mail marketing. The Company expects to resume this effort upon receipt of 25% of this Offering.

• **Continue testing sales initiatives.** The Company does not currently possess the capital to launch a full-scale program for the marketing and sales of its products, which, among other costs, would involve a substantial advertising budget. The Company is engaged in low cost marketing methods such as public relations and direct mail marketing. Several other methods such as dealers and distributors are also being tested. The Company needs substantial marketing funds to resolve the best sales and distribution method for the pool heater and its other products. Upon receipt of Minimum proceeds from the Company's Offering, the Company will begin to expand its sales initiatives and marketing programs. This effort will expand significantly as additional proceeds from the Offering are received.

• **Expand the Company's ventilation product line.** The Company's first product to make use of the new duct technology was introduced at the 1997 Minnesota State Fair. The SolarAttic Ridge Ventilator (model number 14-900) was introduced and received an enthusiastic welcome at the fair. However, this product and its technology are still in its infancy. Additional capital is required to develop several product variations. Upon receipt of 25% of this Offering, the Company will expand its engineering efforts and begin this task.

• **Complete the Company's GB-Series space heating/ventilation product line.** The Company's combination space heating and ventilation system needs to be completed. The current status of this product is that three different sized prototype models have been constructed. However, the capital costs of placing the unit into production are a current constraint. Upon receipt of 25% of this Offering, the GB-Series product will be completed and made available for sale. The SAVC02 electronic control system developed for the SolarAttic Ridge Ventilator is identical to that used in the GB-Series. This common control system will allow for earlier economies of production to occur for both product lines. See "PRODUCTS."

• **Place the SAVC02 into mass production.** The Company's proprietary control technology for use in venting attics, space heating and combination space-venting products is already being field-tested. Upon receipt of 25% of this Offering, the Company will begin efforts to get this product into mass production and lower its cost.

• **Enhance engineering and manufacturing capabilities to lower production costs enhance profits and effect the Company's product strategy.** The Company's product strategy is to offer a line of SolarAttic® products for heating swimming pools, space, and domestic hot water. These products will be primarily heat exchange systems placed inside attic structures and operated by electronic controls. The Company expects to not only manufacture the heat exchangers but also to either manufacture or have manufactured a line of custom electronic control systems to operate its heat exchangers. In addition, customized ventilation and combination space heating/ventilation systems will be deployed with these custom electronic controls. Upon receipt of 25% of this Offering, the Company will expand its engineering staff to accomplish these tasks.

• **Build and capitalize on the Company's brand name.** The Company believes that the SolarAttic brand name captures the essence of its heat transfer technology. Further, the Company plans to expand its category of products which use hot attic air — to include products that will enhance and/or control the heat absorbing and storing capacity of attic spaces. Upon receipt of 25% of this Offering, the Company will begin a strong branding campaign using AM Radio ads in combination with the Company's extensive Web site, toll free number and other branding tools.

• **Educate potential users and distribution channels that there is untapped, solar energy contained in hot attic air.** The education of the general public is a marketing necessity since the Company has been pioneering a new solar and ventilation technology. The need exists to simply get the word out, to inform and to educate people on the availability of the Company's new technologies and products. The Company therefore publishes booklets and technical manuals and has an active Public Relations program, which distributes information. Prior to the Company's World Wide Web site development, this was a considerable effort for the Company to maintain from an operational standpoint.

The Company's World Wide Web site has now taken over this educational task. During January 1999, for example, SolarAttic's web site recorded 103,212 requests or hits. SolarAttic has, among other things, made its complete technical manual for its pool heater available free for downloading in an Acrobat PDF file format (portable document file). This format is cross platform compatible and is readable on all personal computers that have the free Acrobat Reader software. Expanding the web site with this type of educational information is important and ongoing. Upon receipt of 25% of this Offering, the Company will expand further its Web site to include more commercial transaction and feedback capabilities including the use of secure server technology.

• **Establish a nationwide distribution network for the Company's products.** The Company intends to form alliances with appropriate solar, swimming pool, plumbing and heating dealers. In addition, alliances with other business entities will also be sought to distribute and market the Company's products nationally. Upon receipt of 25% of this Offering, the Company will expand significantly its presence in certain trade journals, trade shows and other industry and business related areas where the Company expects it could attract independent dealers.

• **Expand internationally.** Cost and availability of energy are global concerns that impact everyone worldwide. The Company plans to introduce applications of its technology to international markets where there is strong economic return for the Company and for users of the Company's technology. The Company also plans to seek out international alliances to distribute and market the Company's products. Such alliances may license overseas production of the Company's products for distribution overseas when such production is deemed advantageous. To date, the Company has received product inquiries from several foreign countries. However, the Company has not sought any such international alliances to date. Upon receipt of 75-100% of this Offering, the Company will begin exploring international relationships to expand the global markets for the Company's technology and products.

• **Reduce overall product cost and power SolarAttic products with PV cells.** The Company is interested in pursuing the reduction of its overall product costs and in powering its products with photovoltaic cells. Low cost products when powered by PV cells could find mass appeal in third world countries where power distribution is limited or non-existent. For example, ventilation, water heating and space heating applications could essentially be made free of monthly utility costs on the African continent where solar energy is abundant. A low-cost product strategy would be advantageous to third world countries where product costs could be a severe constraint to the implementation of SolarAttic's new technology. A low-cost product strategy might involve the use of cardboard and plastic where more expensive materials are currently being used for ducts, etc. Upon receipt of 75-100% of this Offering, the Company will begin a serious effort to engineer PV cell power options for all of its products. The Company will also explore the use of low cost materials with the aim of reducing the cost of its technology for use in third world countries.

• **Other product development works.** The Company's proprietary technology and patents have been thoroughly developed and disclosed. However, the current line of manufactured products and the Company's technologies are still in their infancy. Additional product development work will be required by the Company to fully exploit these new technologies. The recent design of a custom electronic control for space heating and ventilation systems is just one area of product development that needed to be addressed. However, many other variations of this control technology are possible and are useful in the market.

Another area of development need is UL Listing for all of the Company's products. Prior to volume production runs, final cabinet changes and other product refinements will need to be made. Upon receipt of 25% of this Offering, the Company will significantly expand its internal product development process by adding the requisite engineering staff to accomplish these tasks.

THE ABOVE STRATEGIES AND MILESTONES ARE DEPENDENT UPON RESOURCES BECOMING AVAILABLE TO THE COMPANY. THERE CAN BE NO ASSURANCE AS TO THE AVAILABILITY AND TIMING OF THOSE RESOURCES OR EVEN THAT THE ABOVE STRATEGIES AND MILESTONES WILL BE SUCCESSFULLY DEPLOYED.

NOTE: AFTER REVIEWING THE NATURE AND/OR TIMING OF EACH STRATEGY, EVENT OR MILESTONE, POTENTIAL INVESTORS SHOULD REFLECT UPON WHETHER ACHIEVEMENT OF EACH IS REALISTIC AND SHOULD ASSESS THE CONSEQUENCES OF DELAYS OR FAILURE OF ACHIEVEMENT IN MAKING AN INVESTMENT DECISION.

PRODUCTS

The Company designs, manufactures and sells a line of solar heating systems which utilize solar-generated hot attic air for heating swimming pools, space and hot water. In addition, the Company manufactures an attic ventilation system and a combination attic ventilation and space heating system (GB-Series). The Company's solar heating products eliminate the need for solar roof panels. The Company's ventilation products eliminate the need for roof vents (holes, etc.).

The Company's present product line consists of the following ten systems:

- **Three swimming pool heating systems.**
- **One space heating system.**
- **Three combination space heating/ventilation systems.**
- **Two ventilation systems.**
- **One electronic controller.**

The Company also publishes and sells a small collection of manuals and papers relating to its technology. However, since the Company has placed this collection of manuals and papers on its World Wide Web site for free distribution, sales of these literature products have declined. The Company's strategy with the literature products was to offset part of the costs of educating the public. Towards that extent, the "literature" strategy has been a success, which is now being handled almost exclusively by the Company's web site file transfers. People from around the world now have access to an abundant amount of free information about the Company, its technologies and its products.

At June 30, 1999, the Company's web site consisted of over 450 html pages (hypertext markup language browser pages) which either present company information or lead the browser to more in-depth information. The Company's Internet site is over 20 megabytes in size, which is considered large for a business web site and includes over 39 downloadable Acrobat PDF (portable document) files. These files include the Company's comprehensive 114 page PCS1 Pool Heater Technical Manual, the Solar 95 Technical Paper and even an independent marketing report written by a MBA student. It is the Company's strategy to locate all public information about the Company that it can on this web site or at least linked to this web site. Exceptions, of course, would be trade secrets and other confidential non-public information.

The Company's SolarAttic® pool, space heating, GB-Series combination space heating-ventilation, ventilation systems and the SAVC02 electronic control are existing product lines, which are in limited production at this time. Through June 1999, the Company has sold over 285 pool heating systems to customers in 31 different states. The Company believes that the combination of these product lines will yield a manufacturing operation affected minimally by seasonal cycles.

The following graphic illustrations of the Company's technology are designed to present the conceptual basis for the Company's solar heating and ventilation products. The attic-based solar heating systems use either an "air-to-liquid" or an "air-to-air" heat exchanger. The attic based ventilation systems are simple fans or centrifugal blowers connected to the Company's proprietary perforated duct. The conceptual graphics are accompanied by actual pictures, specifications and sales literature benefit messages of the different products where appropriate.

The first product developed by SolarAttic is a swimming pool heater that uses forced air convection technology to capture hot attic air (heat) and transfer it to swimming pools. While the swimming pool is heated, the house is cooled. The pool heater is a simple radiator concept inside the attic, which works opposite of the auto radiator. The solar energy dynamics are astonishing with a $11 electric bill to run SolarAttic's heater typically replacing a $200 natural gas bill.

Swimming Pool Heating Systems: The "SolarAttic Pool Heater"

1. **PCS1 Manual System:** A basic system with no automatic controls.
Note: PCS1 is an acronym that stands for **P**ool **C**onvection **S**ystem **1**

2. **PCS1 Auto System:** An automated system with electronic solar controller that automatically activates the system when heat is required and solar conditions are met.

3. **PCS1 Auto Plus System:** An automated system with solar controller to automatically activate the system when heat is required and when solar conditions are met. This system also includes a flow reversal valve which routes heated water up through the pool's floor drain rather than returning heated water through the pool's return lines. This feature helps keep the pool temperature uniform from bottom to the top, and substantially reduces the pool's overall heat needs.

The Company believes (based on its studies and customer responses) that its pool heating systems offer the following key benefits to pool owners:

- Average monthly operating cost of as little as $11.
- Significant reductions in air conditioning costs by elimination of attic heat.
- The utility cost savings will pay for the system in many instances.
- There are no aesthetic problems caused by roof or yard-mounted solar panels.

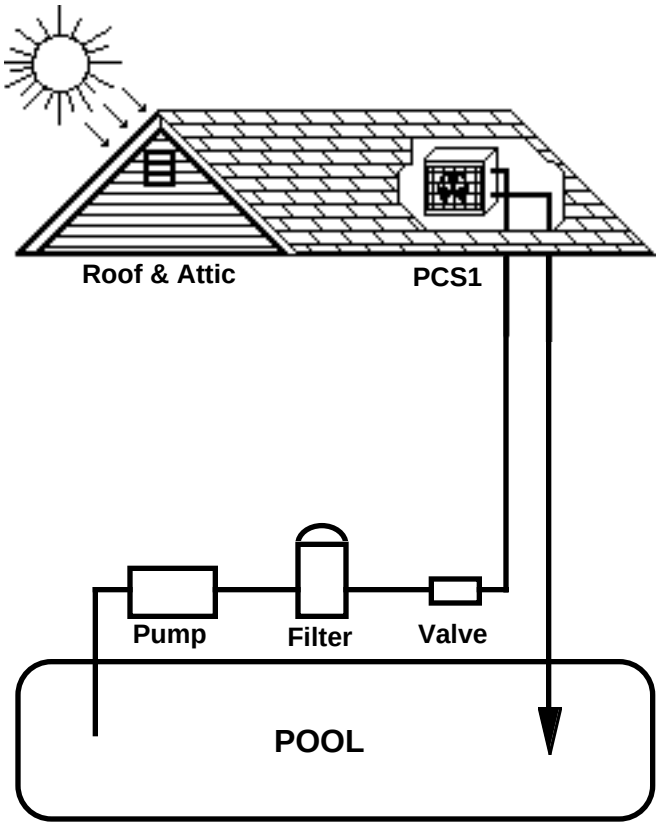
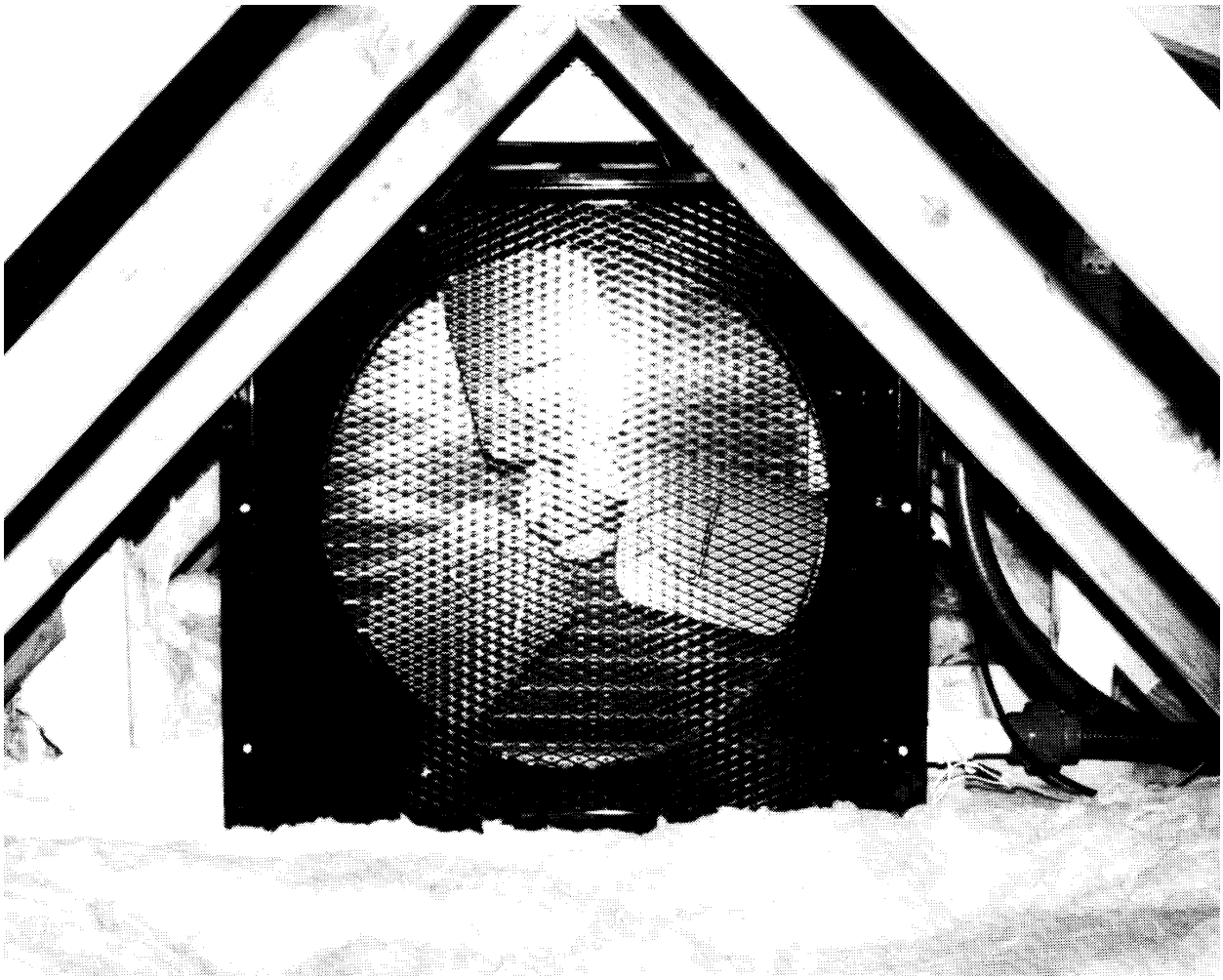


Figure 1: Swimming Pool Heating Concept

The "SolarAttic Pool Heater"



SOLAR Without PANELS
U. S. Patent 5,014,770

DESCRIPTION OF OPERATION: Solar radiation bombards the house's roof structure throughout the day. The roof itself functions as a "massive solar collector." Solar radiation reaches the attic through a process called "conduction." The attic functions as a storage and heat transfer area. The PCS1 is physically located inside the attic and then transfers this solar radiation from the attic air into the swimming pool's water through a process called "forced air convection."

FULL AUTOMATIC OPERATION: Is achieved with the optional LX220 control. When the attic is eight degrees hotter than the pool and the pool needs heat, the LX220 automatically routes water up to the PCS1 and turns it on. It can even synchronize the pool's pump by turning it on at the same time. Temperature sensors sense the pool and attic temperatures, and maximum heat is then extracted automatically. The pool owner simply sets the desired thermostat setting on the LX220. Flowreversal™ can substantially reduce the pool's heat demand by allowing the heat to rise from the main drain. Flowreversal™ is a trademark of Mark Urban, Tustin, California. A pool blanket can be used when the pool is not in use thereby minimizing heat losses caused by evaporation (60%).

PCS1 SPECIFICATIONS:

- Pool Sizes: Up to 1000 square feet or 35,000 gallons
- Up to 70,000 gallons with FlowReversal™ valves
- Nominal BTU Rating: 60,000 BTUs/hour @ Δ 32°F
  I.E. Pool water input 72°F & Attic's Peak @ 104°F
- BTU Transfer Range: 20-150,000 BTUs per hour
- Attic space required: 3 ft min height to peak; and,
  square ft of attic equal to or greater than pool sq ft
- Attic access: Fits through standard 24" o.c. trusses
- Minimum access opening recommended: 21"x 31"
- Can be disassembled for smaller access openings
- PCS1 Size: 33"W x 30"H x 18"D
- PCS1 Weight: 135 pounds
- Shipping Crate Size: 42"W x 38"H x 24"D
- Shipping/Crated Weight: 246-253 pounds
- Power: 220 vac 1.8 amps @ Full Load
- Operating Cost: $5-11 per month @ 9¢ per KW/hour
- U.L. Listed: Coil, Motor & other components
- Plumbing: 1 1/2" or 2" PVC typical
- Pressure Drop: 4-6 PSI typical
- Air Flow Rate: 2500 SCFM
- Water Flow Rate: Range 15-80 GPM
- Optimal Water Flow Rate: 45-55 GPM
- Modes: Manual Off & On
- Optional Automatic Operation: LX220 control

Space Heating Systems: The "SolarAttic Space Heater"

1. **SolarAttic Space Heater — Model BD465.** This heating system takes warm attic air and distributes it into living spaces that need heat. The system is automatic, providing heat only when attic heat is available and when it is required in living space.

The SolarAttic Space Heater (BD465) is comprised of a simple blower and plenum assembly that mounts at the apex of the attic. From this location, the fan automatically draws in warm attic air. Once drawn into the blower, the warm attic air is redistributed down into the house's living spaces via flexible ducts and ceiling diffusers designed for space heating purposes.

When this system operates, the main heating system operates in a limited, backup mode, providing additional heat only when necessary. The SolarAttic space heater is fully automatic. The Company believes its space heating technology has both residential and commercial applications. The original West Virginia manufacturer reported several commercial installations.

The Company believes (based on customer responses) that its space heating system offers the following key benefits to homeowners:

- Reduced annual home heating costs (15 - 25% reported in Ohio-West Virginia).
- Complete kit weighs only 32 pounds and is easy for do-it-yourself installation.
- Maintenance free simple energy saving technology.

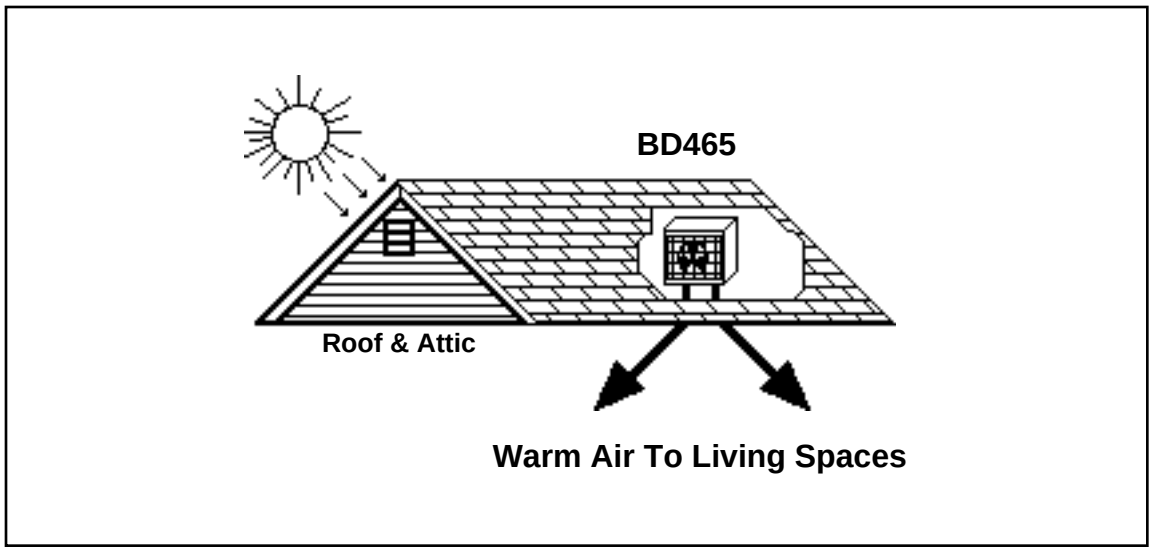


Figure 2: Space Heating Concept

The "SolarAttic Space Heater"

Benefits

• **Whenever the sun shines.** Heat energy builds up inside your attic -- even on winter days with chilly temperatures outside. The SolarAttic space heater takes this free renewable solar heat from the peak of your attic and supplies it to the interior of your home.

• **Fully-Automatic.** All you do is set the room thermostat. When attic temperatures exceed this setting, the heater turns on automatically. When the room reaches the desired temperature, the attic heater turns itself off automatically.

• **Renewable Solar Energy.** When you use attic heat to supplement your central heating system, you save heating costs. Plus, you get the satisfaction of conserving natural resources and using renewable, solar energy.

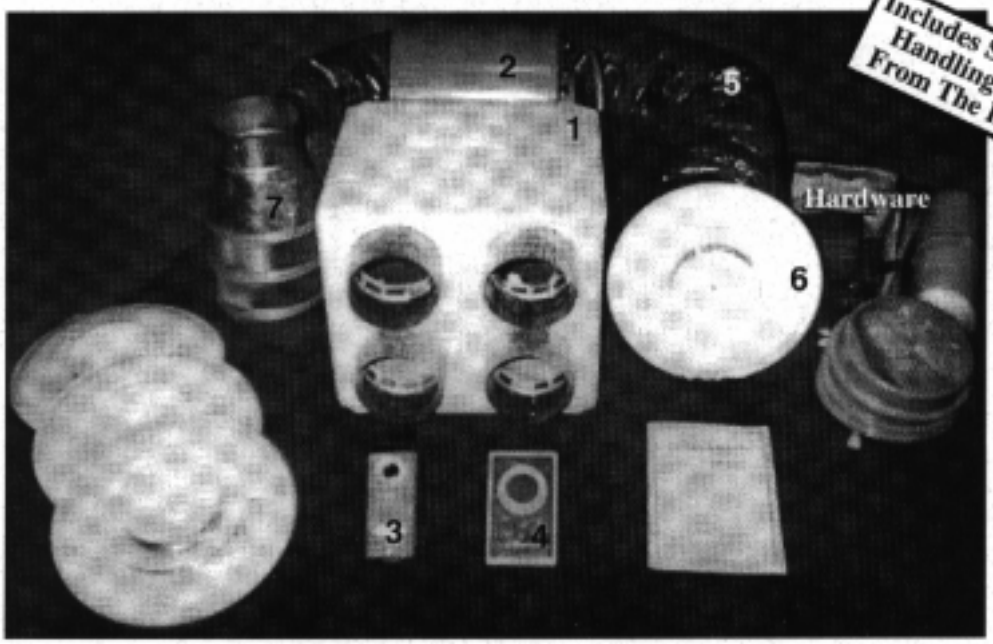
• **A Complete System.** All the components you need are included with this kit. Do-it-yourselfers can install the system with the help of our easy-to-follow installation manual.

• **100% Performance Guarantee.** SolarAttic Space Heaters are guaranteed for two full years to reduce your home heating costs. If not, we will buy it back. All you need is a sunny roof and to follow our simple installation instructions.

Use the SolarAttic Space Heater to supplement your home's conventional heating system and reduce yearly heating costs!

An estimated 200 or more space heating systems were sold by the original West Virginia manufacturer into 10 or more states. No original manufacturing records are available so this is the Company's best estimate based on conversations with the inventor and the original manufacturer. SolarAttic has sold several units since acquiring the technology and inventory. The remaining and original space heater inventory of 85 units is in fair condition and has been repackaged.

The SolarAttic Space Heater – Fast Payback at Only $815.85!



Specifications for Model BD 465

- Heats Up to 4 large rooms
- Minimum Attic Space: 450 Sq Ft
- Internal Damper
- 115 vac 50/60 Hz
- Shaded Pole Motor
- 2.9 Amps Full Load Current
- Automatic Overload Protection
- Automatic Motor Thermal Reset
- Weight: 40 lbs Shipped
- Shipping box: 33 x 12.5 x 12.5"
- .28" Nominal Static Pressure
- 465 Free Air CFM
- 350 Nominal Operating CFM
- 1530 RPM @ Free Air
- Motor UL E37403
- Motor CSA 36496

The SolarAttic Space Heater. A complete system kit.

1. Plenum Assembly
2. Blower Motor
3. Attic Thermostat
4. Room Thermostat
5. Flexible 4" insulated duct (50 feet)
6. Ceiling Air Diffusers (Qty 4)
7. Ceiling-Duct Reducers (Qty 4)

Also Shown:
Diffuser filters
Assembly Hardware
Electrical Hardware
Heat Barrier Curtain
Installation Manual
Operating Guide

SOLAR Without PANELS
U. S. Patent Re. 32,607

The current space heater inventory is being sold at the closeout price of $299. The Company is in the process of redesigning this product for use with its new SAVC02 electronic control. When the remaining inventory is sold, the Company will end the production of the BD-465. However, the Company will produce a more advanced version of the SolarAttic space heater that incorporates the Company's new duct and electronic control technology.

Product Performance Guarantees

The Company offers 100% Performance guarantees on all of its products. The swimming pool heater has had a 100% performance guarantee since 1991. To date, few customers have exercised any rights under this performance guarantee. The Company believes that the energy dynamics involved are so profound that most customers will notice immediate results from the Company's products. For example, a Tennessee customer reported an immediate reduction of 18% in overall energy consumption after installing the Company's pool heater. This customer uses a heat pump to air-condition his home and states he was not previously heating his pool. The net reduction of energy costs are the direct result of the pool heater economically transferring the attic heat into the swimming pool [and simultaneously cooling the home].

Literature Products

The Company reproduces and sells a small collection (10 titles) of technical manuals, reports and "how-to" booklets that address the Company's technology. The placement of these materials on the Company's web site for free non-commercial use and distribution has substantially reduced the sales of these literature products.

Product Cycles

While each individual product line, in itself, may have its seasonal cycles, the combination of all product lines is expected to allow the Company to operate a fairly consistent and non-cyclical overall manufacturing business. However, no assurance can be given that the Company's strategy will be successful and that the Company will develop a non-cyclical or non-seasonal manufacturing business.

Expanding Space Heating Concept

As the Company was developing its new duct technology, it became readily apparent in some engineering tests that the duct could greatly enhance the efficacy of space heating. This was then coupled with the idea of venting the attic in off-seasons. I.E. - In the winter and summer when attic heat might not be available (winter) or even wanted (summer). The GB-Series was born.

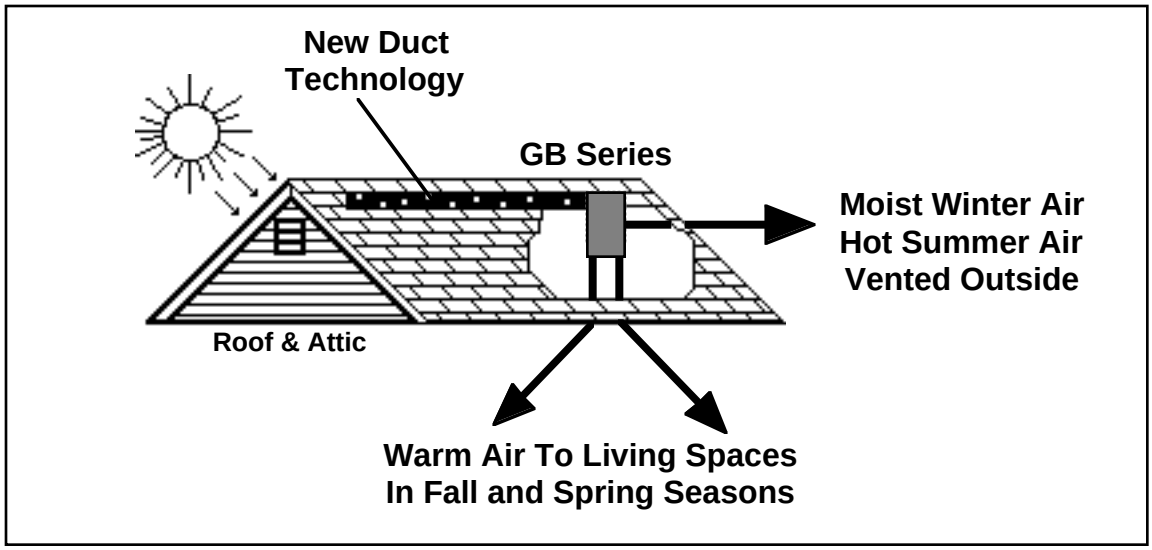


Figure 3: GB-Series Space Heating & Ventilation Concept

The GB-Series Product

The three GB-Series space heating / ventilation systems will also take warm attic air and redistribute it back into living spaces that need heat. These systems are automatic, providing heat only when attic heat is available and when it is required in the living space.

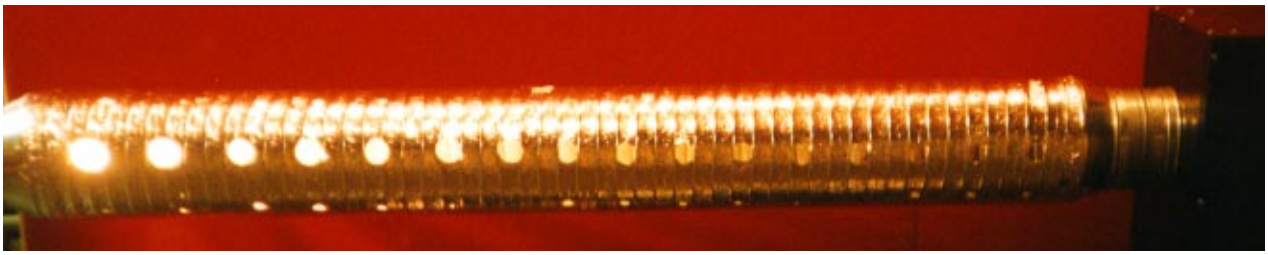
However, unlike the SolarAttic Space Heater Model BD465, which is limited to heating your house, the GB-Series has the Company's new duct technology built in and deployed which improves the efficiency of the attic heat collection and air transfer process. The GB-Series products also have an internal damper that switches automatically from heating to ventilation so that your attic is also automatically vented when needed.

The GB-Series provides for an expanded year around operation inside the attic by combining two of SolarAttic's proprietary technologies and patents. During the fall and spring when free attic heat is available for the home, the system automatically collects this free heat and moves it into the living space. In the winter, when ice dams are a concern, the system will automatically vent the attic to equalize both moisture and temperature to that of the outside ambient. In theory, such winter ventilation will eliminate the poor attic ventilation issue that contributes in large extent to the build up of ice dams. In the summer, when the attic builds up excessive amounts of heat, the system will then automatically vent the hot attic air to the outside. No sales of the GB-Series have occurred and the product is still in its final prototype stage.

The Company believes that its GB-Series products offer the following key benefits to home owners:

- Reduced annual home heating costs (15 - 25%).
- Reduced summer air conditioning costs (15 - 30%).
- System is easy for do-it-yourselfers to install.
- Maintenance free simple energy saving technology.
- Year around controlled attic ventilation.

GB-Series product uses new duct technology. U.S. Patent 5,746,653



The above section of perforated duct attached to a GB980 product for display purposes illustrates the Company's new duct technology. Close to the blower unit (right end), the duct has an "open air flow through area" that is smaller due to the pressure at the blower. However, as you progress down the duct (moving right to left) the duct's "open air flow through area" increases in size. The increasing area compensates for the pressure losses along the duct. This allows air to be collected evenly all along its length. The duct above has been cut to show the increasing open area. It is not a picture of the actual duct used with the GB-Series product.

The “SolarAttic Space Heater & Ventilator”

SOLAR Without PANELS
U. S. Patents Re. 32,607 and 5,746,653

The above parts photo shows some basic attic-to-home ceiling installation hardware. Not all parts shown are used or supplied. Not shown: 8" mating duct hardware. Shown: Ceiling air diffusers, filters, thermostats, flexible insulated duct & other hardware. A flexible attic air collector duct (illustration shown on the previous page) is perforated to collect air evenly all along its length. It simply unfolds and is hung at the attic’s peak. One end is attached to the GB-Series air-moving unit shown above and the other end is capped (closed-off).

Automatic Operation

Spring and Fall: When the attic temperature is greater than 70°F and the house thermostat creates a heat demand, warm solar heated attic air is collected and routed back into the house to reduce space heating costs. **In the Summer:** When the peak attic temperature exceeds 105°F and there is no house heat demand, the attic is automatically vented to remove excess heat and reduce air conditioning costs. **During the Winter:** When attic temperatures are less than 28°F and the attic humidity is greater than 35% RH (relative humidity), the attic is automatically vented to remove excess moisture and prevent ice dams in the winter. Between 28° and 60° F, the attic is vented continuously. The Company believes this is an area of "thaw" that contributes to the formation of ice-dams. 60° F attic temperatures are easily reached in the spring when outside ambient temperatures exceed 32° F. The winter ventilation cycle begins when the attic first reaches 28° F (winter defined) and ends when the attic reaches 60° F (spring defined). Once installed, the user only sets the inside house thermostat. It’s that simple! All parts are warranted for 36 months.

GB-Series Provides Benefits All Year

The GB-Series product provides controlled attic ventilation in the Winter and Summer and eliminates concerns about major structural damage caused by excess attic moisture and heat. PLUS - IT SAVES you money nine months of the year by reducing space-heating costs in the Spring and Fall and reducing cooling costs in the Summer.

The Seasons & Benefits	GB Specifications: GB980/GB495/GB465
Winter ■ Eliminates excessive attic moisture ■ Prevents ice dams from forming **Spring** ■ Provides free solar heat for home ■ Reduces home heating costs **Summer** ■ Eliminates excessive attic heat ■ Reduces air conditioning costs **Fall** ■ Provides free solar heat for home ■ Reduces home heating costs **Save $$** ■ Provides controlled ventilation ■ Eliminates need for roof vents ■ Reduces burning of fossil fuels ■ Full Automatic Operation ■ Easy To Install ■ Simple To Use ■ Fast Payback	■ Air Mover Dimensions: 36"Hx14"Wx18"D ■ Minimum Attic Space Sq Ft: 800/400/400 ■ Collection Duct Length Feet: 25 / 25 / 15 ■ Maximum Rooms Heated: 6 / 4 / 4 ■ Nominal Static Pressure Inches: .50/.50/.28 ■ Nominal Operating CFM: 730 / 430 / 350 ■ Free Air CFM: 980 / 495 / 465 ■ Free Air RPM: 1050 / 1570 / 1530 ■ Power Required Volts AC: 115 / 115 / 115 ■ Power Required Hertz: 60 / 60 / 60 ■ Full Load Amperage: 6.80 / 3.25 / 2.90 ■ Nominal Rated HP: .25 / .10 / .07 ■ Rated Watts: 455 / 225 / 175 ■ Shaded Pole Motor: Yes / Yes / Yes ■ Overload Protection: Auto / Auto / Auto ■ Thermal Reset: Auto / Auto / Auto ■ Motor UL Listing: Yes / Yes / Yes ■ Motor CSA Listing: Yes / Yes / Yes ■ Internal Damper: Yes / Yes / Yes ■ Damper Defaults To Vent: Yes / Yes / Yes ■ Attic Temperature Sensing: Yes / Yes / Yes ■ Attic Humidity Sensing: Yes / Yes / Yes ■ House Heat Thermostat: Yes / Yes / Yes ■ Weight Lbs: 103 / 93 / 90 ■ Shipping Weight Lbs: 138 / 123 / 115

Specifications Subject to Change

The above three GB-Series product specifications are subject to change without notice. This statement is true for all of the Company's product specifications.

Product Warranties

All products are accompanied by a limited warranty of 36 months in addition to the Company's 100% Performance Guarantee. It covers parts and manufacturing workmanship.

SolarAttic's Alternative Energy Technology, It's Easy-to-Use & Easy-to-Understand!

Features & Benefits

The Company believes that all of the features and benefits listed in the product specifications and descriptions disclosed herein are accurate. However, due to the Company's limited market exposure with these products and the preliminary nature of some of this information, there can be no assurance of 100% accuracy in the features and specifications or that all of the benefits listed will actually be realized.

Final Assembly & Test

The Company receives fabricated sheet metal products and other parts and basically performs a final assembly and test of its products. Some of the parts used are off the shelf items and others are manufactured to the Company's specifications. Some parts are accompanied by manufacturer warranties similar to those offered by the Company on its assembled products.

A Modular Attic Heating Concept

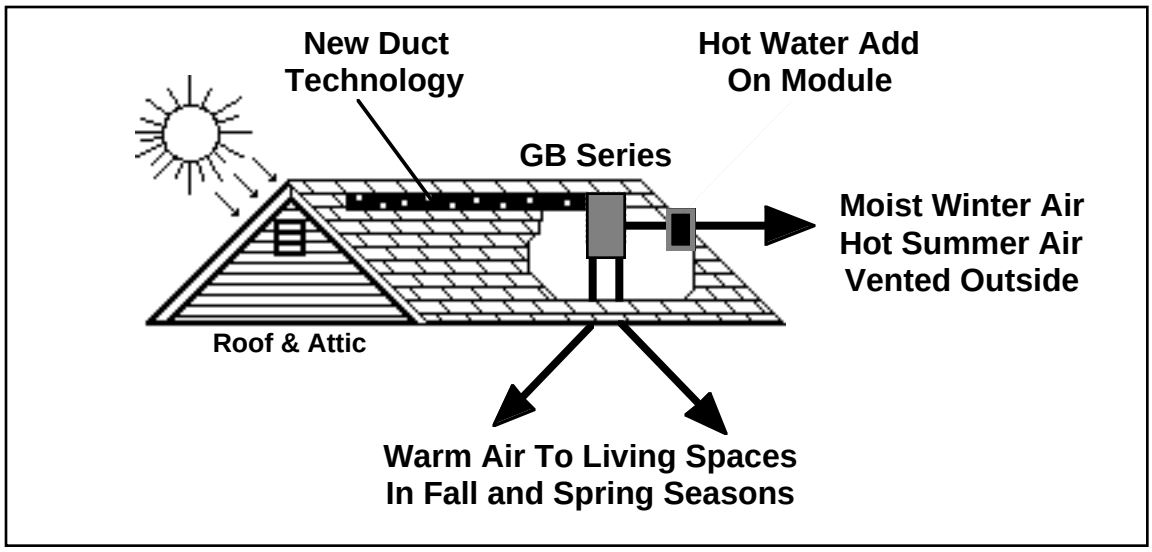


Figure 4: Modular Space Heating, Ventilation and Hot Water Concept

The above graphic shows one technological direction that the Company's products are headed in. That is one of a modular approach to assembly. Every component of the above system can be thought of as a module or piece of an ever-enlarging product with ever increasing features and benefits. The systems can be built in a modular and uniform way to increase economies of scale in the manufacturing process. The BD465 space heater can share the same cabinet assembly as the GB-Series for starters. Then, the product could be assembled with the following variations:

- SolarAttic Space Heater
- SolarAttic Space Heater with Ridge Duct for Improved Efficiency
- SolarAttic Space Heater with Ridge Duct & Semi-Automatic Ventilation
- SolarAttic Space Heater with Ridge Duct & Automatic Ventilation
- SolarAttic Space Heater with Ridge Duct & Automatic Ventilation & Hot Water

The GB-Series is the Company's first attempt at a modular product construction that affords several different product variations such as the use of different blowers with different air moving capacities. Design of the hot water module, as an appendage, hasn't been addressed yet.

Hot Water Module

The issue of heating hot water as shown in the preceding graphic is covered by three of the Company's patents. Hot water ranges from just a summer issue of a few months in colder climates to year around possibilities depending upon geographical location. In the Minneapolis area, it is estimated that such a hot water module would be productive for 5-7 months of the year if used in an environment where a well and electric hot water heater are deployed. For further discussion, see "MARKETING AND SALES" & "RESEARCH AND DEVELOPMENT."

The SolarAttic Ridge Ventilator

Looking at the ventilation issue more closely, the Company decided that a ventilation system in and of itself would be very useful and marketable. There is no need, for example, to couple venting the attic with space heating or hot water heating. Venting the attic, in fact, is a more universal application. All homes could use such a product. Not just the homes of those who are environmentally conscious. The SolarAttic Ridge Ventilator concept was born. It eliminates the need for roof vents and for the first time in history provides control over attic ventilation.

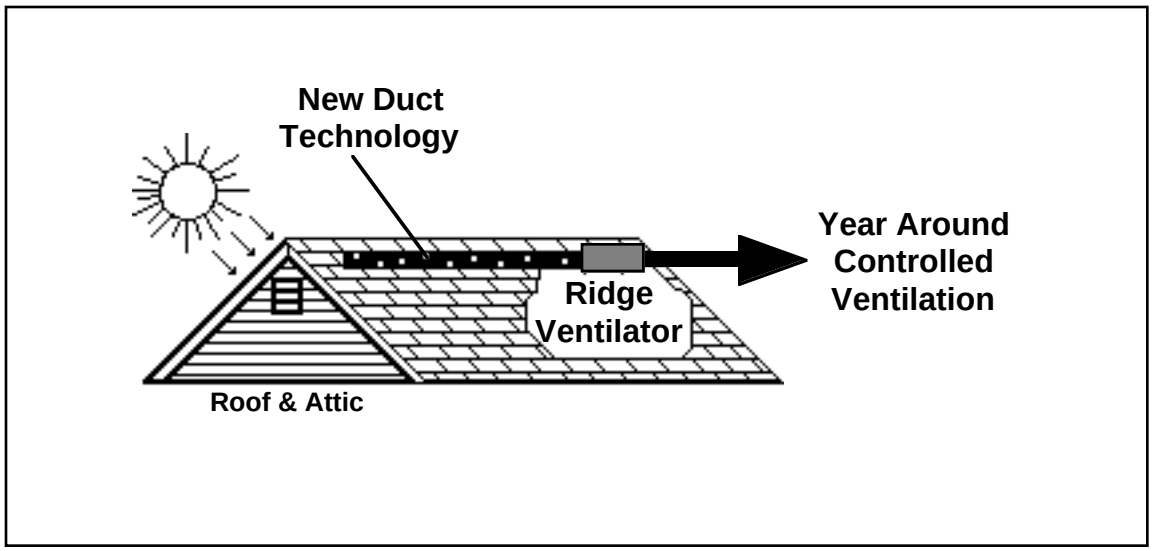


Figure 5: SolarAttic Ridge Ventilator Concept

The above graphic shows the SolarAttic Ridge Ventilator concept which is simply a fan or inline centrifugal blower assembly coupled with the Company's proprietary perforated duct technology and the appropriate controls. Like the GB-Series product, it can be modular and offer a domestic hot water heating module as an optional attachment. An obvious engineering question may arise. Where does the makeup air come from? It comes through the traditional eave vents. In homes without eave vents, an appropriate sized opening must be created to allow air intake into the attic. This opening could also be a gable vent that is already in existence.

The Company's duct technology disclosed in U.S. Patent 5,746,653 is very flexible in nature. The Company is now using a non-insulated circular mylar duct, which is readily available. It is supplied in standard or custom duct lengths and is available in different diameters having a variety of airflow rates. The Company has developed a proprietary computer program that specifies where to perforate the holes and what their size needs to be. Currently, the duct is hand perforated based upon the computer program's instructions. However, the Company believes that this can be automated. The Company's technology allows for the use of any geometric shape such as triangles, rectangles or squares. Materials for the duct are also flexible and can be any material suitable for use in attics. Waterproofed or coated cardboard could provide for a low-cost duct when punched in a flat position and then folded into a square, rectangle or triangle on installation.

Systems Solution To Attic Ventilation Problems

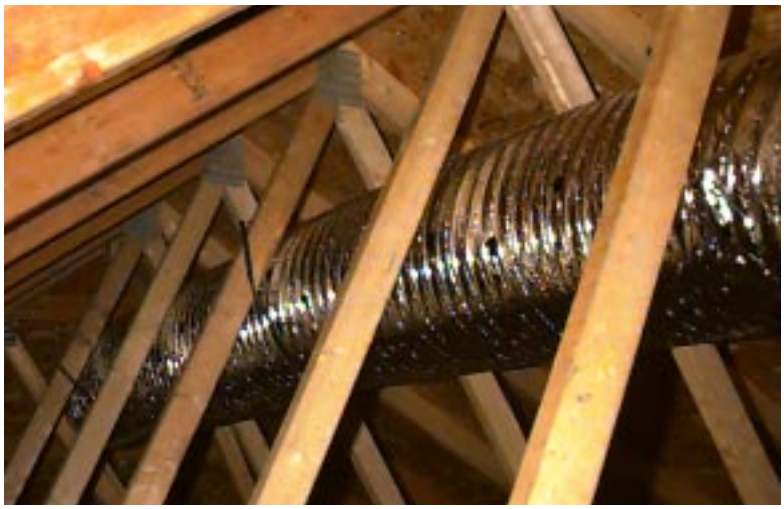
The initial price for a fully automatic (year around temperature and humidity control) SolarAttic Ridge Ventilator with a nominal 900 CFM air flow rating and a 25 foot standard duct was set at $599.95 wholesale. The question has been asked: "Why shouldn't I just put a $39 fan at the gable of my house?" Or, "Why can't I just install a roof mounted power exhaust fan? What's the difference?"

Ignoring the fact that these other products have been available for years and buildings still suffer from poor ventilation, the answer is relatively simple. The SolarAttic Ridge Ventilator is the first attic ventilation product that provides a systems solution to attic ventilation. The key factor is the new duct technology. Stretched along the attic's apex, the duct collects air evenly throughout the attic. Power roof vents do not. The Company believes it could take several power roof vents to be as effective as the Company's Ridge Ventilator. Then there are the issues of control technology, aesthetics, holes in the roof, etc. The Company's SolarAttic Ridge Ventilator provides a systems solution to attic ventilation problems. The Company believes that the technology is easily adjustable and adaptable to any conceivable building structure. And, the Ridge Ventilator, because it is in the attic, eliminates the need for roof holes or roof vents.

Control Technology

Initial controls used in the SolarAttic® Ridge Ventilator were off-the-shelf mechanical devices. The humidity sensor had a lower operating limit of about 50° F. The mechanical temperature sensors used had broad dead bands before switching with relative accuracy limited to ± 2-4° F or even higher. While these devices were useful initially, the Company recognized their inherent limitations and has now developed a custom electronic control called the SAVC02 for use with its products. This new control includes an electronic humidity sensor that has a broad temperature operating range and an accuracy rate of ± 1° Rh. It also has a highly accurate temperature sensor accurate to ± 1° F for better temperature sensing. This was a high priority need for the Company's products. The Company believes that, having reached this control objective, that is has a definitive market advantage in high-end ventilation systems.

The SolarAttic Ridge Ventilator



SolarAttic's new duct technology at apex of attic.

High-End Product

The Company's Ridge Ventilator is a high-end ventilation product and is designed to compete against continuous ridge vent systems and other high-end ventilation products. It is not designed to be competitive with $39 roof fans that do-it-yourselfers would purchase at a Home Depot.

Description of Ridge Ventilator

The SolarAttic Ridge Ventilator is designed for controlled ventilation of the attic. It can also be used to collect attic heat and to redistribute this heat to another location. Unlike simple roof fans, the ridge ventilator provides a "systems solution" to the problems encountered in attics. It does this by using a patented custom duct technology that allows for the even collection of heat along its length. SolarAttic owns 100% of this new technology represented by U.S. Patent 5,746,653. Now, for the first time in history, proper ventilation of the attic is no longer guesswork. The ridge ventilator eliminates the need for roof based passive vents (holes).

Ridge ventilator in-line blower unit.

SAVC02 temperature & humidity control.

The electronic control senses the temperatures of 28°, 60°, 70° and 105°F. When the attic peak temperature drops to 28°F the first time, a winter condition is sensed and the control activates its humidity sensor. The attic is then vented whenever relative humidity exceeds a preset (adjustable) %Rh (factory set to 35% Rh). Between 28° F and 60° F (spring), the attic is vented constantly. As an alternative, the SAVC02 can also be set to the manual-on position and the ventilator would then simply vent constantly regardless of temperature or humidity. This could be useful in prolonged extreme subzero weather conditions. When the attic reaches 60°F, the SAVC02 stops ventilation. Ventilation, then, only occurs when the attic temperature exceeds the 105°F setting. The SAVC02 control provides for fully automated year-around ventilation.

Manual or Automatic Ridge Ventilator

SolarAttic Ridge Ventilators are complete with an in-line fan or centrifugal blower unit (nominal 900 cfm @ free air) which is matched to a 25 foot length of custom perforated 12-14" circular mylar non-insulated flex duct. Includes end cap and gable mounting flange. The automatic system operates on temperature and humidity settings for year around automatic ventilation of the attic. The manual system allows for user supplied controls. Purchaser is responsible for proper installation and compliance with applicable codes.

Model 14-900 Ridge Ventilator Specifications

- Nominal air flow: 900 cfm
- Blower: Inline 14" Assembly
- Blower Motor UL File: E-59097
- Fan: Axial In-line 12" Diameter
- Duct Size: 14" Non-insulated Flexible
- Duct Length: 25 feet (standard)
- Air Discharge Method: Gable (typical)
- Distance To Air Discharge: 10 feet max
- Power Requirements: 115 vac
- Full Load Amperage: 1.9 amps
- Operating Current: Nominal 1.5 amps
- Automatic or Manual
- Optional: Custom duct lengths
- Optional: Custom discharge methods

Benefits Of SolarAttic Ridge Ventilator

Once the product's potential is fully developed using custom electronic controls with robotic or automated perforation of the flexible duct, the Company believes that the main benefits of the Ridge Ventilator technology will be realized. The Company believes these product benefits are:

- Eliminates Ice Dams
- Reduces Air Conditioning Costs
- Eliminates Roof Vents
- Extends Roof Life.

First Installed In New Energy Home

The above photos are taken from the Company's August 1997 Ridge Ventilator system installation in the Energy Home I located in Elk River, Minnesota 55330. This is the first system installation. This energy home is a joint project of Energy City (Elk River), Energy Alley (a project of the Minnesota Environmental Initiative) and the Suburban Northwest Builders Association of Elk River, Minnesota. SolarAttic has been actively involved in Energy Alley and Energy City helping to direct this project and others which are designed to promote energy efficient and renewable energy technologies (EERE). More information on Energy Alley, Energy City and the new Energy Home can be found at the Company's World Wide Web site. The Company has received some significant initial product exposure as a result of participating in this project.

Initial State Fair Sales

The Company first introduced its Ridge Ventilator product during the 1997 Minnesota State Fair. As a result, several systems were initially sold. The product concept was received enthusiastically by fair visitors and the Company believes that its Ridge Ventilator will do well in the market place after it is placed into full production.

Current Status

The Ridge Ventilator is now available for purchase. The Company is hand producing them in limited quantities as requested. SolarAttic believes that it will need to build in 500 quantity lots to produce this product at a reasonable cost.

"A Systems Solution to Attic Ventilation"

A new solid state temperature and humidity sensor comes with the SAVC02 and is placed at the attic's peak. It simply plugs into the side of the SAVC02. There are no complicated controls to operate or settings to make. Simply plug the control into a 115-vac source and plug the Ridge Ventilator, Space heater or the combination unit into the control. Everything is fully automatic!

- 115 vac @ 10 Amps Max current output
- Can be used with existing attic fans
- Temperature sensing -40° F to +150°F
- Humidity sensing 0-50% Rh @ -40 to 185°F
- GB-Series comes with house thermostat

SolarAttic's SAVC02 Control—Makes Existing Attic Fans Smart

The SAVC02 has been designed to work with existing attic fans. It can directly power up to 10 amps of current at 115 vac. Larger amounts of currents and 220 vac fans can be powered by using relays to amplify the power output of the control. SolarAttic's new control makes all existing fans smarter by allowing them to use the Company's new proprietary ventilation technology. The Company believes that this compatibility will broaden the market appeal for its technology.

Other specs include the following: Winter vent condition is set at 28° F; Summer vent condition is set at 105° F; Excess humidity vented @ 28° F and below when humidity exceeds 35% Rh; Summer heat is vented above 105° F; Winter ventilation occurs from 28° F - 60° F if winter is set; GB-Series heat sensing and buildup allowed at 60° F; GB-Series heat available from 70° F to 105°.

The SolarAttic Hot Water Heater

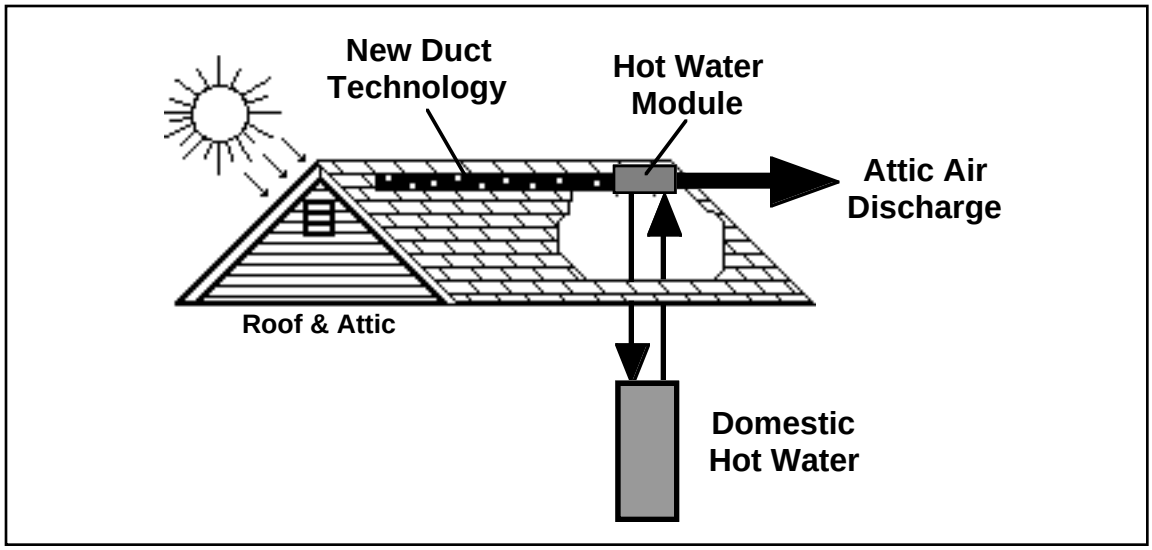


Figure 6: Domestic Hot Water Heater Concept

SolarAttic has patented the heating of domestic hot water using solar generated hot attic air. Three of the Company's patents apply to heating hot water: U.S. Patent 5,014,770; U.S. Patent 5,452,710; and U.S. Patent 5,746,653. All three patents are technology patents. In combination, they provide the basis for creating a system that provides free domestic hot water. In some geographical areas, this can be a significant market. The Company has already received many product inquiries regarding this new hot water technology and believes there is strong market interest for such a product. To date, the Company has not had the resources to complete the hot water products. See "MARKETING AND SALES" & "RESEARCH AND DEVELOPMENT."

Limited Power Consumption; PV Cells

Two amperes of electrical current or 400 watts of power for the pool heater appears to be the typical upper limits of current and power consumption that SolarAttic is using in residential attics. The exception would be a large space heater blower unit moving more volume of air in larger homes. For the ridge ventilator and domestic hot water heater, 1 1/2 amperes of electrical current and 180 watts maximum of power would appear to be the normal expected maximum energy consumption. This low amount of electrical current and power consumption allows SolarAttic's systems to be easily powered by photovoltaic cells (PV Cells).

The Company believes that its future systems will provide free space heating, free domestic hot water heating and free ventilation when powered with PV cells. Free in this context means free from any utility company power connection and/or energy consumption (monthly cost).

Warranty Costs; Additional Product Information

The Company has had no significant product warranty costs related to any of its products and does not maintain a warranty reserve, inventory or budget. Warranty costs would include parts replacement, service, etc. Additional product information is available on the Internet. This includes a comparison to solar panels and full-page product testimonials from satisfied customers. SolarAttic's technology is not a panacea that eliminates all solar panels. There are certain cases in which solar panels might be more effective. However, the Company believes that in the majority of competitive solar situations, that its products will be preferred specifically because there are no solar panels. Other product information may be found at http://www.solarattic.com/products.htm.

MARKETING AND SALES

In General. Many of today's heating system consumers are concerned with the impact their heating system may have on the environment. The Company believes that this concern for the environment creates a market receptive to environmentally sound, renewable energy sources such as its products and traditional solar heating systems. One barrier to market acceptance, which traditional solar heating systems have encountered, is the necessity of installing solar panels. The Company believes and market information indicates that more heating system consumers would purchase solar heating systems if such systems did not require users to install solar panels—which have been called "ugly and obtrusive" by some consumers. The Company's technology and products provide solar heat without panels and thus, the Company believes, will resolve consumers' aesthetic concerns and overcome the market barrier encountered by traditional solar heating systems. Market data indicates that over 90% of solar panels sold for use in thermal heating applications are now used to heat swimming pools. Aesthetics are a major issue.

MARKETING

The Swimming Pool Heater Market

Based on data in a 1987 industry study sponsored by the National Pool and Spa Institute, the Company estimates the swimming pool heater market to be at least $195 Million at retail.

Estimate of Annual Pool Heating Market
(In millions of dollars)

Type of Heater	New Pools	After Market*	Total	Market Share
Gas	$41.9	$60.6	$102.5	52.6%
Solar Panels	20.5	29.8	50.3	25.8
Heat Pumps	8.3	12.0	20.3	10.4
Electric	6.1	8.9	15.0	7.7
Fuel Oil	2.8	4.0	6.8	3.5
Totals	$79.6	$115.3	$194.9	100.0%

* Pool heaters sold after the initial pool purchase.

Estimate of Annual Pool Heating Market
(In units sold)

Type of Heater	New Pools	After Market*	Total	Market Share
Gas	42,340	61,262	103,602	74.4%
Solar Panels	6,849	9,917	16,766	12.0
Heat Pumps	2,366	3,428	5,794	4.2
Electric	4,234	6,167	10,401	7.4
Fuel Oil	1,121	1,600	2,721	2.1
Totals	56,910	82,374	139,284	100.0%

* Pool heaters sold after the initial pool purchase.

The majority of pool heaters sold are fueled either with natural gas or propane gas. Solar panel systems rank second, both in terms of dollar volume and units sold. Less than half (43.4%) of new pools built come equipped with pool heaters, which may explain the large number of heaters that are sold in the after market (after the initial swimming pool is purchased).

The Company's own market research regarding residential pool heating systems reveals the following factors: A) Pool owners object to the high costs associated with heating their swimming pools. B) Most homeowners don't like the appearance of solar panels and some communities object strenuously to solar panel systems. C) Consumers are looking for ways to save money. D) Consumers are interested in environmental and health-related issues. E) CFC or HCFC chemicals, which are used in pool heat pumps, are an environmental problem and the use of these chemicals is being phased out internationally. G) Concerns over air pollution is causing some California locales to require the use of solar energy for pool heating. H) Higher energy and fuel taxes make renewable solar energy more attractive. I) Restrictive building covenants in various locales prevent the use of roof-mounted solar panels. The Company believes that its products respond favorably to each of these factors.

Pools are frequently sold with the idea that no heater is required. Generally speaking, a non-heated pool, with few exceptions, has limited recreational value to its owner. In northern tier states, for example, a pool owner can only depend on approximately two weeks in the middle of summer when the pool will be warm enough for swimming (80-84° F) without a pool heater. This may be another reason for the high level of after market sales of pool heating systems.

Seasonality

The Company estimates that the SolarAttic Pool Heater can operate from April to September in Minnesota. Longer operating seasons exist in more temperate climates. In South Florida, for example, the Company believes its pool heater could be used year around, especially if the pool owner has a spa attached to the pool. According to market data, approximately 25% of new pools may have attached spas. In these installations, when heat is not required for the pool in the hot summer, it can usually be used for the spa since spa water is typically kept much warmer than pool water.

The Space Heating Market

The global market for solar space heating systems is substantially under-addressed and undefined. Solar space heating data is sparse and confined only to solar panel sales. As such, the existing data for solar space heating is not meaningful to the Company. The Company believes its SolarAttic space heater represents a significantly new product category in both solar space heating and conventional space heating markets.

The Water Heating Market

According to Manufacturing U.S.A. (1992), U. S. manufacturers of hot water heaters ship over $393 Million worth of electric hot water heaters annually.

This is the market the Company has targeted to introduce its domestic hot water heating system into when it becomes completed. When used in concert with an electric water heater, the Company believes its water heating system will lower the cost of electric domestic hot water. The Company believes that this reduction in electric hot water heating costs can be dramatic and may exceed 90% in certain situations. The Company believes that the cost savings possible with electric hot water heaters does not exist with gas heaters. However, if the Company succeeds in substantive reductions in the cost of heating water electrically by using hot attic air (heat energy), the Company feels that this could be an attractive alternative to gas water heaters. Consumers have expressed concerns about the explosive potential of using gas heaters. If the economics of using the two heaters could be equalized, the resulting market forces may cause a paradigm shift.

If the Company successfully develops its domestic hot water heater, the domestic hot water heating system will be effective from only a few limited months of operation (estimated to range 5-7 months in Minnesota) to possibly year around (as in some areas of Florida).

In Minnesota and other colder climates, the domestic hot water system would begin to preheat water in the Spring (March-April). As the year progresses, the Company expects its domestic hot water system would provide a substantial part of, if not all, of the domestic hot water heating needs for the typical home. This could be expected during the months of May to September. Sometime in September or October, the heater would fall back to a preheat mode. By November and through the months of February, the system would fall back on the electrical heating elements normally supplied in an electric domestic hot water heater.

In Florida and other warmer climates, the results could be year around heating of domestic hot water. Such a system may see very little fall back onto the electrical elements of the electric water heater. The system could conceivably function without electrical backup altogether and be powered exclusively by PV (photovoltaic) cells. In such case, free domestic hot water would become a reality. See "PATENTS & INTELLECTUAL PROPERTY" and "PRODUCTS."

Regardless of the geographical area, the Company believes that, when the SolarAttic water heater is used in concert with a traditional electric hot water heater, the combined results will be a significant reduction in the costs of heating hot water with electricity. Electric domestic hot water tanks typically have two 4500-watt elements, which could turn on consuming electrical energy at the rate of 9000 watts per hour. At 220 volts a-c, these two heating elements could demand 40 amperes of electrical current from the power plant. In a SolarAttic domestic hot water heater, the Company expects to supplant the two 4500 watt elements with a simple fan and recirculating pump both of which may only demand a maximum combined current of 1 ampere or less. The Company's third U.S. Patent discloses how to create free domestic hot water using hot attic air. See "PATENTS & INTELLECTUAL PROPERTY."

The reduction of electrical consumption and its utility load impact could be a significant marketing factor for the Company depending upon geographical area. For illustrative purposes, consider Florida Power & Light (FPL) based in Miami, Florida. FPL has an estimated 2,500,000 residential customers with electric domestic hot water. Every one of these customers could be a candidate for the Company's new hot water technology. If the Company's technology can be successfully demonstrated to FPL, the utility itself may help promote it as a load demand side management (DSM) technique.

Consider these energy dynamics that are already at work in just this one utility company. Customers returning home late in the afternoon start increasing their electric load demand. This includes making dinner, washing clothes, turning the television on, air conditioner on, etc. Utility loads start to peak. At any given moment, depending upon local hot water needs, any number of the 2,500,000 electric hot water heaters could add their demand into FPL's load. The Company currently has an estimated 13 power plants. Daily consumption of power for residential hot water is estimated at 470 Megawatts. This is the equivalent output of three coal-fired power plants in FPL's inventory. The Company notes the difficulty that utility companies are now encountering with the idea of building new power plants especially with environmental groups. The Company also notes that it may be more beneficial to reduce demand than to build a new power plant. SolarAttic's water heating technology offers utility companies another option.

Most utility companies are already endorsing conservation and other energy saving techniques such as DSM. They have found this to be a more profitable long-term strategy than simply just building to increased electrical load demand. Many utilities now offer rebates on energy saving appliances. Some utility company marketing efforts include stuffing customer utility bills and receiving direct product rebates from those manufacturers whose products they promote.

Coincidentally, as the load peak cycle occurs for FPL, maximum solar radiation is occurring and maximum attic temperatures are being reached. In this one particular utility's area, the Company believes that an estimated 90% or more of the power currently expended for domestic hot water can be eliminated if the Company's hot water technology was deployed on a system wide basis.

To put this in another perspective, the electrical output of 2-3 coal-fired power plants in FPL's inventory may be freed up for other use if SolarAttic's hot water technology was deployed. Of course, electric utilities are in the business of selling electricity. Therefore, there can be no assurance that FPL or any other utility will find the Company's technology to be beneficial for use or promotion. The Company believes that even though the hot water technology will be beneficial to utility companies, that the market itself will be decided by homeowners. The Company believes that a hot water system can be produced that will pay for itself.

When coupled with PV cells, the Company believes the economics are present to create a fast payback within the range of 5-10 years depending upon hot water usage and costs of PV cells. It is feasible that a large amount of hot water can be built up during the day in storage and carry the customer through to the next day with little or no electrical consumption for the tank's elements. Off peak electrical hot water has been pioneered by United Power Association in Elk River, Minnesota. Two electrical hot water tanks are piggybacked and powered (charged) only during off peak hours. The result is sufficient hot water and reduced electrical hot water costs. The same concept can be used with solar generated hot attic air (heat energy). SolarAttic's system would charge (heat) the tanks during peak solar times. Another useful solar technique is to use thermosiphoning, which could reduce the systems' electrical needs even further. Regardless of the final hot water system design that emerges, if and when it emerges, the Company views the electric hot water heater market as a viable place for its patented new solar hot water technology.

Actual shipments of electric hot water heaters during 1996 have been estimated at 27,116 commercial units and 4,146,523 residential units by the National Gas Manufacturers Association. Every one of these shipments is a candidate for the Company's hot water technology providing that an attic cavity or other suitable solar space exists to recover and use solar heat energy.

The Company demonstrated a working prototype of a hot water heating system at the Minnesota State Fair during the period of August 25 through September 5, 1994 in St. Paul, MN. Hot air was taken from the peak of the Home Improvement Building and it was readily transformed into hot water using a simple "air-to-liquid" heat exchanger and a recirculating pump.

The Blower & Fan Market; Ventilation

According to Manufacturing U.S.A. (1996 Edition), U. S. manufacturers of "Blowers and Fans" shipped $3,513.5 million worth of product during 1996. Their estimate of market size for 1997 is $3,629.3 million and for 1998 it is $3,745.0 million.

The Company believes that a large share of its future revenues will be derived in this market area. These revenues would be from both ventilation and space heating product sales.

EERE Market Data

The Company is aware that there is available substantive market information regarding worldwide energy efficient and renewable energy technology markets (EERE). It should be noted that the Company believes the EERE market is large. However, no effort has been made by SolarAttic to obtain, analyze or segment EERE market data to determine how SolarAttic's new technologies might fit in. Therefore, no assurance can be made that all of the key market information available for the Company's products has been absorbed by the Company. And, due to limited experience with the identified markets, no assurance can be made that the Company's products will actually be accepted into them.

The Company notes that some forecasts for future electrical energy needs in developing third world countries state that electrical energy growth needs can only be filled by implementing energy efficient and renewable energy technologies (EERE) like SolarAttic's.

Articles Written About The Company

The Company's web site contains several articles written about the Company and other useful marketing information, which may be found at http://www.solarattic.com/BGinfo.htm. For example, the Company has had articles written by several magazines including a September 1993 article, which appeared in Popular Science magazine.

Diversified Yet Focused Products; Brand-Name Identity

The Company's products will serve in four markets, which makes them a diversified line of products. At the same time, these products are all located within the attic making them a focused group of products. Diversified Yet Focused! The four markets are ventilation of the attic; space heating; water heating; and, pool heating. The Company's marketing strategies will need to address this diversified yet focused group of products. The Company believes all of its products share a synergy with one another and therefore can share some common marketing themes and advertising messages. SolarAttic has trademarked its logo and name for use as a "Brand-Name Identity."

Registered Trademark

The Company has registered the above trademark and logo which is used on the Company's letterhead, envelopes and other documents. The Company believes that the logo is consistent with its mission statement and provides the Company with a Brand-Name Identity!

Paradigm Shifts

The Company notes that if its products are accepted into the market place, several of them may constitute paradigm shifts of one type or another. The nature of the Company's products therefore lends themselves to product differentiation techniques used in marketing efforts.

Marketing Strategy

SolarAttic's marketing strategy is "Focused Differentiation" which is to say—our products will be different. They will be "energy efficient" and "environmentally friendly." The Company's first product focus was "low cost swimming pool heat." The Company believes that, as this product gains a foothold, established marketing forces will be turned upside down in "disequilibrium" as the SolarAttic Pool Heater changes all the rules of doing business [heating swimming pools]. The contrast will be dramatic: you can continue to pay $150.00 or more per month to use your natural gas heater --or-- you can heat your pool for $11.00 per month with the SolarAttic pool heater. A product that pays for itself in cost savings in a relatively short period of time. A "solar" heating product that does not have "solar panels" on the roof! Using focused differentiation as a marketing strategy, the Company will strive to point out the differences between the Company's EERE products and competitive [fossil fuel or panel] products.

The Company will also make use of the unique selling proposition (USP) "solar without panels." In the Company's market studies, the number one objection to renewable solar energy was simply: "I do not want solar panels on my roof!" Pointing out the Company's unique solar products means that market share will be taken away from solar panel systems as well as fossil fuel heating systems. Consumer inquiries for product information indicate that this could be a strong market differentiation. Roof panels have been found to strike a "very strong" negative response in consumers. Symptomatic of this is the fact that many new home construction areas make attempts to use "restrictive covenants" prohibiting the use of any roof solar panels [because they are "ugly and obtrusive"]. This problem has become such an issue that Florida and Arizona have been reported to have passed laws forbidding "restrictive covenants" that limit the use of solar energy [panel] systems. The Company believes that long-term market forces favor SolarAttic's inside-the-attic solar heating systems, which do not pose any aesthetic problems.

A focused differentiation statement for the Ridge Ventilator would be: "The Systems Solution To Attic Ventilation!" This could also be called a marketing positioning statement useful as a tag line in all product advertising.

Distribution Issues; UL Listing

The pool market has high barriers to enter from a traditional distribution perspective. An established distribution network has a firm lock on traditional sales through the pool dealer. The swimming pool dealer is also reluctant to take on any new products because of a limited building season. Many pool dealers also sell the pool as an annual vacation being paid at $200 per month. When the question of heating the pool arises, they avoid the topic because it can lead into another $150 per month to enjoy the pool [heat it]. Therefore, the Company believes it will have to go direct to the pool owner initially to sell its pool heater. The Company has developed custom databases to direct market this product until its dealer network approach fully develops.

The Company is also aware of new energy code issues in Minnesota that the space heater will have to deal with. As of April 15, 2000, houses built in Minnesota will have to meet a new energy code. The new code requires a tightly built house that is mechanically vented. Breaking the attic-to-house vapor barrier which is typical when the space heater is installed may then be a Minnesota building code issue. The Company will have to work through this issue and possibly others before successfully marketing the space heater into areas with such energy codes. The Company is uncertain as to the extent of such building codes nationally. There can be no assurance that the Company will not encounter building code obstacles that prove costly to overcome.

At this time, the Company is unaware of any other special distribution issues that could be problematic or costly. It is the Company's intent to develop a proactive program to seek out and educate building inspectors and officials concerning the Company's new technologies. The Company believes that this educational effort will alleviate many local building inspector concerns. Company plans to get its products UL Listed will also help with building inspectors.

Summary Of Market Size Estimates

Market Identified	Market Size Estimate	Company Patents
Swimming Pool Heating	$195 Million	5,014,770; 5,746,653;
Electric Hot Water Heating	$393 Million	5,014,770; 5,452,710; 5,746,653
Space Heating	New Category	Re.32,607; 5,014,770; 5,746,653
Blowers & Fans; Ventilation	$3.513 Billion	5,756,653
U. S. Market Estimate	**$4.101 Billion**	
Worldwide Estimate	**Exceeds $10 Billion**	

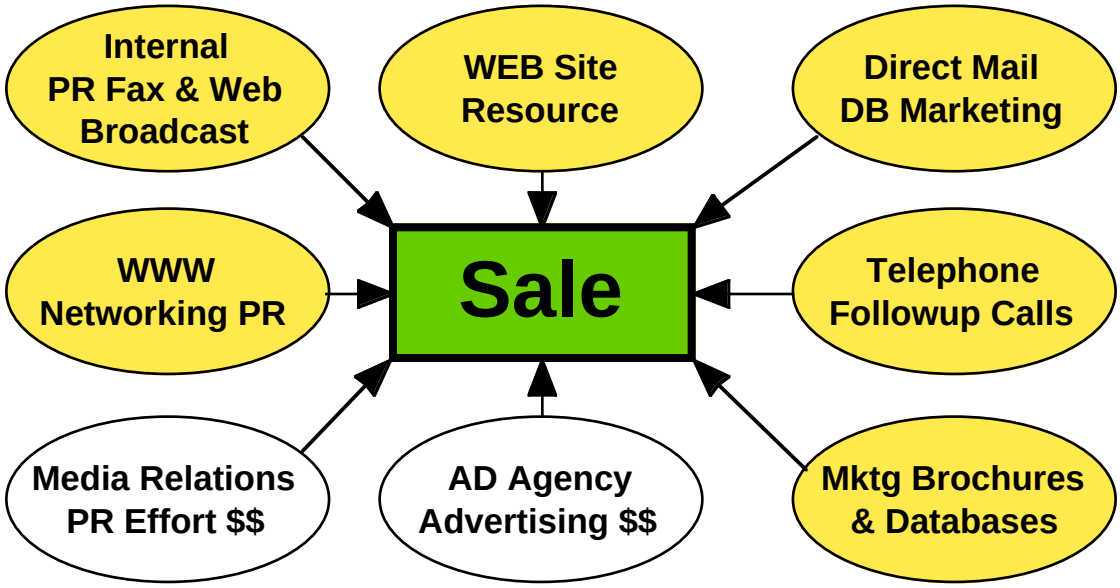
New Market Opportunity

Although Minnesota's new energy code may require some product installation adjustments, it also presents some new product opportunities. Ventilation of the house is a key issue. The new energy code strategy is "to build tight and ventilate right." The new code requires mechanical ventilation of the living space. That is because the house is sealed very tight and it is equivalent to walking into a large plastic bag (literally). Without the introduction of fresh air, there would be health problems. The ventilation of these homes is typically accomplished using an "air-to-air" heat exchanger that brings in fresh outside air, periodically exchanging it and exhausting old air.

One opportunity the Company is exploring is a marriage of the Company's technologies with that of providing fresh air ventilation to the house. It is the marriage of the Company's space heating technology with that of the air-to-air ventilation technology required to provide fresh air inside the house. The Company believes that this would create another new category of product in the $3.5 Billion "Blowers & Fan" market that would be very useful in the new energy homes. Free solar heat from the attic combined with fresh air, or preheated fresh air, for the house.
The Company's space heater already collects outside fresh air, which is drawn in through the eaves and heated by the time it is collected at the attic's peak. The missing part is the exhaust provision from inside the house and the internal house recirculating air system.

The Company has already approached a well-established Minnesota manufacturing company that specializes in this air-to-air home ventilation technology. As a result, SolarAttic and this company will be exploring this product concept further at some time in the future. The Company believes such a product would be complimentary and synergistic with its other products. However, there can be no assurance that such a product will ever be developed.

Marketing & Sales Elements



This graphic illustrates the various marketing & sales elements that SolarAttic has in play or plans to put into play in order to complete the Company's cohesive marketing & sales strategy. All elements are in place and working for the Company except the "Media Relations PR Effort $$" and the "AD Agency Advertising $$." Both of these elements are important to SolarAttic's marketing and sales efforts and both require additional capital resources to fully implement.

SALES

Product Pricing Matrix

Product Description	Factory Single Quantity
SolarAttic Pool Heater - Manual	$1760.85
SolarAttic Pool Heater - Automatic	1886.85
SolarAttic Pool Heater - Auto+	2327.85
SolarAttic Space Heater - BD465	299.00 Closeout
SolarAttic Space Heater / Ventilation System - GB980	1886.85
SolarAttic Space Heater / Ventilation System - GB495	1760.85
SolarAttic Space Heater / Ventilation System - GB465	1560.85
SolarAttic Ridge Ventilator - Automatic (14-900A)	799.95
SolarAttic Ridge Ventilator - Manual (14-900M)	499.95
Electronic Temperature & Humidity Control - SAVC02	299.95

The above product-pricing matrix shows the Company's current pricing strategies, which are the result of only building in limited quantities. The Company expects to be able to reduce its prices when it is able to purchase in higher volumes and still maintain margins. The Company has higher dealer volume pricing available that reflects reduced volume production costs. Parts are typically job shop oriented and involve set up charges to produce. Costs are substantially reduced as the parts runs increase in volume. The Company is able to forecast this volume oriented parts cost reduction "learning curve."

Definable Payback Periods; No Green Incentives Needed

The Company notes that all of its products provide consumers with tangible and measurable energy benefits. They have a definable & reasonable payback period. Having a cost savings that is predictable or other strong financial incentives [i.e.-venting attic to eliminate problems] is very important from a marketing perspective. It has been the Company's experience that product sales are not motivated only by the fact that they are "environmentally friendly" or "energy saving" appliances. In the marketplace, consumers are voting for such products but only to the extent that they make economic sense and have a relatively short (5-10 year) payback period.

An example of a tough sell is a solar panel hot water heater that costs $3500 to a customer currently using natural gas hot water and who spends $14 a month. In such instance, payback is 3500 ÷ 14 or 250 months, which is about 21 years. No sale! The marketing reality is that all of the Company's products must make economic sense. The Company believes its products will do well in the marketplace and that they can sell on their own strengths. The Company does not believe it needs federal tax credits or other "green marketing" incentives to sell its products.

Gross Margins

SolarAttic endeavors to maintain a gross margin of 50%. This has not been hard to achieve and the Company believes it can meet or exceed this sales objective in volume production.

Unique Solar Technology

SolarAttic believes that its method of using hot attic air to heat hot water, pools and space offers the Company a unique marketing position. The Company's technology — offering solar energy without having to use roof-mounted solar panels — is a differentiating factor in the market. The Company has taken steps to protect its marketing slogan, "Solar Without Panels." The Company believes its new solar heating technology will appeal to consumers who would purchase solar technology if it did not involve using solar collection panels.

Unique Duct Technology

SolarAttic believes that its new duct technology offers the Company a unique marketing position in the air distribution, air collection and air ventilation markets. The Company believes that providing a method to equalize air distribution or collection can greatly enhance the comfort level in just about any living area that is occupied by humans. This would be most useful in new home construction where retrofitting existing air moving systems would not be an issue. The Company envisions that sales of the duct technology will emerge quite rapidly as the Company determines how to best automate the duct's perforation and construction process. There are no plans to immediately sell custom duct technology, as SolarAttic does not have the staff resources to deal with the engineering issues. Ducts are perforated to design criteria that include the fan performance ability. SolarAttic believes custom ducts will be a viable product area in the future.

Unique Ventilation Technology

SolarAttic believes that its method of providing controlled attic ventilation using its new duct technology offers the Company a unique marketing position. The Company believes that the "systems solution to attic ventilation" approach is a strong differentiating factor in the market.

Pool Heating Sales

The Company has operated with a minimal marketing budget and without any media advertising programs or dealer network. The Company has, nevertheless, sold over 285 SolarAttic PCS1 Pool Heating System to customers spread across 31 states as of June 30, 1999. The Company offered no installation, maintenance, service or financing for these systems. The prices ranged from approximately $1,400 to $2,400.

To date, the Company has used publicity-driven, direct marketing techniques to sell its products. In general, prospective customers learn about the Company's products through published articles that list, mention or feature the Company's products. Prospective customers then contact the Company via mail or telephone to request product information. Sales literature is sent to each inquiry and follow-ups are handled over the telephone. The Company intends to continue selling its products directly to consumers until it can establish a network of independent dealers to provide the sales function.

Company to Consumer—Direct Sales; Independent Dealers

The Company intends to employ a two-step direct marketing approach to pool owners. Step one includes advertising, publicity and trade shows. The Company plans to advertise regularly in various publications to generate product inquiries. The Company also intends to generate product inquiries through product publicity and participation in trade shows that focus on the home, garden, pool and patio. Step two is the answer to these product inquiries, with a series of direct mail sales pieces — including, in some cases, a demonstration videotape — to convert the inquiry into a sale. There is no assurance that this sales strategy will be successful.

The Company intends to employ a similar two-step approach to recruit independent dealers. As step one, the Company intends to advertise regularly in the industry publications. Planned advertisements in these publications will demonstrate to dealers and servicers the Company's products and highlight the economic advantages of selling and servicing them. The Company also expects to exhibit its pool heater products in at least one national trade show each year. Step two comprises the follow up to inquiries developed through the advertising and trade shows. Prospective dealers will be sent a series of direct mail sales pieces and video promotions -- with telephone follow up. The Company plans to concentrate its formal pool heater dealer sign-up and initial training activities during the national trade shows it plans to attend.

If and when the independent dealer network grows, step two of the direct marketing program will identify the local dealer to the prospective customer and vice versa. Ultimately, the Company plans to support its dealer network with cooperative advertising and customized, direct mail marketing tools to assist dealers in generating sales activities.

Similar marketing and sales methods will be used to present and launch the Company's other products such as space heaters, ventilation systems, hot water systems, etc.

Space Heating Sales

Sales of the Company's space heating systems have been very limited to date. Virtually little or no promotion has occurred up to this point in time. The Company's existing BD465 space heater inventory that was acquired in exchange for common stock has now been repackaged for closeout sale. Once the remaining inventory is sold, the Company will cease its production of this model. An updated space heater product will replace it. See "PRODUCTS."

The Company believes that, in addition to factory direct sales, its space heating products may ultimately be distributed through do-it-yourself home care centers (I.E. Home Depot, etc.).

Hot Water Heating Sales

Sales of the Company's hot water heaters do not exist because the product is not complete. The Company believes that, if and when the hot water heater is developed, it will eventually be distributed through existing plumbing dealer distribution networks. The Company believes that the installation of the hot water heater will be required and that the plumbing dealers are best suited to market this new technology when it is ready. In addition, this product may also be sold through home care centers.

Ridge Ventilator Sales

Sales of the Company's Ridge Ventilator have just begun. The product was successful in its initial debut at the 1997 Minnesota State Fair. Consumers were enthusiastic about the product and its pricing was judged as fair. The Company has initially sold several systems and expects that additional sales will be forth coming now that an electronic control has been designed to operate it.

The Company believes that, in addition to factory direct sales, its ridge ventilation products may ultimately be distributed through home care centers.

Internet Web Site

SolarAttic has built a comprehensive Internet World Wide Web site. Virtually all of the Company's products and their specifications are available at the site for review. It is currently possible to surf the Internet, find the Company's site, and then review the appropriate product information. You can even locate a local dealer if one is available for sales information. The Company believes that, as time progresses and the site is further refined, sales via a Company dealer network will be enhanced.

Internet Web Site; Dealer Sales Support

SolarAttic's web site has been built to support dealer sales. Customers can browse product information without obtaining price or purchasing information. When a customer desires pricing or purchasing information, they are directed to an USA State map. The customer then clicks on their home state. They are then directed to existing dealers. If no dealers exists in their area, the customer is directed to the factory for sales information. The Company will provide links to a dealer's web site free or put two dealer pages on the Company's web site for a small monthly fee.

Manufacturer's Representatives

SolarAttic has one existing manufacturer's representative agreement in central Florida. The Company has decided to focus mainly on dealer-distributor agreements and has no plans to sign any additional manufacturer representative agreements at this time.

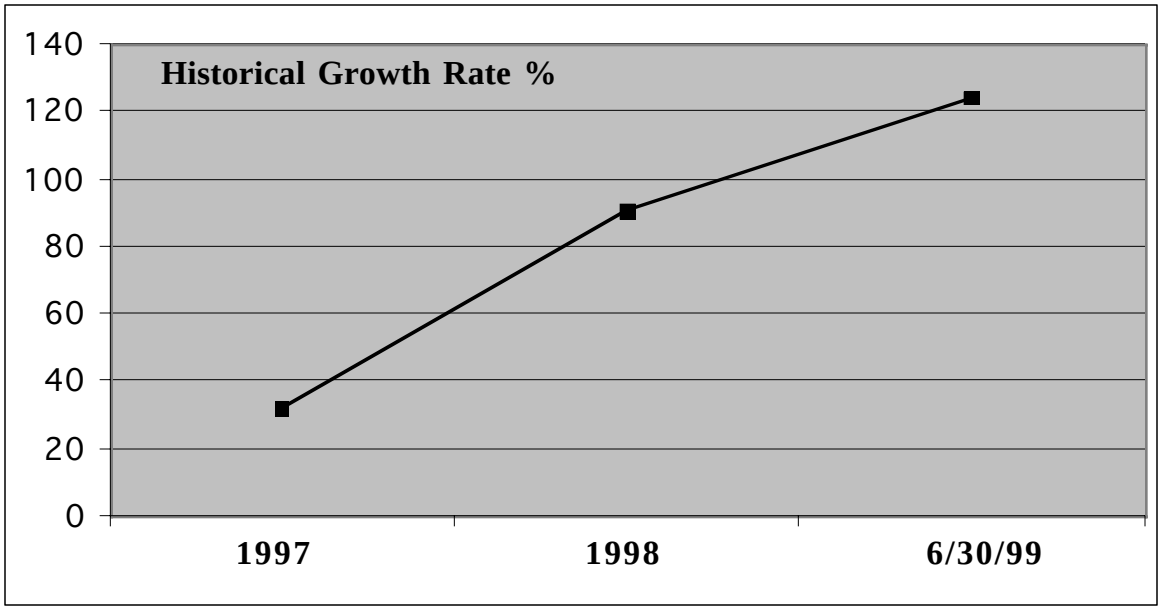
Factory Distributors

SolarAttic has signed several dealer-distributor agreements that have given exclusive marketing rights to its pool heater within certain counties in certain states. Two of these distributors are now moving small volumes of the Company's pool heaters. The main areas of activities for these two dealers are based out of Sacramento, California and Phoenix, Arizona. The Company believes that these dealers will continue to expand and grow their businesses. The Company also believes that it will continue to add additional dealer-distributors.

Sales History

The Company announced in an April 1999 press release that it had entered a growth phase. The following data and graph represents SolarAttic's historical sales information during the last two fiscal years and the six-month periods ending June 30. There can be no assurance that the growth rates shown below are representative of future growth rates or that such growth rates will continue.

Year or Period	Revenue History	Historical Growth Rate
1996	46,967	Base Year
1997	61,853	31.7%
1998	117,755	90.4%
1998 - First 6 Months	53,491	Base Period
1999 - First 6 Months	107,450	124.1%



COMPETITION

While the Company manufactures proprietary solar and ventilation products and, to its knowledge, has no known direct competitors selling the same equipment or using the same technology, the Company faces stiff competition from well-entrenched and well-established competitive products within the markets the Company plans to serve.

These competitors include the following: manufacturers of gas, oil or electric pool heaters; manufacturers of pool heat pumps; manufacturers of solar panel pool heating systems; manufacturers of standard space heating or solar space heating systems; and, manufacturers of attic ventilation or air moving equipment. Most competitors have substantially greater financial and human resources than the Company. Therefore, there can be no assurance that the Company will operate profitably within this competitive environment.

The Company believes that its technology offers substantive competitive advantages over existing products. Over pool heaters that burn fossil fuels, the Company's competitive advantage is low operating cost as solar energy is much less expensive to use than fossil fuels. Over competing solar technologies, the Company's competitive advantage is appearance as the Company's technology is hidden in attic spaces and does not use roof or yard-mounted solar collection panels. Over ventilation systems, the Company's competitive advantage is its newly patented duct technology, which the Company believes is very broadly protected intellectually along with its systems solution to attic ventilation. All of the company's products are derived from the Company's four patents and SolarAttic expects some degree of product exclusivity for many years. However, there can be no assurance that the Company's patents will remain valid. There can also be no assurance that such product exclusivity will be a major contributor to sales or that they will in any other way help the Company become profitable.

RESEARCH AND DEVELOPMENT

Domestic Hot Water Heater

If and when development of the Company's hot water heater is complete, the Company believes this new domestic hot water heater will make use of hot attic air in the preheating or heating of electrically heated domestic hot water. Two versions of the heater are expected to emerge. One model, designed for use in frost-belt regions, will automatically protect itself from freezing. The other is a simpler unit that can be used in non-freezing climates. Both product versions are covered by three of the Company's technology patents. It is uncertain as to when this product will be complete. No assurance can be made that it will be completed.

New Duct Technology; Eave Vents

The new duct technology patent that the Company has also discloses the manner in which the entire attic cavity can be closed off to form an "energy box" with the sole exception of an air inlet and air outlet. Technologically speaking, this has some important energy implications. First, the Company's technology can not only eliminate roof holes used for ventilation purposes; it can also eliminate eave vents that are used for ventilation purposes. The Company has disclosed a method for venting the attic based solely on its new duct technology located inside the attic. The Company believes that eventually, this aspect of the new technology will be deployed in new home construction.

Second, the benefit of eliminating roof and eave vents is to selectively close and open the attic cavity and use it more fully as a "solar energy device." I.E. - See "Attic Solar Energy Vehicle" under "PATENTS." No attempt has been made in this prospectus to address the markets or products that would evolve if this aspect of the new technology were actually used. The Company believes that, until architects are fully educated in this new technology that nothing substantive will happen in this area. The Company believes that this is an area of development opportunity. However, there can be no assurance that all of the Company's technology will actually be used.

R & D Expenditures

Research and development costs are charged to operations as incurred and totaled $1,853 and $10,086 for fiscal years 1997 and 1998 respectively. For the six-month periods ending June 30, R&D totaled $1,049 and $4,031 for 1998 and 1999 respectively.

Pressurizing the Attic

Some engineers have "speculated" that the Company's systems may pressurize the house or the attic in some undesirable manner. If the Company's Ridge Ventilator is deployed in a new airtight energy home attic, some may speculate [for example] that it could draw air into the attic from the house. In other words, it could cause a vacuum inside the attic thereby creating a negative pressure situation attracting airflow from the home to the attic. The Company does not share any of these negative pressure concerns since the amount of system power is relatively low in terms of blower or fan horsepower; its working static pressure capacity; and, air movement in cubic feet per minute (cfm).

Conversely, others may speculate that if the Ridge Ventilator draws in more air than it exhausts, that this could be a plus since it would create a positive pressure condition in such an attic. Under such positive pressure conditions, it could pressurize the attic in a way that would inhibit air influx from the home. The Company's space heaters are known to cause a slight positive pressure in a home. This is normally beneficial since it helps to prevent the influx of outside air or drafts into the home. The Company knows of space heating systems that have been installed for over ten years without any reports of serious concerns over pressurizing the attic. However, due to the limited experience with volume installations, there can be no assurance that pressure in the attic might not become a development issue needing to be addressed.

Hybrid Heating Technology

The Company's U.S. Patent 5,014,770 discloses additional Company technology involving the hybrid marriage of its SolarAttic convection technology to that of existing heat pump technology. For heating swimming pools, the Company believes that the result of such a marriage of technologies could mean lowered manufacturing costs for heat pumps. The Company further believes that this would ultimately translate into reduced energy (operating) and chemical costs for heat pump users. In the future, the Company may explore a possible joint venture or licensing arrangement with one or more heat pump manufacturers. The Company has no plans to manufacture such a hybrid system itself and there is no assurance whatsoever that the Company will be successful in joining the two technologies economically or in the forming of any joint venture to use this new hybrid technology.

Other R & D Information

The Company's web site contains patent drawings from the Company's patents, in depth engineering discussions of the patents and technical issues, engineering reports and links to the U.S. Patent and Trademark Office data on the Company's patents. The address for this additional information is http://www.solarattic.com/patents.htm.

BUSINESS OPERATIONS AND SYSTEMS

Performance Guarantee

In 1991, the Company placed a performance guarantee on its SolarAttic PCS1 Pool Heater. The Company guarantees that its pool heater will heat a pool as well as any roof-mounted solar panel system. The guarantee is for up to 90 days, and the Company will either fix the system or repurchase it. The only conditions that apply are that the pool owner's attic must be at least as large as the pool in square footage, the roof must be sunny (non-shaded), the attic must normally get hot and that the installer must follow the Company's basic installation instructions.

All SolarAttic pool heaters are sold today with this performance guarantee and only one of the limited sales and installations to date have requested any refunds or service under this guarantee. The Company now includes some type of performance guarantee with all of the products it sells.

Seasonal Cycles

The pool industry is seasonal, and this characteristic will be felt by the Company each year. The higher sales periods are Spring through Summer; Fall and Winter are the lean periods. The Company, with its national approach, expects to flatten this seasonal cycle somewhat by shifting its marketing activities to specific geographical markets during certain periods of the year. For example, pool heating near Fort Myers, Florida takes place from October through March. In contrast, Minneapolis' pool heating takes place from April through September.

As previously discussed the Company feels that the combination of all of its products will lead to a stable non-seasonal overall business. The Company fully expects that within its overall business that different products may have seasonal cycles attached to them. There can be no assurance, however, that the Company will not have a seasonally affected business.

Legal Proceedings

The Company is not presently involved in any legal proceedings.

Manufacturing & Source of Supplies

The Company currently receives subassemblies or piece parts from a number of suppliers in several states and does a final assembly and test of its products before they are shipped. None of the Company's current suppliers are considered essential to the Company's success at this time because the Company operates with limited production and does not have substantial vendor or tooling investments. All of the Company's Officers and Directors have extensive manufacturing experience.

Proprietary Rights

SolarAttic currently holds four U.S. Patents. The Company's space heater patent Re. 32,607 expires in the year 2002. The Company's solar technology patents 5,014,770 and 5,452,710 both expire in the year 2008. The Company's fourth U.S. Patent expires in September 2016. The first three patents are U.S. Patents only and the Company does not have any patent protection outside of the United States. The Company has already filed for international protection on its fourth patent in several foreign countries. See "PATENTS AND INTELLECTUAL PROPERTY."

The Company has successfully registered its logo and name as a U. S. Trademark, which the Company plans to use for Brand Name identification. See "Registered Trademark." The Company has significant internal data regarded as trade secrets such as proprietary customer lists, custom marketing databases and engineering test data. The Company believes that although the patents and other proprietary information it holds and may obtain will be of value, they will not solely determine the Company's success, which also depends upon the Company's management and its emphasis on quality, service and value to the Company's customers.

Employees

As of the date of this prospectus, the Company has two employees. One is paid a monthly salary and one is uncompensated for his services. None of the Company's employees are represented by any collective bargaining organization or any employment contracts. The Company believes that its relations with these two individuals are satisfactory. Mr. James F. Stanley serves as the Company's vice president of marketing and sales and is paid a monthly salary for his services. Mr. Edward G. Palmer is the Company's CEO, CFO, president, secretary and chairman and is currently uncompensated for his services. Upon completion of this Offering, the Company expects to start paying a salary to Mr. Palmer for his services. See "MANAGEMENT" & "COMPENSATION." The Company believes it could grow to 10 or more employees during the next 12 months depending upon the outcome of this Offering.

Employee Relationships

Mr. James F. Stanley is Mr. Palmer's younger brother.

Granting Of Stock Options; Policy

It is the Company's policy to not grant any stock options at the time of issue, at any value that would be less than either: A) the fair market value (FMV) of the stock; or, B) the current price that the Company is selling its common stock.

Maintenance & Repair Expenditures

Maintenance & Repair Expenditures for six month periods Ending June 30,		
	1998	**1999**
Maintenance	$ 26.00	$ 0.00
Repairs	0.00	139.52
Total	$ 26.00	$ 139.52

Facilities

The Company's principal offices are located at 16820 Highway 10, Suites 130 & 140, Elk River, Minnesota 55330 where the Company occupies 3,546 square feet of space. This is the new Elk River Business Center; an incubator set up to assist small companies by the City of Elk River. SolarAttic currently pays cash rent of $665 per month under a one year lease agreement which expires on April 15, 2000. Under the lease, SolarAttic prepaid 80% of its rent in the form of common stock. See "Notes to Financial Statements" & "CERTAIN TRANSACTIONS."

While the lease has provisions for a possible extension, the Company expects to move at the end of its lease to a more permanent location. No such location has been identified at this time albeit the Company plans to remain in the Elk River area. The Company believes that such relocation will not be extremely difficult in Elk River. If the Company determines that it will be necessary to build a new facility, additional capital will be required. No assurance can be given that an adequate location can be found or that sufficient capital will be available to build a new facility at the end of the Company's current lease.

Employee Stock Option Plan

The Company's board of directors and shareholders have approved an "Incentive Stock Option Plan" (the "Plan") in order to provide for the granting of stock purchase options to employees of the Company. The Plan permits the granting of "incentive stock options" meeting the requirements of Section 422 of the Internal Revenue Code. Presently 1,000,000 shares of Common Stock have been set aside for issuance under this Plan. The per share exercise price of an option shall not be less than 100% of the fair market value of the shares on the date of grant, or 110% of the fair market value in the case of incentive stock options granted to an individual then owning more than 10% of the voting power or value of the Company's stock.

The Plan terminates on February 13, 2001 and is administered by the Company's board of directors. The board of directors may elect to grant stock options under the Plan to existing employees as a bonus for past work performed or as an incentive for the faithful performance of future services and may also grant stock options to new employees as an incentive of hire. No employee stock options have been granted under the provisions of this plan.

CUSIP Service Bureau Number

The Company has been assigned CUSIP number 833971104 for its common stock.

MANAGEMENT

Directors and Executive Officers

The officers and directors of the Company, their ages, residential addresses and present positions within the Company are as follows:

Name	Age	Position with Company
Edward G. Palmer 15548 95th Circle NE Elk River, MN 55330	53	Chairman of the Board (Director), CEO, President, COO, Treasurer, Secretary, & Chief Financial Officer (CFO)
James F. Stanley 19096 Carson Street NW Elk River, MN 55330	38	Vice President, Marketing & Sales
Lawrence J. Matthews 7601 5th Avenue South Richfield, MN 55423	71	Director
Lawrence Garde 8021 Oakmere Road Bloomington, MN 55438	62	Director
Lee M. Berlin 13801 Ton Bridge Court Bonita Springs, FL 34135	77	Director

EDWARD G. PALMER, Chairman of the Board (Director) and President of the Company, is the sole founder of the Company. From June 1985 to the present, he has been the President of the Company. From January through May of 1985, he was the Director of Quality for the Winchester Division of Applied Magnetics Corporation in Santa Barbara, California. From April of 1979 to December of 1984, he served in the positions of Senior Quality Engineer, Quality Control Manager and Quality Assurance Manager at Magnetic Peripherals Inc., Bloomington, Minnesota. Mr. Palmer's principal responsibilities are those of President, CEO, CFO and the Chairman of the Board of Directors.

JAMES F. STANLEY, is the Vice President of Marketing & Sales for the Company. He has been with SolarAttic from February 1997 to present. From 1994 to 1997, Jim was employed by Systems West, Inc of Litchfield, MN where he served in the sales and project management of commercial and agricultural building projects. From 1991 to 1994, Jim served in sales and project management for Metropolitan Steel Fabricators, Incorporated of White Bear Lake, MN. From 1981 through 1990, he was employed by Central Industrial Engineering Company of Los Angeles, CA, which had annual revenues of $25 Million. Jim's responsibilities included the management of the sales department and all its related functions. He graduated in 1981 from the North Dakota State College of Science with an Associates Degree in Architectural Drafting and Estimating.

LAWRENCE J. MATTHEWS has been a director of the Company since 1988. From 1993 until its sale in 1998, Mr. Matthews was involved in building a manufacturing company called Vendtronics Corporation based in Brooklyn Center, Minnesota. Mr. Matthews was its principal owner. From 1984 until his retirement in 1993, he was the Vice President of Engineering for Zytec. He also served as a director. Mr. Matthews was a co-founder of Zytec based in Eden Prairie, MN, which recently merged with Computer Products to form Artesyn Technologies. Artesyn is publicly traded on the NASDAQ/NMS as ATSN. Mr. Matthews continues to serve as one of its directors. Before January 1984, he was employed by Control Data Corporation in engineering design, engineering management and operations management. Mr. Matthews has a degree in mechanical engineering and extensive management experience at the executive level.

LAWRENCE GARDE has been a director of the Company since 1989. From November 1989 to the present, he has been self-employed as a consultant and trainer to Minnesota companies and individuals in the area of patent protection. He has a degree in electronic engineering and eight patents in his name. Until November 1989, when he retired, he was a design engineering manager for Control Data Corporation's Imprimis (Magnetic Peripherals, Inc.).

LEE M. BERLIN has been a director of the Company since April 1999. Mr. Berlin has served as a director of LecTec Corporation since 1981 and was its Chairman from 1983 until shortly after he left LecTec in 1993. He was Chief Executive Officer of LecTec from 1983 to 1989. LecTec Corporation is a publicly traded company based in Minnesota and is listed on the NASDAQ/NMS as LECT. Prior to LecTec, Mr. Berlin served in a variety of foreign and domestic marketing, product development and general management positions with 3M in Minnesota. Mr. Berlin was the founder of Medical Alley in Minnesota; served as Chairman of Minnesota District Export Council; Director of the Minnesota World Trade Center; Chairman of the Governor's Commission on Medical Technology; and, Chairman of the National Small Business Exporter's Association. He has been a life-long resident of Minnesota and long-time booster of Minnesota business and technology. Mr. Berlin brings extensive entrepreneurial, executive management and international business experience to the Company. Mr. Berlin holds a Chemical Engineering Degree from the University of Minnesota and a Law Degree from the William Mitchell College of Law. Mr. Berlin currently lives in Bonita Springs, Florida where he continues to be involved with new businesses, new technology and international trade.

The Company has four directors. All directors hold office until the next annual meeting of shareholders or until their successors have been duly elected and qualified. The officers of the Company are elected annually and serve at the discretion of the Board of Directors. None of the Company's officers are employed pursuant to a written employment contract.

Limitation of Liability and Indemnification

The Company's Restated Articles of Incorporation, as amended, limit the liability of directors in their capacity of directors to the Company or its shareholders to the full extent permitted by Minnesota law. They provide that a director shall not be liable to the Company or its shareholders for monetary damages for breach of fiduciary duty as a director, except (i) for any breach of the director's duty of loyalty to the Company or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for dividends, stock repurchases and other distributions made in violation of Minnesota law or for violations of the Minnesota securities laws, (iv) for any transaction from which the director derived an improper personal benefit or (v) for any act or omission occurring prior to the effective date of the provision in the Company's Restated Articles of Incorporation, as amended limiting such liability. These provisions do not affect the availability of equitable remedies, such as an action to enjoin or rescind a transaction involving a breach of fiduciary duty, although, as a practical matter, equitable relief may not be available. The above provisions also do not limit liability of the directors for violations of, or relieve them from the necessity of complying with, the federal securities law.

Insofar as indemnification for liabilities arising out of the Securities Act of 1933 may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, the Registrant has been informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy, as expressed in the Act, and is, therefore, unenforceable.

NOTE: AFTER REVIEWING THE INFORMATION ON THE BACKGROUND OF COMPANY OFFICERS, DIRECTORS, AND OTHER KEY PERSONNEL, POTENTIAL INVESTORS SHOULD CONSIDER WHETHER OR NOT THESE INDIVIDUALS HAVE ADEQUATE BACKGROUND AND EXPERIENCE TO DEVELOP AND OPERATE THIS COMPANY AND TO MAKE IT SUCCESSFUL. IN THIS REGARD, THE EXPERIENCE AND ABILITY OF MANAGEMENT ARE OFTEN CONSIDERED THE MOST SIGNIFICANT FACTORS IN THE SUCCESS OF A BUSINESS.

COMPENSATION

Executive Compensation

The following table sets forth the cash and non-cash compensation for 1998 awarded to or earned by SolarAttic's Chief Executive Officer, Vice President of Marketing & Sales and the Company's Directors.

Summary Compensation Table—1998

Name and Principal Position	1997 Annual Compensation Salary (1)	Long-Term Compensation Number of Stock Options Granted	All Other Compensation (2)
Edward G. Palmer President and CEO	0	0	0
James F. Stanley Vice President, Marketing & Sales	$28,896	0	0
Lawrence J. Matthews Director	0	0	0
Lawrence Garde Director	0	0	0
Lee M. Berlin Director	0	0	0

(1) There was no direct employee compensation paid to Mr. Palmer in 1998. The Company reimburses Mr. Palmer and Mr. Stanley for medical insurance expenses. The Company has also agreed to reimburse Mr. Palmer for any other medical expenses up to $10,000 annually. To date, Mr. Palmer has had limited medical expenses except for insurance costs.

(2) The Company does not currently compensate Mr. Palmer. If 25% of this Offering is sold, the Company plans to start paying Mr. Palmer an annual salary of $60,000. The Company currently pays a monthly salary of $2,408 to Mr. Stanley. If 25% of this Offering is sold, Mr. Stanley's monthly salary will increase to $4,000. Officer salaries may be paid, in part or whole, from the following Use of Proceeds' categories: Working Capital (Mr. Palmer); and, Marketing/Sales (Mr. Stanley). See "USE OF PROCEEDS."

Compensation to Directors

The Company has not historically and does not currently compensate directors for director services.

NOTE: AFTER REVIEWING THE ABOVE, POTENTIAL INVESTORS SHOULD CONSIDER WHETHER OR NOT THE COMPENSATION TO MANAGEMENT AND OTHER KEY PERSONNEL DIRECTLY OR INDIRECTLY, IS REASONABLE IN VIEW OF THE PRESENT STAGE OF THE COMPANY'S DEVELOPMENT.

CERTAIN TRANSACTIONS

DURING 1999

On March 17, 1999, the Company issued 4,964 shares of common stock valued at $5.00 per share to parties involved with the Elk River Business Center in exchange for $24,820 in prepaid rent over the company's one year lease. The common stock payment constituted 80% of the rent value over the one-year period of the lease, which expires April 15, 2000. The balance of the rent due under the Company's lease is paid in monthly cash rent payments. See "Facilities."

This stock was issued to the following accredited investors involved with the Elk River Business Center: The City of Elk River Economic Development Authority (1,418 shares); Genesis Portfolio Partners, LLC (1,418 shares); and, Larry Hickman (2,128 shares).

During the first three months of 1999, public investors purchased 1,305 shares of common stock valued at $5.00 per share for $6,525 in cash.

DURING 1998

During 1998, public investors purchased 2,200 shares of common stock valued at $5.00 per share for $11,000 in cash.

During 1998, 2,400 shares of common stock valued at $5.00 per share were issued to Gill Engineering in exchange for engineering design services associated with the Company's SAVC02 electronic control. See "PRODUCTS."

During 1998, a group of early investors exercised warrants and options that were scheduled to expire on December 31. 589,326 option or warrant shares were issued in exchange for $133,365 cash at a weighted average issuance price of $.23 per share.

OTHER

The "unsecured note payable to officer" identified in the financial statements is a business operating loan in the form of a standard variable-rate first mortgage using Mr. Palmer's residence as collateral. All proceeds of this loan were used exclusively by the Company for its business operations and cash flow needs. This included consolidating Company debt and paying normal business operating expenses such as payroll, phones, long distance, etc. SolarAttic is obligated to repay the loan (mortgage) in accordance with its terms directly to Ameriquest Mortgage Company.

The "due from officer" identified in the financial statements is an accrued loan to Mr. Palmer who is currently unpaid. Mr. Palmer now donates his management services free to the Company. On occasion, funds are loaned to Mr. Palmer for personal use and economic support. "Due from officer" is scheduled for immediate monthly repayment at the rate of 1/20th of Mr. Palmer's salary when the Company starts to pay him a salary. See "Note 2: Related Party Transactions" on F-10.

The Company has agreed with certain state regulatory authorities that so long as the Company's securities are registered in such states, or one year from the date of this Prospectus, whichever is longer, the Company will not make loans to its officers, directors, employees, or principle shareholders, except for loans made in the ordinary course of business, such as travel advances, expense account advances, relocation advances, or reasonable salary advances.

THE COMPANY'S MANAGEMENT BELIEVES THAT THE TERMS OF ALL PREVIOUS AFFILIATED OR RELATED TRANSACTIONS ARE NO LESS FAVORABLE TO THE COMPANY THAN WOULD HAVE BEEN OBTAINED FROM ANY NON-AFFILIATED OR NON-RELATED THIRD PARTY FOR SIMILAR GOODS OR SERVICES. ALL FUTURE TRANSACTIONS WITH AFFILIATED OR RELATED PARTIES WILL BE APPROVED BY A MAJORITY OF MEMBERS OF THE BOARD OF DIRECTORS WHO ARE NOT OTHERWISE A PARTY TO THE TRANSACTION.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of the Company's Common Stock as of June 30, 1999 (9,985,947 Shares outstanding before and 10,945,947 after Offering) by (i) each person who is of record owning more than ten percent of the Company's Common Stock, (ii) each of the Company's directors, (iii) each of the executive officers named in the Summary Compensation Table, and (iv) all directors and executive officers as a group. All persons indicated have sole voting and dispositive power over such shares. The table below assumes that all Shares in the Offering are sold. See "OPTIONS."

NAME	SHARES	Before Offering	After Offering
EJ Partners Limited Partnership (1) 15548 95th Circle NE Elk River, Minnesota 55330	4,101,665	41.1%	37.5%
The Jacqueline L. Palmer Trust (2) 15548 95th Circle NE Elk River, Minnesota 55330	1,000,000	10.0%	9.1%
Lawrence J. Matthews, Director	142,500	1.4%	1.3%
James F. Stanley, Vice President	413,675	4.1%	3.8%
Lawrence Garde, Director	77,500	0.8%	0.7%
Lee M. Berlin, Director	3,000	0.1%	0.0%
Edward G. Palmer, CEO (1), (2)	0	0.0%	0.0%
Officers & Directors as a Group (3)	636,675	6.4%	5.8%
Officers & Directors as a Group, with all options exercised (4)	1,136,675	11.7%	9.9%

(1) Mr. Palmer, in his capacity as Trustee for the EJ Palmer Trust (General Partner of EJ Partners Limited Partnership), directs how the shares of EJ Partners Limited Partnership will be voted. EJ Partners Limited Partnership is a Minnesota Limited Partnership. EJ Palmer Trust is the General Partner. The EJ Palmer Trust, also called "The Edward G. Palmer Family Trust", consists of "The Edward G. Palmer Trust" and "The Jacqueline L. Palmer Trust." The General Partnership interest (2%) of EJ Partners Limited Partnership resides within "The Edward G. Palmer Trust." Edward G. Palmer, the Company's President, is the Trustee. Mr. Palmer's wife, Jacqueline L. Palmer is a Co-Trustee.

(2) Mr. Palmer is a Co-Trustee of his wife's trust "The Jacqueline L. Palmer Trust" which is part of the EJ Palmer Trust (also known as "The Edward G. Palmer Family Trust) and has influence on how such shares will be voted.

(3) Mr. Palmer, the Company's President, is the Trustee of the General Partnership (2%) interest in EJ Partners Limited Partnership and directs how this stock will be voted. This, in effect, allows the Company's officers and directors to currently exercise majority control of the Company's affairs even though Mr. Palmer does not personally own stock in the Company.

(4) If all of the existing options on June 30, 1999 were exercised prior to the Offering, there would be 10,485,947 shares outstanding. Officers and directors as a group would own 1,136,675 shares or 11.7% of the Company. After the offering, there would then be 11,445,947 shares outstanding. Officers and directors as a group would own 1,136,675 shares or 9.9%.

OPTIONS

The following table sets forth certain information regarding ownership of the Company's Common Stock Options as of June 30, 1999 by (i) each person who is of record owning more than ten percent of the Company's Common Stock, (ii) each of the Company's directors, (iii) each of the executive officers named in the Summary Compensation Table, and (iv) all directors and executive officers as a group. See "PRINCIPAL SHAREHOLDERS."

NAME	EXERCISE DATE	EXERCISE PRICE	SHARES (1)
Edward G. Palmer, President (2)	—	—	0
Lawrence Garde, Director	12/31/2000 12/31/2003	$.40 $1.00	200,000 100,000
Lawrence J. Matthews, Director	12/31/2000	$.40	200,000
Lee M. Berlin, Director	—	—	0
James F. Stanley, Vice President	—	—	0
Officers & Directors as a Group	—	—	500,000

(1) Options exercisable for additional Common Stock until the dates shown. (2) Mr. Palmer is not the beneficial owner of any options or warrants in the Company's stock.

ALL OPTIONS AND WARRANTS GRANTED WERE INITIATED AND APPROVED BY ACTION OF THE COMPANY'S BOARD OF DIRECTORS. THOSE ACTIONS WERE LATER RATIFIED AND APPROVED BY ACTION OF THE STOCKHOLDERS AT THEIR REGULAR ANNUAL MEETING. STOCKHOLDERS VOTED ON AND APPROVED THE "EMPLOYEE STOCK OPTION PLAN" UPON RECOMMENDATION BY THE COMPANY'S BOARD OF DIRECTORS.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 100,000,000 shares of Common Stock, no par value.

Special Rights

These securities have: (yes or no):

- ☐ Yes ☒ No **Cumulative voting rights**
- ☐ Yes ☒ No **Other special voting rights**
- ☐ Yes ☒ No **Preemptive rights to purchase in new issues of shares**
- ☐ Yes ☒ No **Preference as to dividends or interest**
- ☐ Yes ☒ No **Preference upon liquidation**
- ☐ Yes ☒ No **Other special rights or preferences**

Transfer Agent

The transfer agent and registrar for the Shares, Common Stock and Warrants, is the Company.

Dividend Policy

For the foreseeable future the Company expects to follow a policy of retaining earnings, if any, in order to finance the expansion and development of its business. Payment of dividends is within the discretion of the Company's Board of Directors and will depend upon, among other factors, the earnings, capital requirements and operating and financial condition of the Company. See "RISK FACTORS."

Common Stock

All outstanding shares of Common Stock are, and the shares offered hereby will be, fully paid and non-assessable. The holders of Common Stock are entitled to one vote for each share held of record on all matters voted upon by shareholders and may not cumulate votes for the election of directors. Thus, the owners of a majority of the Common Stock outstanding may elect all of the directors, if they choose to do so, and the owners of the balance of such shares would not be able to elect any directors. Subject to the rights of any future series of undesignated shares of preferred stock which may be designated, each share of outstanding Common Stock is entitled to participate equally in any distribution of net assets made to the shareholders in liquidation, dissolution or winding up of the Company and is entitled to participate equally in dividends as and when declared by the Board of Directors. There are no redemption, sinking fund, conversion or preemptive rights with respect to the shares of Common Stock. All outstanding shares of Common Stock have equal rights and preferences.

Undesignated Shares

The Board of Directors, without any action by the Company's shareholders, is authorized to designate and issue shares of stock of the Company of such classes or series as it deems appropriate and to establish the rights, preferences, and privileges of such shares, including dividend, liquidation and voting rights. No shares of preferred stock or other senior equity securities are currently designated and there is no current plan to designate or issue any such securities. However, the ability of the Board of Directors to designate and issue such senior equity securities could adversely affect the voting power and other rights of holders of Common Stock.

SHARES ELIGIBLE FOR FUTURE SALE

Of the current 9,985,947 shares outstanding, 9,438,232 shares (94.5%) are aged past one year from their date of issue and qualify under SEC Rule 144 for conditional sales. Of the current 9,985,947 shares outstanding, 8,886,695 shares (89%) are aged past three years and qualify for immediate resale under Rule 144 without registration except as may be required for certain "control stock." Sales of stock under Rule 144 may have a depressive effect on the price of the Common Stock in any trading markets that may develop for the Company's stock. See the more in-depth discussion under "RISK FACTORS."

SIGNIFICANT PARTIES

Directors & Officers

The full names and residential addresses for all directors and officers are shown in the table under "MANAGEMENT" on page 57. The Company does not have any arrangements with its officers that would preclude them from competing against the Company if terminated. However, the Company does not believe that this is an issue for any concern.

Record Owners of 10% or More

The full names and addresses for all record owners of 10 percent or more of the Company's stock are shown in the table under "PRINCIPAL SHAREHOLDERS" on page 61.

Affiliates & Beneficial Owners

EJ Partners Limited Partnership owns 4,101,665 shares of the Company's common stock and is an affiliate of the Company because Mr. Palmer, the Company's president, is EJ Partners Limited Partnership's General Partner. Mr. Palmer, as General Partner of the Partnership, votes all 4,101,665 shares of the common stock owned by the Partnership and is therefore a beneficial owner. See "MANAGEMENT" and "PRINCIPAL SHAREHOLDERS" for their addresses.

Validity Of Shares

The validity of the Shares offered hereby will be passed upon for the Company by the law firm of Messerli & Kramer, P.A., 1800 Fifth Street Towers, 150 South Fifth Street, Minneapolis, Minnesota 55402-4218.

Experts

The financial statements of the Company, as of December 31, 1998, included in this Prospectus and Registration Statement, have been so included in reliance upon the reports of Leininger & Leininger, Ltd., 15395-31st Avenue North, Plymouth, Minnesota 55447, independent certified public accountants, and given on the authority of that firm as experts in accounting and auditing.

Index To Financial Information

SolarAttic, Inc. Page

AUDITED FINANCIAL STATEMENTS

UNAUDITED INTERIM STATEMENTS

Independent Auditors' Report

To the Board of Directors and Stockholders
SolarAttic, Inc.
Elk River, Minnesota

We have audited the accompanying balance sheets of **SolarAttic, Inc.** as of December 31, 1997 and 1998, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SolarAttic, Inc. as of December 31, 1997 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Plymouth, Minnesota
February 28, 1999

Leininger & Leininger, Ltd

15395-31st Ave. N., Ste 1 ◆ Plymouth, Minnesota 55447 ◆ (612) 553-2731 ◆ Fax (612) 553-2741

SOLARATTIC, INC.
BALANCE SHEETS

At December 31	1997	1998
ASSETS		
Current Assets		
Cash	$ 14,148	$ 30,479
Accounts receivable	8,236	10,433
Inventories	34,995	42,522
Prepaid expenses	8,525	9,984
Prepaid rent	24,822	6,205
Prepaid stock issuance costs	5,694	31,155
Total current assets	96,420	130,778
Furniture and Equipment	66,268	66,268
Less accumulated depreciation	34,064	42,983
Net furniture and equipment	32,204	23,285
Other Assets		
Prepaid rent	6,205	—
Due from officer	56,198	66,918
Patent, net of amortization of $34,089 and $40,531	27,111	20,669
Customer list, net of amortization of $7,071 and $11,785	25,929	21,215
Total other assets	115,443	108,802
Total assets	$ 244,067	$ 262,865
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,009	$ 47,642
Current maturities of note payable to officer	788	771
Other liabilities	42,400	49,823
Total current liabilities	45,197	98,236
Note Payable to Officer, Net of Current Portion	100,462	99,696
Stockholders' Equity		
Common stock, no par value; authorized 100,000,000 shares; issued and outstanding 9,385,752 and 9,979,678 shares	691,067	840,432
Less stock notes receivable	—	(33,500)
Retained earnings (deficit)	(592,659)	(741,999)
Total stockholders' equity	98,408	64,933
Total liabilities and stockholders' equity	$ 244,067	$ 262,865

See Notes to Financial Statements.

SOLARATTIC, INC.
STATEMENTS OF OPERATIONS

Year Ended December 31	1997	1998
Revenues	$ 61,853	$ 117,755
Cost of Goods Sold	28,857	63,045
Gross profit	32,996	54,710
Operating Expenses	180,897	187,150
Operating loss	(147,901)	(132,440)
Interest Expense	11,659	16,900
Net loss	$ (159,560)	$ (149,340)
Weighted Average Common Shares Outstanding	9,247,613	9,544,986

See Notes to Financial Statements.

SOLARATTIC, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY

Year Ended December 31, 1997 and 1998

	Common Stock		Stock Notes	Retained Earnings	Total Stockholders
	Shares	Amount	Receivable	(Deficit)	Equity
December 31, 1996	8,977,216	$ 544,353	$ -	$ (433,099)	$ 111,254
Issuance of stock	279,426	92,070	-	-	92,070
Stock issued for rent	124,110	49,644	-	-	49,644
Stock issued for services	5,000	5,000	-	-	5,000
Net loss	-	-	-	(159,560)	(159,560)
December 31, 1997	9,385,752	691,067	-	(592,659)	98,408
Issuance of stock	591,526	144,365	-	-	144,365
Stock issued for services	2,400	12,000	-	-	12,000
Stock issuance expense	-	(7,000)	-	-	(7,000)
Stock notes receivable	-		(33,500)	-	(33,500)
Net loss	-	-	-	(149,340)	(149,340)
December 31, 1998	9,979,678	$ 840,432	$ (33,500)	$ (741,999)	$ 64,933

See Notes to Financial Statements

SOLARATTIC, INC.
STATEMENTS OF CASH FLOWS

Year Ended December 31	1997	1998
Cash Flows From Operating Activities		
Net loss	$ (159,560)	$ (149,340)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation	8,372	8,919
Amortization	11,156	11,156
Amortization of prepaid rent from stock	18,617	24,822
Issuance of common stock for services	5,000	12,000
(Increase) decrease in operating assets:		
Accounts receivable	(7,806)	(2,197)
Inventory	5,932	(7,527)
Prepaid expenses	(5,500)	(1,459)
Prepaid stock issuance costs	(5,694)	(25,461)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	1,600	45,633
Other liabilities	42,400	7,423
Net cash flows from operating activities	(85,483)	(76,031)
Cash Flows From Investing Activities		
Increase in due from officers, net	(12,992)	(10,720)
Purchase of equipment	(20,395)	—
Net cash flows from investing activities	(33,387)	(10,720)
Cash Flows From Financing Activities		
Proceeds from issuance of common stock	92,070	110,865
Stock issuance expense	—	(7,000)
Proceeds from note payable to officer	11,718	—
Payments on note payable to officer	(468)	(783)
Net cash flows from financing activities	103,320	103,082
Change in cash and equivalents	(15,550)	16,331
Cash and Equivalents		
Beginning of year	29,698	14,148
End of year	$ 14,148	$ 30,479

See Notes to Financial Statements.

SOLARATTIC, INC.
STATEMENTS OF CASH FLOWS (Continued)

Year Ended December 31	1997	1998
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	$ 11,659	$ 16,900
Income taxes paid	$ -	$ -
Supplemental Schedule of Noncash Investing and Financing Activities		
Issuance of common stock for services	$ 5,000	$ 12,000
Issuance of common stock for prepaid rent	$ 49,644	$ -
Issuance of common stock for stock notes receivable	$ -	$ 33,500

See Notes to Financial Statements.

Note 1 *Nature of Business and Significant Accounting Principles*

Nature of operations:

SolarAttic, Inc. (the Company), a Minnesota corporation, was formed on August 11, 1986 and was in the development stage through December 31, 1996. The year 1997 is the first year during which it was considered an operating company. Sales are currently throughout the continental United States. However, markets for the Company's technology and products are international in nature. Products sold included primarily swimming pool heaters, space heaters and ventilation systems. Sales are direct to consumers and through dealers.

Basis of financial statement presentation and accounting estimates:

The accompanying financial statements are presented in accordance with generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could vary from those estimates.

Cash equivalent policy and cash flows:

For purposes of reporting cash flows, cash and equivalents is comprised of bank checking accounts.

Accounts receivable:

Management has determined that no allowance for uncollectable accounts is necessary at December 31, 1997 and 1998.

Inventories:

Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventory is comprised primarily of raw materials.

Furniture and equipment:

Furniture and equipment is recorded at cost, less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of three to seven years.

Patent:

The Company has capitalized costs related to acquiring a patent, which are being amortized using the straight-line method over 9.5 years. All other patent costs are expensed as incurred.

Customer list:

The Company has capitalized costs related to acquiring a customer list, which are being amortized using the straight-line method over 7 years.

Other liabilities:

The Company has credit cards payable, which are backed by the personal guarantee of an officer.

Research and development:

Research and development costs are charged to operations as incurred and totaled $1,853 and $10,086 for 1997 and 1998, respectively.

Note 1 *Nature of Business ... Continued*

Stock based compensation:

In 1995, the Financial Accounting Standards Board issued SFAS No. 123, *Accounting for Stock-Based Compensation*. As permitted by this Standard, the Company will continue to measure compensation cost using the intrinsic value-based method of accounting prescribed by the Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*.

Stock issuance costs:

The Company has recorded prepaid stock issuance costs for legal and other expenses incurred in connection with its SCOR (small corporate offering registration) and other stock offerings. As of December 31, 1998, $7,000 of prepaid stock issuance costs has been deducted from the proceeds directly related to issuance of common stock. Management continues to actively pursue sales of common stock. The remaining prepaid stock issuance costs will be deducted from future proceeds related to stock issuance, or expensed against net income only to the extent that future proceeds derived from issuing the stock do not exceed total prepaid stock issuance costs.

Stock notes receivable:

The Company has recorded two stock notes receivable, which are recorded on the Company's Balance Sheet as a reduction in stockholder's equity. At December 31, 1998, the total amount of these receivables is $33,500. Payments of $1,500 per month are made on $31,500 of this total over a period of 24 months. The remaining $2,000 is paid in two installments during 1999.

Income taxes:

The Company has adopted FASB Statement No. 109, *Accounting for Income Taxes*, which requires an asset and liability approach to financial accounting and reporting for income taxes. Under the asset and liability method, deferred tax assets are recognized for deductible temporary differences and operating loss or tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the amounts of assets and liabilities recorded for income tax and financial reporting purposes. Deferred tax assets are reduced by a valuation allowance when management determines that it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Note 2 *Related Party Transactions*

Note payable to officer at December 31, 1997 and 1998, consist of the following:

	1997	1998
Unsecured note payable, maturing January 1, 2028, monthly installments of $807 including interest at 8.90% at December 31, 1998. The rate adjusts every six months, based on the 6 month LIBOR rate plus 6.25%, with a 1.00% maximum change every six months, and a minimum and maximum interest rate of 7.90% and 13.90% respectively.	$ 101,250	$ 100,467
Less current maturities	788	771
	$ 100,462	$ 99,696

Future maturities are as follows:

1999	$ 771
2000	842
2001	920
2002	1,006
2003	1,099
Thereafter	95,829
	$ 100,467

Interest expense for related parties was $8,465 in 1997 and $8,550 in 1998.

Amounts due from officer are unsecured and non-interest bearing. Due from officer is scheduled for monthly repayment at the rate of 1/20th of Mr. Palmer's salary when Mr. Palmer starts to receive a salary.

The Company rented office and warehouse facilities from an officer of the Company on a month-to-month basis throughout 1997 and 1998. Total occupancy related expense, including certain real estate taxes, utilities and repairs paid to the officer was $2,354 in 1997 and $3,977 in 1998.

Note 3 *Stockholders' Equity*

Stock option plan:

The Company has reserved 1,000,000 shares of common stock for issuance under an incentive stock option plan established in 1986. Under the plan, options are granted at prices determined by the Board of Directors. It is the Company's policy to not grant any options at a price less than the current market or sales price. No options have been granted as of December 31, 1998. The incentive stock option plan matures in 2001.

Stock options:

Certain stockholders are able to purchase additional common stock related to the issuance of stock options. At December 31, 1996, there were 850,000 options outstanding and exercisable. During 1997, options to purchase 100,000 shares were granted at an exercise price of $1.00 per share. No options shares expired, were canceled, or exercised during 1997. At December 31, 1997 there were 950,000 options outstanding and exercisable.

During 1998, 177,500 options were exercised at a weighted-average price of $.29 per share, and 272,500 options expired at a weighted-average price of $.23 per share. No options were granted during 1998. At December 31, 1998, there were 500,000 options outstanding and exercisable at a weighted-average exercise price of $.52 per share and a weighted-average remaining contractual life of 31 months; the outstanding options are comprised of 400,000 shares exercisable at $.40 per share expiring December 31, 2000 and 100,000 shares exercisable at $1.00 per share expiring December 31, 2003.

Stock warrants:

Certain stockholders were able to purchase additional stock with stock warrants attached to common stock issued. At December 31, 1996 there were 815,993 warrants outstanding and exercisable. During 1997, 130,000 shares were exercised at a weighted-average exercise price of $.20 per share. At December 31, 1997 there were 685,993 warrants outstanding and exercisable.

During 1998, 411,826 warrants were exercised at a weighted-average exercise price of $.20 per share, and the remaining 274,167 warrants expired at a weighted-average exercise price of $.21 per share. No warrants were granted during 1998, and there are no warrants outstanding at December 31, 1998.

Common shares issued as consideration:

Common shares have been issued periodically for patents, inventory, consulting services, rent and customer lists. The amount assigned to each transaction is based upon contractual agreements.

Stock based compensation:

The Company applies APB Opinion No. 25 in accounting for its stock incentive plans. Accordingly, no compensation cost has been recognized for options granted. There are no charges or credits to expense with respect to the granting or exercise of options since the options were issued with exercise prices at or exceeding fair market value on their respective dates of grant. However, using an option pricing model to determine the fair value of the options and considering the expected option life, anticipation of no dividends, and the risk-free interest rate, determining compensation cost for stock-based compensation plans consistent with SFAS 123 would not have had a material impact on reported net income of the Company.

Note 4 *Income Taxes*

The Company recorded no provision for income tax expense for the periods ended December 31, 1997 and 1998.

Deferred tax assets and liabilities were comprised of the following at December 31

	1997	1998
Deferred tax asset - net operating losses	$ 235,800	$ 295,500
Less valuation allowance	235,800	295,500
Net deferred tax assets	-	-
Deferred tax liabilities	-	-
Total deferred income taxes	$ -	$ -

A valuation allowance has been established for the deferred tax asset because management determined it is more likely than not that the deferred tax asset will not be realized. The Company's valuation allowance increased $59,700 from December 31, 1997 to December 31, 1998, due to net operating losses incurred during 1998. At December 31, 1998, for income tax purposes, the Company had federal and state net operating loss carry forwards of approximately $742,000 available that expire through the year 2013.

Note 5 *Commitments and Contingencies*

Warranty:

The materials assembled by the Company generally carry warranties provided by the manufacturers against product failure. In addition, the Company provides a warranty of its assembled product workmanship. Management has determined that no warranty reserve was necessary as of December 31, 1997 and 1998.

Year 2000 (Y2K):

The Company has completed its own Y2K assessment and management has not found any internal issues that would cause significant operational problems. However, due to external factors beyond the Company's control such as general economic conditions, it is uncertain as to whether the Year 2000 issue will impact the Company's operations in any significant way.

Note 6 *Operating Leases*

In April of 1997, the Company began leasing space under a non-cancelable operating lease expiring April 15, 1999. Under this agreement, the Company issued 124,110 shares of common stock totaling $49,644. This was recorded as prepaid rent expense and is being amortized to rent expense over the lease term. In addition to the common stock, the Company makes a monthly cash payment for rent. As of the date of this report, management has entered into discussions to extend this lease for a period of one year upon similar terms.

Rent expense totaled $23,852 and $31,559 for the years ended December 31, 1997 and 1998.

SOLARATTIC, INC.
BALANCE SHEETS
(UNAUDITED)

JUNE 30	1998	1999
ASSETS		
Current Assets		
Cash	$ 1,562	$ 10,408
Accounts receivable	1,887	19,916
Inventories	42,504	34,519
Prepaid expenses	8,139	10,847
Prepaid rent	18,616	18,615
Prepaid stock issuance costs	5,694	31,155
Total current assets	78,402	125,460
Furniture and Equipment	66,268	66,710
Less accumulated depreciation	38,523	46,743
Net furniture and equipment	27,745	19,967
Other Assets		
Due from officer	61,122	72,611
Patent, net of amortization of $37,310 and $43,752	23,890	17,448
Customer list, net of amortization of $9,428 and $14,142	23,572	18,858
Total other assets	108,584	108,917
Total assets	$ 214,731	$ 254,344
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 23,268	$ 46,294
Accrued advanced payments from customers	24,708	
Current maturities of notes payable to officers	686	8,380
Current maturities of note payable to bank	—	7,240
Other liabilities	52,439	48,186
Total current liabilities	101,101	110,100
Note Payable to Officer, Net of Current Portion	100,235	99,831
Note Payable to Bank, Net of Current Portion	—	5,944
Stockholders' Equity		
Common stock, no par value; authorized 100,000,000 shares; issued and outstanding 9,406,252 and 9,985,947 shares	695,167	871,777
Less stock notes receivable	—	(23,500)
Retained earnings (deficit)	(681,772)	(809,808)
Total stockholders' equity	13,395	38,469
Total liabilities and stockholders' equity	$ 214,731	$ 254,344

See Notes to Unaudited Financial Statements.

SOLARATTIC, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

Six Month Periods Ending June 30	1998	1999
Revenues	$ 53,491	$ 107,450
Cost of Goods Sold	29,545	47,708
Gross profit	23,946	59,742
Operating Expenses	105,217	118,332
Operating loss	(81,271)	(58,590)
Interest Expense	7,842	9,219
Net loss	$ (89,113)	$ (67,809)
Weighted Average Common Shares Outstanding	9,400,671	9,983,449

See Notes to Unaudited Financial Statements.

SOLARATTIC, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

Period from December 31, 1996 to June 30, 1999

	Common Stock		Stock Notes	Retained Earnings	Total Stockholders
	Shares	Amount	Receivable	(Deficit)	Equity
December 31, 1996	8,977,216	$ 544,353	$ -	$ (433,099)	$ 111,254
Issuance of stock	279,426	92,070	-	-	92,070
Stock issued for rent	124,110	49,644	-	-	49,644
Stock issued for services	5,000	5,000	-	-	5,000
Net loss	-	-	-	(159,560)	(159,560)
December 31, 1997	9,385,752	691,067	$ -	$ (592,659)	$ 98,408
Issuance of stock	20,500	4,100	-	-	4,100
Net loss	-	-	-	(89,113)	(89,113)
June 30, 1998	9,406,252	$ 695,167	$ -	$ (681,772)	$ 13,395
Issuance of stock	571,026	140,265	-	-	140,265
Stock issued for services	2,400	12,000	-	-	12,000
Stock issuance expense	-	(7,000)	-	-	(7,000)
Stock notes receivable	-		(33,500)	-	(33,500)
Net loss	-	-	-	(60,227)	(60,227)
December 31, 1998	9,979,678	$ 840,432	$ (33,500)	$ (741,999)	$ 64,933
Issuance of stock	1,305	6,525	-	-	6,525
Stock issued for rent	4,964	24,820	-	-	24,820
Stock notes receivable	-		10,000	-	10,000
Net loss	-	-	-	(67,809)	(67,809)
June 30, 1999	9,985,947	$ 871,777	$ (23,500)	$ (809,808)	$ 38,469

See Notes to Unaudited Financial Statements

SOLARATTIC, INC.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

Six Month Periods Ending June 30	1998	1999
Cash Flows From Operating Activities		
Net loss	$ (89,113)	$ (67,809)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation	4,459	3,760
Amortization	5,578	5,578
Amortization of prepaid rent from stock	12,411	12,411
(Increase) decrease in operating assets:		
Accounts receivable	6,349	(9,483)
Inventory	(7,509)	8,003
Prepaid expenses	386	(863)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	21,259	(1,348)
Advanced payments from customers	24,708	—
Other liabilities	10,039	(1,578)
Net cash flows from operating activities	(11,433)	(51,329)
Cash Flows From Investing Activities		
Increase in due from officers	(4,924)	(5,693)
Purchase of equipment	—	(442)
Net cash flows from investing activities	(4,924)	(6,135)
Cash Flows From Financing Activities		
Proceeds from issuance of common stock	4,100	6,525
Proceeds from stock notes receivable	—	10,000
Proceeds from note payable to bank	—	15,000
Payments on note payable to bank	—	(1,816)
Proceeds from note payable to officer	—	8,000
Payments on notes payable to officer	(329)	(316)
Net cash flows from financing activities	3,771	37,393
Change in cash and equivalents	(12,586)	(20,071)
Cash and Equivalents		
Beginning of period	14,148	30,479
End of period	$ 1,562	$ 10,408

See Notes to unaudited Financial Statements.

SOLARATTIC, INC.
STATEMENTS OF CASH FLOWS (Continued)
(UNAUDITED)

Six Month Periods Ending June 30	1998	1999
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	$ 7,842	$ 9,219
Income taxes paid	$ -	$ -
Supplemental Schedule of Noncash Investing and Financing Activities		
Issuance of common stock for prepaid rent	$ -	$ 24,820

See Notes to Unaudited Financial Statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

Note 1 Unaudited statements

The interim financial statements are unaudited but have been prepared on a basis substantially consistent with the audited financial statements appearing in this Prospectus. In the opinion of management, all necessary adjustments (consisting of normal recurring adjustments) have been included to present fairly the unaudited six month period results when read in conjunction with the audited financial statements. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited financial statements should be read in conjunction with the Company's audited financial statements presented herein.

Note 2 Stock options and warrants

Stock option information contained in the audited financials remains unchanged from December 31, 1998. There are no stock warrants outstanding.

Note 3 Stock option plan

Stock option plan information contained in the audited financials remains unchanged from December 31, 1998. See "Employee Stock Option Plan" and "Notes to Audited Financials."

Note 4 Research and development

Research and development costs are charged to operations as incurred and totaled $1,049 and $4,031 for the six-month periods ending June 30, 1998 and 1999, respectively.

Note 5 Officer Note

On June 7, 1999 James F. Stanley, a vice president, loaned the Company $8,000 in cash for the purpose of purchasing inventory. The loan is a short-term note bearing a simple interest rate of 5.00% per annum and is carried on the Company's balance sheet statement as an addition to "Current maturities of notes payable to officers."

This page intentionally left blank.

Investor Subscription Agreement
SolarAttic, Inc.

Persons interested in purchasing shares of the Common Stock of SolarAttic, Inc. (the "Shares") must complete and return this Subscription Agreement along with their check or money order to:

SolarAttic, Inc., 15548 95th Circle NE, Elk River, Minnesota 55330

When accepted by SolarAttic, Inc., a Minnesota corporation (the "Company"), this Subscription Agreement shall constitute an irrevocable subscription for shares of Common Stock, no par value, of the Company. The minimum investment is $500 (100 shares). A copy of the accepted Agreement will be returned as a receipt and a stock certificate will be issued shortly thereafter.

The undersigned (referred to herein as the "Subscriber") desires to become a SHAREHOLDER and hereby irrevocably (after 72 hours) tenders this subscription agreement and subscribes for that number of shares (the "Shares") of the Company's common stock as stated below, at the price of five-dollars ($5.00) per share, upon the terms, conditions and representations set forth herein. Investors can revoke their purchase of the shares for 72 hours by filling out the form on page X-3.

1. The Subscriber acknowledges and represents as follows:

(a) That the Subscriber has received and carefully reviewed the Company's prospectus, dated August 16, 1999, (the "Prospectus") and that the Subscriber does not rely upon the verbal representation made by any officer, employee or agent of the Company. Notwithstanding the availability of other relevant information on the Internet or elsewhere, Subscriber represents that this subscription is based upon the information contained within said Prospectus; and

(b) That the Subscriber has the net worth and/or income to be able to bear the economic risk of an investment in the Shares; and

(c) That the Subscriber has such knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of an investment in the Shares; and

(d) That the Subscriber has determined that the Shares are a suitable investment for him, her or it and meets his, her or its investment objectives and financial needs, and that the Subscriber has adequate means for providing for current financial needs and personal contingencies and has no need for liquidity if a market for the Shares does not develop; and

(e) That the Subscriber recognizes that an investment in the Shares is highly speculative and involves a high degree of risk, including those in the Prospectus discussed under the heading "Risk Factors;" and

(f) That the Subscriber is purchasing the shares herein for investment purposes only.

2. The Subscriber represents and warrants that he, she or it is a bona fide resident of, and is domiciled in the State, or jurisdiction, stated below and that the Shares are being purchased solely for the beneficial interest of the Subscriber.

3. The Subscriber understands that the Company will escrow the proceeds from the first 30,000 shares sold and that stock certificates will be issued only after the minimum escrow proceeds have been raised. The Subscriber understands that the Company will also use and rely upon all of the representations, warrants, registration and subscriber information provided herein.

Make check or money order out, in the appropriate amount, payable directly to "SolarAttic, Inc." Mail the signed subscription agreement and funds to SolarAttic, Inc., 15548 95th Circle NE, Elk River, Minnesota 55330-7228. Call Ed Palmer, SolarAttic's CEO, at (612) 441-3440 if you have any questions about this form.

4. REGISTRATION INFORMATION: **(Please print)**

Name of Subscriber	
Street Address	(Mail notices and reports to)
City/State/Zip Code	
Telephone Number(s)	
Social Security Number	
Tax Identification Number	(If applicable)
Shares Purchased	(100 Share Minimum)
Amount of Funds Enclosed	$ ($500 Minimum)
State of Residence/Domicile	
Register Shares As*	*

***(If different from the above "**Name of Subscriber**", Register Shares as shown here.)

5. THE SUBSCRIBER(s) IS (are):

( ) Corporation	( ) Trust: Trustees(s)_____ Trust Date _____ Name of Trust _____ For the Benefit of_____
( ) A single person	
( ) Husband and wife, community property	
( ) Joint Tenants	
( ) A married (man) (woman) as (his) (her) separate property	
( ) Tenants in Common	( ) Custodian for_____ under the Uniform Gift to Minors Act of the State of :
( ) Other_____	

❑ **My Check Is Enclosed** **Charge My:** ❑ Visa ❑ MasterCard ❑ America Express

Card# _____ **Expiration date** _____

Name on card _____

Check all that apply: ❑ Accredited Investor as defined by Rule 501 of SEC Regulation D.
❑ A bank, savings & loan, insurance co., investment co., or a SBIC.
❑ Investment represents more than 10% of net worth excluding house.

Signature(s):

_____

Date: _____

_____
Signature of Subscriber(s)

_____

_____
Print Name(s)

Acceptance by Company:

Subscription accepted this _____ day of _____, _____, by SolarAttic, Inc.

_____
Edward G. Palmer, CEO

INSTRUCTIONS: To rescind your purchase of the Shares, fill out the form below and mail it to the Company within 72 hours.

- -Cut -

Notice of Rescission

TO: EDWARD G. PALMER, CEO
SOLARATTIC, INC.
15548 95TH CIRCLE NE
ELK RIVER, MN 55330

I hereby exercise my right to rescind my purchase of _____ shares of SolarAttic, Inc.

This rescission is made within seventy-two (72) hours of the earliest of my execution of a written agreement to purchase said shares, the delivery of a confirmation of sale of said shares to me or the payment for such shares. I understand that the effective date of the rescission shall be the date of delivery of this Notice or the depositing of same, properly addressed and with adequate postage thereon, in the United States Mail.

DATED, this _____ day of _____, and year of _____.

_____
(Subscriber's Name)

_____
(Subscriber's Address)

_____
(City) (State) (Zip Code)

_____
Subscriber's Signature

COMMENTS:

_____

_____

_____

- -Cut -

No dealer, salesman or other person has been authorized to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company, any Selling Shareholder or any Underwriter. This Prospectus does not constitute an offer to sell or solicitation of an offer to buy any securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of the Company since that date.

TABLE OF CONTENTS

Until the first anniversary after the effective date of this Prospectus, any dealer that is effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus.

SolarAttic

30,000 to 960,000 Shares
No Par Value

Common Stock

PROSPECTUS

August 16, 1999

SolarAttic, Inc.
15548 95th Circle NE
Elk River, MN 55330
(612) 441-3440

www.solarattic.com

"Own A Piece of the Global Warming Solution!"