

SolarAttic

Minimum 1,500,000 Shares

Maximum 3,000,000 Shares

Common Stock

No Par Value

All of the shares of Common Stock offered hereby (the "Shares") are being sold by SolarAttic, Inc. (the "Company" or "SolarAttic"). Prior to this offering, there has been no public market for the Company's Common Stock. The initial public offering price has been determined by the Company. See "RISK FACTORS." Prior to the sale of the minimum shares offered hereby, all subscription funds shall be deposited in an escrow account with National City Bank of Minneapolis (the "Escrow Agent"). If the minimum shares are not sold by the first anniversary of the date of this prospectus, the Escrow Agent will promptly refund all funds received in payment for Shares. The minimum purchase amount required is \$3,000. The Company reserves the right, in its sole discretion, to waive this minimum purchase requirement upon written request.

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."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions (1)	Proceeds to Company (2)
Per Share	\$.50	\$.05	\$.45
Total Minimum	\$750,000	\$75,000	\$675,000
Total Maximum	\$1,500,000	\$150,000	\$1,350,000

(1) The Company has no current agreements with any underwriter and plans a self underwritten offering. However, the Company may engage one or more underwriters to help market the Company's securities in connection with this offering. If the Company engages any underwriter(s), the Company may pay up to a 10% sales commission. If the Company does not engage any underwriter(s) and completes the offering itself, the commissions that would have been paid to the underwriter(s) would then also be paid as proceeds to the Company. Management will not receive compensation for sales of securities offered hereby.

(2) Before deducting expenses of the offering such as legal, accounting, printing, marketing, filing fees and the like, payable by the Company. These expenses are estimated to be \$41,469, in the event of a minimum offering, and \$73,969, in the event of a maximum offering. The Company may pay underwriters a 3% non-accountable expense fee. Such underwriter expense fees are not considered in the table above or elsewhere in this prospectus.

SolarAttic, Inc.

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

The date of this Prospectus is September 7, 1994

ADDITIONAL INFORMATION

The Company has filed with the Commission a Registration Statement on Form SB-1 under the Securities Act of 1933, as amended, with respect to the securities offered hereby. For further information about the Company and the securities, reference is made to the Registration Statement and to the financial statements and exhibits filed as a part thereof. Statements contained in this Prospectus as to the contents of any contract or any other document are not necessarily complete and in each instance reference is made to the copy of such contract or document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. For further information with respect to the Company and the securities offered hereby, reference is made to the Registration Statement, including the exhibits filed or incorporated as part thereof, copies of which can be inspected at and copied at the Public Reference Section of the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices located at 7 World Trade Center, 13th floor, New York, New York 10048; and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such materials can also be obtained at prescribed rates by writing to the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549.

The Company is not currently a reporting company. The Company intends, upon effectiveness of the registration of this offering, to file quarterly, annual and current reports with the Securities and Exchange Commission (the "Commission"), as required by the Securities and Exchange Act of 1934.

The Company intends to furnish to its shareholders annual reports containing financial statements audited by an independent public accounting firm and quarterly reports containing unaudited financial information for the first three quarters of each fiscal year.

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, President, SolarAttic, Inc at 15548 95th Circle NE, Elk River, Minnesota 55330-7228 (612) 441-3440.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Prospectus. See “RISK FACTORS.”

The Company

SolarAttic is a development-stage Company engaged in the research, development and limited-manufacturing of solar-powered water heating and space heating systems. These systems use the heat that collects in the attic space as a result of solar radiation on the roof. 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 systems can replace or augment heating systems that use fossil fuels or conventional solar panel technology.

SolarAttic currently markets a swimming pool heating system and a space heating system, both of which 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, is currently under development at the University of Minnesota. (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 collection panels, 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 both swimming pool heating and space heating 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 was incorporated in the State of Minnesota in the year 1986, and its executive offices are located at 15548 95th Circle NE, Elk River, Minnesota 55330, and its telephone number is (612) 441-3440.

The Offering

Common Stock Offered by the Company	1,500,000 to 3,000,000 shares
Common Stock Outstanding Prior to Offering	8,300,422 shares (1)
Common Stock Outstanding After Minimum	9,800,422 shares (2)
Common Stock Outstanding After Maximum	11,300,422 shares (3)
Use of Proceeds	Debt repayment, capital expenditures, and general corporate purposes, including working capital and the further development of the company's technology. See "USE OF PROCEEDS."

(1) Common stock outstanding as of June 30, 1994. Does not include the additional 1,416,953 shares of common stock which may be issued upon exercise of outstanding options or warrants. Also, does not include 1,000,000 shares of common stock which may be issued upon the exercise of options which are authorized pursuant to the Company's employee stock option plan. No options have been issued pursuant to this employee stock option plan as of the date hereof. See "CAPITALIZATION."

(2) Assuming minimum shares offered are sold.

(3) Assuming maximum shares offered are sold.

Pending the sale of a minimum of 1,500,000 shares, all proceeds of this offering will be deposited and held in an escrow account administered by National City Bank of Minneapolis, Minneapolis, Minnesota.

If a minimum of 1,500,000 shares offered hereby are not sold prior to the first anniversary of the effective date of this prospectus, all funds received in payment for shares sold will be refunded promptly to the purchasers, without interest thereon, by National City Bank of Minneapolis, Minneapolis, Minnesota. See "OFFERING PLAN."

Summary Financial Information

Statements of Operations Data:

	<u>Year Ended December 31,</u>		<u>Six Months Ended</u>
	<u>1992</u>	<u>1993</u>	<u>June 30, 1994</u>
			<u>Unaudited</u>
Net sales	\$33,625	\$49,375	\$22,329
Gross profit	16,447	26,445	10,830
Operating expenses	34,578	57,679	49,553
Operating (loss)	(18,131)	(31,234)	(38,055)
Net (loss)	(24,902)	(37,991)	(42,041)
Net (loss) per share	(.002)	(.003)	(.004)
Common shares outstanding (1)	10,735,711	10,993,873	11,240,921

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

Balance Sheet Data:

	<u>June 30, 1994</u>	<u>As Adjusted for Offering (2)</u>	
		<u>Minimum</u>	<u>Maximum</u>
Working Capital	12,276	617,229	1,259,729
Total Assets	91,669	696,622	1,339,122
Long-Term debt, less current portion	28,578	0	0
Total stockholder's equity	38,726	672,257	1,314,757

(2) As adjusted to reflect the receipt and application of the net proceeds of this offering, after deducting estimated expenses. There can be no assurance that all the shares offered hereby will be sold.

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.

Computer Simulation Questions Technology

A major electric utility commissioned a computer computational model of the Company's PCS1 swimming pool heater. Results from the computational model have been interpreted by the modelers as indicating that the Company's pool heater was not effective in heating swimming pools. If the computational model is a true representation of the PCS1 system, its results would have a severe negative impact upon the Company and could cause the Company to fail and result in a complete loss of all equity investment made in the Company. The Company and University of Minnesota Professor Ephraim M. Sparrow disagree with the model and with the interpretation of its results. Based on internal test data, empirical data gathered from operating systems and customer testimonials, the Company believes its PCS1 pool heater is effective in heating swimming pools. See "BUSINESS OPERATIONS AND SYSTEMS"—Computational Model.

New Technology Uncertainties

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 and space heating markets; and, as a result, the Company has only limited experience with its products. Some solar engineering 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 factors, no assurance can be made about the efficacy of the Company's technology and whether or not the Company's technology will be successful in making the Company 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.

The Company's patents are U.S. Patents only and the Company has not filed for patent protection outside of the United States. 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 —Patents & Proprietary Rights."

Concerns Expressed In Auditor's Report

The independent auditor's report expresses concerns about the Company's ability to continue operations as a going concern. See "NOTES TO FINANCIAL STATEMENTS."

Limited Operating History

The Company was incorporated on August 11, 1986 and is a Development Stage Company. As such, the Company's operations have been limited in scope and the Company has incurred losses in each of its historical years. As of June 30, 1994, the Company has accumulated net losses totaling \$243,815. There can be no assurance that the Company will be able to operate profitably in the future.

No Underwriter Involved / Effects of Escrow

The Company does not have Securities Industry Underwriters that have committed to purchase the Company's stock for resale to the public (Underwriters of the Company's stock offering). The Company, instead, is selling its stock directly to the public. There can be no assurance that the Company will be successful in achieving the minimum amount required for a successful offering within the time constraints the Company has which is one year. If the minimum amount is not reached, the Escrow Agent will have to refund all amounts paid for shares offered hereby. This could result in a lengthy period of up to twelve months whereby investments funds are tied up without any interest accruing. Stock purchased will not be issued until after the minimum is reached. If refunds are due from a failure to reach the minimum offering during the allowable offering period, the refund payments will not contain any interest payments or deductions.

No Market Makers / No Market For Stock

Prior to this offering, there has been no market for the Company's Common Stock. There are no Broker-Dealer Market Makers or traders for the Company's stock. Since the Company's stock will be subject to the SEC "Penny Stock Rule" as indicated below under "Limitations Upon Broker-Dealer Sales will Restrict Potential Resale of Company Stock", the Company may have a difficult time locating one or more market makers for the Company's stock. There can be no assurance, therefore, that a trading market for the Company's stock will develop or that the Company's stock can be resold once purchased.

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 because of the relatively small "float."

Limitations Upon Broker-Dealer Sales will Restrict Potential Resale of Company Stock

Because the market price of the Company's Common Stock is less than \$5 (exclusive of commissions), such securities shall be covered by a Securities and Exchange Commission rule that imposes additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and certain accredited investors (generally institutions with assets in excess of \$5,000,000). For transactions covered by the rule, the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written agreement to the transaction prior to the sale.

Broker-dealers must also, prior to the purchase, provide the customer with a risk disclosure document which identifies risks associated with investing in "penny stocks" and which describes the market therefore as well as a brief description of the broker-dealer's obligations under certain "Penny Stock Rules" and rights and remedies available to customers under federal and state securities laws. The broker-dealer must obtain a signed and dated acknowledgment from its customer demonstrating that the customer has actually received the required risk disclosure document before the first transaction in a penny stock. Consequently, the rule may affect the ability of broker-dealers to sell the Company's securities and also may affect the ability of purchasers in this offering to sell their shares in the secondary market.

Dilution

Purchasers of the Common Stock offered hereby will experience an immediate and substantial dilution of between \$.39 and \$.44 in the net tangible book value of their investment. See "DILUTION."

Control by Existing Shareholder

After this offering, EJ Partners Limited Partnership will beneficially own and Edward G. Palmer, the Company's President will have the ability to direct the vote of, between 36.3 and 41.9% 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" and "DILUTION."

Possible Rule 144 Sales

Of the 8,300,422 shares of Common Stock currently outstanding (as of June 30, 1994), 7,556,500 shares are aged past three years from their date of issue and qualify under Rule 144K for immediate resale without registration except as may be required for certain "control stock." As such, the shares may be resold under Rule 144. Such sales 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 "SHARES ELIGIBLE FOR FUTURE SALE."

Possible Exercise of Options

There are options to purchase 1,126,953 shares on the Company's common stock at 20¢ per share and an additional 290,000 stock options that can be exercised at 30¢ per share. If these options are exercised, they will result in an additional and substantial further dilution in the net tangible book value of any investment. See "DILUTION" and "NOTES TO UNAUDITED STATEMENTS."

Possible Dilution from Incentive Stock Option Plan

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 dilutive effect.

No Dividends

The Company has never paid a cash dividend on its Common Stock and does not anticipate paying cash dividends in the foreseeable future. Any future dividends will depend on the earnings, if any, of the Company, its financial requirements and other factors. Although the Company anticipates that a portion of any earnings generated from operations could be used to pay cash dividends or purchase stock from stockholders, no assurance can be given that it will do so. Investors who anticipate a need for immediate income from their investment in the Company's Common Stock should refrain from purchasing the shares being offered hereby.

Limited Financial Resources

The net proceeds of this offering are expected to be expended by the Company at the end of an eighteen to thirty-six month period. If after such a time the Company is unable to generate sufficient cash flow from operations to produce a positive cash flow, the Company may have to seek additional funds from a number of sources including, loans from banks and other financial institutions and individuals, and equity financing, which may result in dilution to the then-existing shareholders. To date, the Company has made no arrangements for such additional financing. No assurance can be given that the Company will be able to obtain additional financing from any sources on satisfactory terms, or at all. The Company will not have access to any proceeds from this offering until such time as the minimum offering has been reached and the escrow agent is authorized to issue the funds to the Company.

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.

Best Efforts Offering

The shares are being offered by the Company on a best efforts basis. No assurances can be given that any of the shares will be sold. If 1,500,000 Shares offered hereby are not sold within one year of the date of this prospectus, this offering will be terminated and the purchase price for the Shares returned to the subscribers without interest or deduction.

Determination of Offering Price

There is no market for the Shares of the Company. The Offering price and the number of shares offered were determined by the Company and are not based on net worth or earnings. There can be no assurance that the Shares offered can be resold after the offering. See "OFFERING PLAN."

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 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.

Self Insured For All Business Risks

The Company is self insured for all business risks without any stop loss insurance. To the extent that the Company would suffer a catastrophic business loss or significant business liability, 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. See "NOTES TO FINANCIAL STATEMENTS."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Shares offered hereby, at an offering price of \$.50 per Share, are estimated to be between \$675,000 to \$1,350,000. The Company will pay off its current short and long-term liabilities and notes owed (\$52,943); Allocate 15% of the net proceeds to Marketing & Sales (\$101,250-\$202,500); Allocate 10% to Engineering & Research (\$67,500-\$135,000); Allocate \$174,000 towards capital equipment expenditures of which some automation equipment will be used in the area of Marketing & Sales; and, Allocate to the other areas listed (\$157,200-\$190,100). The balance of the net proceeds (\$122,107-\$595,457) will be reserved for general corporate purposes which includes working capital and operational contingency funds. General corporate purposes would include additional uncommitted funds for working capital, inventory, contingency plans, sales, marketing, research, development and patent efforts. General corporate purposes would also include the possible acquisition of strategically complementary businesses. The Company has no agreements or understandings to acquire any business at this time. Officer and director compensation are included within the various categories set forth in the following table.

Area of Use of Proceeds	Minimum Proceeds	Maximum Proceeds
General corporate purposes	\$122,107	\$595,457
Marketing & sales	101,250	202,500
Capital Equipment	174,000	174,000
Manufacturing Equipment	\$50,000	
Computer Hardware & Software	46,000	
Direct Mail Automation Equipment	40,000	
Office Equipment & Furniture	15,000	
Telephone & Security Systems	13,000	
Training Equipment	10,000	
	\$174,000	
Engineering & research	67,500	135,000
General & administrative	76,200	76,200
Debt reduction (1)	52,943	52,943
Manufacturing expenses	30,000	30,000
Inventory	26,100	52,200
Operating expenses	19,500	24,500
Manufacturing overhead expenses	5,400	7,200
Total Net Proceeds	675,000	1,350,000

(1) Eliminates all Company debt and includes paying a 1991 operating loan from Mr. Palmer which is currently being paid at \$642 per month (18% interest). This represents \$30,905 of the Company's debt reduction. See "CERTAIN TRANSACTIONS" and NOTE #2 in "NOTES TO FINANCIAL STATEMENTS." In addition, the Company will pay its accounts payables of \$15,242 and pay \$6,796 "due to related party" which is credit card debt used for the benefit of the Company currently in Mr. Palmer's name with variable interest rates of 11-18%. See "FINANCIAL STATEMENTS".

The foregoing represents SolarAttic's best estimate, at this time, of its use of the net proceeds of this offering, based on its present plans and estimates regarding its future revenues and expenditures and general economic and industry conditions. Pending application of its proceeds of the offering, the Company may invest the net proceeds in short-term, investment-grade, interest-bearing securities.

Since the Company has only limited operating history, the actual allocation of proceeds may vary from that indicated above. Actual expenditures may vary, depending upon factors such as the availability of financing, costs for marketing, and the date upon which full operating revenues are first generated.

DILUTION

The NET TANGIBLE BOOK VALUE of the Company as of June 30, 1994 was (\$10,932) or approximately (\$.001) per share of Common Stock. Net tangible book value represents the tangible (or physical) assets of the Company (Total Tangible Assets less all Liabilities). Net tangible book value does not include the Company's patents or other intangible (or non-physical) assets. Giving effect to the sale by the Company of 1,500,000 Shares (minimum) and 3,000,000 Shares (maximum) at an initial public offering price of \$.50 per Share, there will be an immediate substantial dilution 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, 1994 a comparison of the respective investments of the current shareholders and the public investors at the public offering price of \$.50 per share.

MINIMUM OFFERING (1,500,000 Shares)

Price		\$.500
Net tangible book value per share before offering	(\$.001)	
Increase to current shareholders in net tangible book value due to offering	\$.065	
Net tangible book value per share after offering		\$.064
Dilution per share to public investors (1)		\$.436

MAXIMUM OFFERING (3,000,000 Shares)

Price		\$.500
Net tangible book value per share before offering	(\$.001)	
Increase to current shareholders in net tangible book value due to offering	\$.113	
Net tangible book value per share after offering		\$.112
Dilution per share to public investors (1)		\$.388

(1) The tables above do not contemplate the dilutive affect of either the issuance of any of the 1,416,953 shares of common stock presently reserved for issuance upon exercise of currently issued and outstanding options and warrants, or issuance of any of the 1,000,000 shares of common stock which will be issued upon exercise of options authorized for issuance pursuant to an employee incentive stock option plan.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of June 30, 1994 and as adjusted to reflect the receipt of the net proceeds from the issuance and sale by the Company of the 1,500,000 shares minimum and the 3,000,000 shares maximum offered hereby and the application of the net proceeds, based on the initial public offering price of \$.50 per share. See "USE OF PROCEEDS."

	June 30, 1994		
	<u>Actual</u>	<u>As Adjusted</u> <u>Minimum (3)</u>	<u>As Adjusted</u> <u>Maximum (4)</u>
Stockholders equity:			
Common Stock, no par value;			
100,000,000 shares authorized;			
8,300,422 shares issued and outstanding (2);	307,160		
9,800,422 shares issued and outstanding (3);		940,691	
11,300,422 shares issued and outstanding (4);			1,583,191
Accumulated Deficit (1);	(243,815)	(243,815)	(243,815)
Other (5);	(24,619)	(24,619)	(24,619)
Total stockholders equity	38,726	672,257	1,314,757

(1) As of June 30, 1994 (See Unaudited Statements and Notes thereto).

(2) To reflect the shares of stock outstanding on June 30, 1994.

(3) As adjusted to reflect the effect of receiving the net proceeds of the minimum offer with 1,500,000 shares being issued in addition to those shares outstanding on June 30, 1994.

(4) As adjusted to reflect the effect of receiving the net proceeds of the maximum offer with 3,000,000 shares being issued in addition to those shares outstanding on June 30, 1994.

(5) Adjustment for officer notes receivable as of June 30, 1994.

THE BUSINESS

GENERAL

SolarAttic is a development-stage Company engaged in the research, development and limited-manufacturing of solar-powered water heating and space heating systems. These systems use the heat that collects in the attic space as a result of solar radiation on the roof. 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 systems can replace or augment heating systems that use fossil fuels or conventional solar panel technology. SolarAttic currently markets a swimming pool heating system and a space heating system, both of which use the solar thermal energy contained in hot attic air. The Company's goal is to establish a nationwide network of independent dealers who will sell, install and service the Company's products.

The Company's revenues have never exceeded \$50,000 per year. The Company has never had a profitable year of operations and its current auditor's report expresses concerns about the Company's ability to continue its operations as a going concern. See "NOTES TO FINANCIAL STATEMENTS."

BACKGROUND

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. By June of 1994, the Company had sold a total of 70 pool heating systems shipped to customers in 21 states.

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. (See “CERTAIN TRANSACTIONS”)

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. Patent Under Consideration. The Company applied on March 28, 1994, for a third patent — for a self-sufficient apparatus and method for conveying solar heat energy from an attic.

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 has 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. If this U.S. Patent is granted, Mr. Palmer has agreed, pursuant to an assignment agreement dated May 26, 1994, to assign 100% of the patent rights over to the Company without cost.

BUSINESS STRATEGY

The Company’s strategy is to continue to research, develop and market innovative products that capitalize on the energy contained in solar-generated, hot attic air. Accordingly, the Company plans to:

- **Build and capitalize on brand name.** The Company believes that the SolarAttic™ brand name captures the essence of its technology. Further, the Company plans to expand its category of products which use hot attic air — to include products that enhance and/or control the heat generating capacity of attic spaces.

- **Educate potential users and distribution channels that there is untapped, solar energy contained in hot attic air.** The Company publishes booklets and technical manuals and has an active Public Relations program which distributes information. (See “Literature Products”)
- **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, for heating space and for heating 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.
- **Establish a nationwide distribution network of the Company’s products.** The Company intends to form alliances with appropriate solar, swimming pool, plumbing and heating dealers.
- **Expand internationally.** Cost and availability of energy are global concerns that impact everyone. 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.

PRODUCTS

The Company designs, manufactures and sells a line of solar heating systems which utilize solar-generated hot attic air. The Company’s products do not require installation of solar panels. The Company’s present product line consists of three (3) pool heating systems and one (1) space heating system. The Company also publishes and sells a small collection of manuals and papers relating to its technology.

The Company’s SolarAttic™ pool and space heating systems are existing product lines which are in limited production at this time. Through May 1994, the Company has sold 70 pool heating systems to customers in 21 different states. The Company believes that the combination of product lines will yield a manufacturing operation affected minimally by seasonal cycles.

The following graphics are illustrations of (i) a swimming pool heating system and (ii) a space heating system. Both systems use the Company’s SolarAttic™ technology with either an air-to-liquid or an air-to-air heat exchanger physically located within the attic.

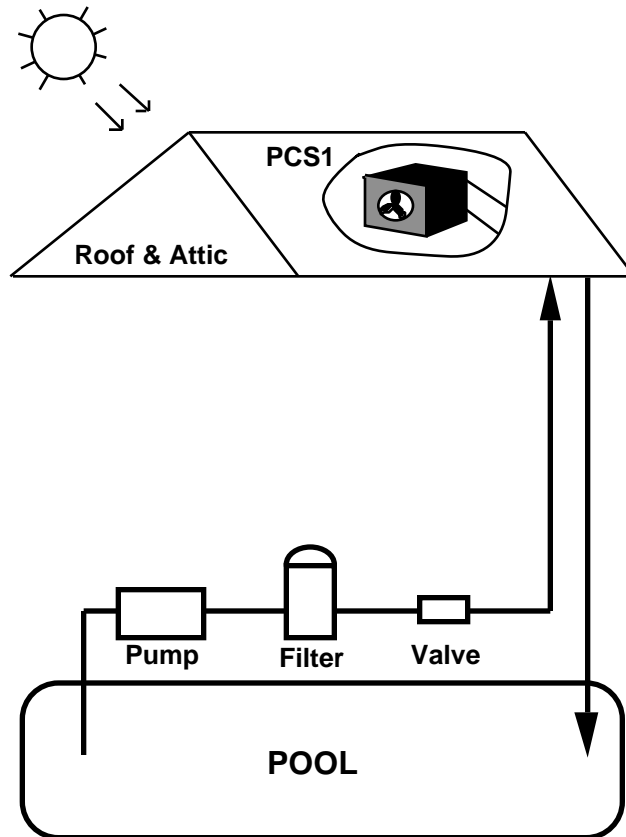
Pool Heating Systems

1. **PCS1 Manual System:** A basic system with no automatic controls. (Note: PCS1 is an acronym that stands for Pool Convection System 1.)
2. **PCS1 Auto System:** An automated system with electronic solar controller to automatically activate the system when heat is required and when 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 sending heated water down 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.
- 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.

Swimming Pool Heating



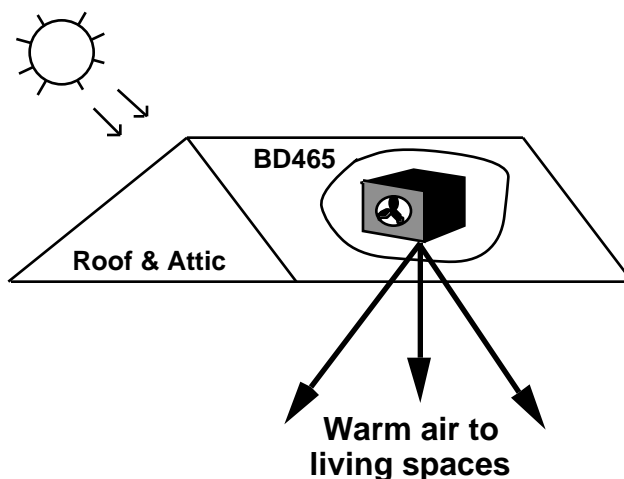
Space Heating Systems

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 Company only has one model at this time, but intends to develop several different models (sizes) and systems for space heating.

The SolarAttic Space Heater 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 SolarAttic™ space heating technology has both residential and commercial applications.

Space Heating



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.

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.

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 of the barriers 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 current product line 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.

MARKETING

The Swimming Pool Heater Market

Based on data presented 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)

<u>Type of Heater</u>	<u>New Pools</u>	<u>After Market*</u>	<u>Total</u>	<u>Market Share</u>
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	<u>2.8</u>	<u>4.0</u>	<u>6.8</u>	<u>3.5</u>
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)

<u>Type of Heater</u>	<u>New Pools</u>	<u>After Market*</u>	<u>Total</u>	<u>Market Share</u>
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	<u>1,121</u>	<u>1,600</u>	<u>2,721</u>	<u>2.1</u>
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 an after market fashion.

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 home owners 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 explain the high level of after market sales of pool heating systems.

Seasonality

The Company estimates that the SolarAttic Pool Heater can operate from April through 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.

SALES

Unique Technology

SolarAttic believes that its method of using hot attic air to heat water and air 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 technology will appeal to consumers who would purchase solar technology if it did not involve using solar collection panels.

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 70 SolarAttic PCS1 Pool Heating System to customers spread across 21 states. The Company offers no installation, maintenance, service or financing for its systems that range from approximately \$1,400 to \$2,000.

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 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. (See "USE OF PROCEEDS")

Company to Consumer—Direct Sales

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 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.

The Company believes that, in addition to factory direct sales, its space heating products will ultimately be distributed through alternative energy catalogs as well as through do-it-yourself home care centers.

COMPETITION

While the Company manufactures proprietary solar 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 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. 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 competitive advantages over existing products. Over pool heaters that burn fossil-fuels, the Company's competitive advantage is price as solar energy is much less expensive 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.

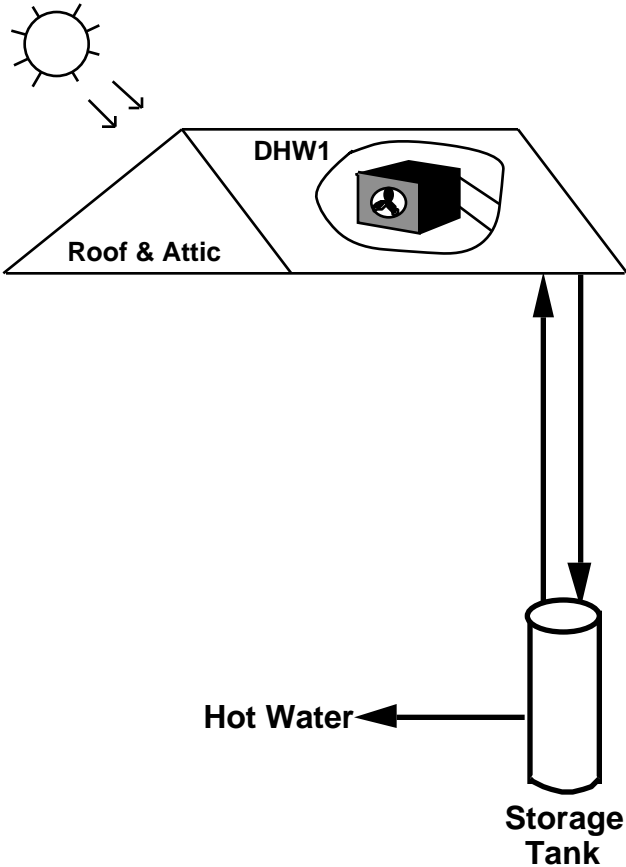
RESEARCH AND DEVELOPMENT

Domestic Hot Water Heating

The Company, in conjunction with University of Minnesota Professor Ephraim M. Sparrow and under the Center For Interfacial Engineering’s (CIE) Small Business Program, is attempting to develop the SolarAttic Domestic Hot Water Heater which is expected to be available late in 1994 or early in 1995. Professor Sparrow is working on the domestic hot water heating system as a consultant to the Company and is supervising an undergraduate student in the development of this product. If and/or when development is complete, the Company believes this new domestic hot water heater will make use of hot attic air in the preheating or heating of 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 versions are covered by the Company’s patents. The Company believes its patents covering domestic hot water heating are not compromised by the Company’s agreement with the University of Minnesota.

The Company believes its primary market, for its proposed hot water system, to be users of electric water heaters, because of the cost savings the Company believes it can offer to these users over electric hot water heaters.

Water Heating
(Under Development)



If the Company successfully develops its domestic hot water heater as planned, the domestic hot water heating system will be effective from only a few months (as in Minnesota) to almost year around (as in Florida). In Minnesota and other colder climates, the domestic hot water system would begin to preheat water in the Spring (April). As the year progressed, 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 through 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.

The Company believes that the SolarAttic Water Heater when used in concert with traditional electric water heaters may have an impact on electrical energy consumption used for domestic water heating purposes. Electric domestic hot water tanks typically have two 4500 watt elements which could turn on at the same time 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 has further expanded on the domestic hot water heating technology in a third U.S. Patent application filed on March 28, 1994. (See Patent Under Consideration and Products Under Development)

The Company demonstrated a working prototype of a hot water heating system at the Minnesota State Fair during the period of August 25th to September 5th, 1994 in St. Paul, MN.

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 which is currently under development. When used in concert with an electric water heater, the Company believes its water heating system will lower the cost of domestic hot water.

R & D Expenditures

Research and development costs are charged to operations as incurred and totaled \$0 and \$3,000 for fiscal years 1992 and 1993 respectively. For the six month periods ending June 30th, they totaled \$0 and \$5,716 for 1993 and 1994 respectively. The six month period ending June 30, 1994 reflects increased research and development efforts with the University of Minnesota.

OTHER PRODUCT AREAS

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. 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 and chemical costs for heat pump users. If this offering is successful, the Company intends to 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.

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) and that the installer must follow the Company's basic installation instructions. All SolarAttic pool heaters are sold today with this guarantee and none of the limited sales and installations to date have requested any refunds or service under this guarantee. The Company plans to include some type of performance guarantee with all of the products it sells.

Computational Model

A major electric utility commissioned a computer computational model of the Company's PCS1 swimming pool heater. The modelers concluded that the Company's pool heater was not effective in heating swimming pools. The Company and University of Minnesota Professor Ephraim M. Sparrow disagree with the model and the conclusions drawn by the modelers. Their position is that the computational model is not an accurate representation of either the design or the actual operating mode of the Company's PCS1 product. For example: The computational model used the advanced attic ventilation method of a continuous ridge vent. Such an attic/roof venting method would substantially reduce the amount of captured solar energy that is retained within the attic and on which the Company's PCS1 product depends upon. None of the Company's products are recommended for use in such highly vented attics.

Professor Sparrow has provided the Company with a simplified computational model based upon solar radiation data. Professor Sparrow's model concludes: "There are clearly many cases where the system [PCS1] will work . . ." However, this simplified solar model also indicates that there can be cases where the Company's PCS1 may not work. Conditions such as high wind velocities, substantial attic ventilation and shaded roofs will dramatically impact the amount of solar radiation captured by the attic. The Company recognizes that there may be instances in which the PCS1 may not work effectively. For this reason, the Company specifically limits its performance guarantee on the PCS1 swimming pool heater. See "Performance Guarantee" above. Based on internal test data, empirical data gathered from operating systems and customer testimonials, the Company believes its PCS1 pool heater is effective in heating swimming pools. See "RISK FACTORS."

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.

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. The Company's Officers and directors have extensive manufacturing experience.

Proprietary Rights

SolarAttic currently holds two U.S. Patents and has applied for a third U.S. patent through Mr. Palmer, the Company's president. The Company's space heater patent Re. 32,607 expires in the year 2002 and the Company's solar technology patent 5,014,770 expires in the year 2008. Both of these patents are U.S. Patents and the Company does not have any patent protection outside of the United States. If the Company is granted a third U.S. patent, it will expire as early as the year 2008 or as late as the year 2014. If granted, the Company expects to file for international patent protection for this third U.S. patent. In early 1994, the Company applied for two U. S. trademarks which the Company believes will be granted. The Company has significant internal data regarded as trade secrets such as proprietary 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 emphasis on quality, service and value to its customers.

Employees

As of the date of this prospectus, Mr. Palmer is the Company's sole officer. The Company's future vice president of marketing is Mr. Fredell. Both Mr. Palmer and Mr. Fredell are not currently represented by any collective bargaining organization or any employment contracts. The Company believes that its relations with these two individuals are satisfactory. Mr. Edward G. Palmer serves as the Company's President and CEO and is uncompensated for his services. Mr. William A. Fredell serves as an independent marketing communications resource to the Company and is currently paid a monthly consulting fee of \$2,000. Upon completion of this offering, the Company expects to immediately employ both of these individuals as full time paid employees without the benefit and/or protection of any employment contracts. See "MANAGEMENT & COMPENSATION."

Facilities

The Company's principal offices are located at 15548 95th Circle NE, Elk River, Minnesota 55330. This is the home of Mr. Palmer, the president of the Company. The Company's offices are in the lower level, and the Company manufactures products in Mr. Palmer's garage area. SolarAttic pays rent of \$205 per month under a month by month rental agreement. If this offering is successful, the Company expects to move as soon as practicable to a more suitable business 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 Elk River has several suitable locations to relocate the business and that such relocation will not be difficult.

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	48	Chairman of the Board, President, Chief Executive Officer, Chief Financial Officer, Secretary, Treasurer
William A. Fredell 5240 Upton Avenue South Minneapolis, MN 55410	47	Vice President, Marketing (Imminent)
Lawrence J. Matthews 7601 5th Avenue South Richfield, MN 55423	65	Director
Lawrence Garde 8021 Oakmere Road Bloomington, MN 55438	57	Director

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.

EDWARD G. PALMER, Chairman of the Board 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 and the Chairman of the Board of Directors.

WILLIAM A. FREDELL, Vice President of Marketing for the Company (imminent) graduated from the University of Minnesota, Duluth, Minnesota in 1970 with a B.A. degree in English. From March 1992 to the present, he has been self employed as a marketing communications consultant and has worked with a several small companies including SolarAttic. From July 1990 to March 1992, he was a Senior Account Executive for Nygard & Associates, Inc, a graphics design and marketing communications firm located in Minneapolis, Minnesota. From March 1989 to July 1990, he was the Manager of Advertising and Public Relations for GE American Communications, based in Princeton, New Jersey.

From 1982 to 1989, he served as both the Manager of Marketing Communications and earlier as the Manager of Graphics and Technical Publications for TRW, Inc. located in Fairfield, New Jersey. His marketing background includes experience in advertising, public relations, marketing communications, trade shows and account management. As the Company's Vice President of Marketing, Mr. Fredell's responsibilities will be highly focused within the areas of Marketing and Sales. This will include handling the Company's advertising, public relations, trade show management, market assessments and all other issues in the areas of marketing and sales management.

LAWRENCE J. MATTHEWS has been a director of the Company since 1988. From 1984 until his retirement in 1993, he was the Vice President of Engineering for Zytec where he currently still serves as a director. Mr. Matthews was a co-founder of Zytec based in Eden Prairie, MN. Before January 1984, he was employed by Control Data Corporation in engineering design, engineering management and operations management. He has a degree in mechanical engineering and management experience at the executive level. Zytec Corporation is publicly traded on the NASDAQ/NMS.

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 small 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.).

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.

COMPENSATION

Executive Compensation

The following table sets forth the cash and noncash compensation for 1993 awarded to or earned by SolarAttic's Chief Executive Officer, Vice President of Marketing (imminent) and the Company's Directors.

Summary Compensation Table—1993

Name and Principal Position	1993 Annual Compensation Salary (1)	Long-Term Compensation Number of Stock Options Granted (2)	All Other Compensation
Edward G. Palmer President and Chief Executive Officer	0	0	0
William A. Fredell Vice President, Marketing (Imminent)	0	0	\$17,832 (3)
Lawrence J. Matthews Director	0	0	0
Lawrence Garde Director	0	0	\$3,000 (3)

(1) There was no employee compensation to Mr. Palmer and Mr. Fredell in 1993. If this offering is successful, the Company plans to pay an estimated starting salary of \$60,000 per year to Mr. Palmer and \$48,000 per year to Mr. Fredell. See "USE OF PROCEEDS."

(2) No options were granted to any of the listed officers or directors during 1993.

(3) Mr. Fredell was issued 59,440 shares of the Company's Common Stock during 1993 in exchange for his independent marketing communications services. Mr. Garde was issued 10,000 shares of the Company's Common Stock during 1993 in exchange for his independent patent services.

(4) The Company does not currently compensate Mr. Palmer. The Company currently pays consulting fees of \$2000 per month to Mr. Fredell.

Compensation to Directors

The Company does not currently compensate directors in any form for director services.

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 has 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.

CERTAIN TRANSACTIONS

On September 6, 1994, Norman L. Schultz exercised 20,000 shares of his options in the Company's common stock in exchange for \$4,000 cash.

On August 15, 1994, the Company issued 16,667 shares of common stock valued at 30¢ per share to Svetlana N. Shubinsky in exchange for \$5,000 cash.

On August 15, 1994, the Company issued 16,667 shares of common stock valued at 30¢ per share to Maurizio Mario Gramigni in exchange for \$5,000 cash.

On August 11, 1994, Lawrence Matthews exercised 10,000 shares of his options in the Company's common stock in exchange for \$2,000 cash.

On June 29, 1994, EJ Partners Limited Partnership gave (as gifts) 3,000,000 shares of common stock to the Company and 200,000 shares of common stock to the Alliance Christian Academy of Elk River, Minnesota. The Company canceled the 3,000,000 shares upon receipt.

On March 28, 1994, the Company granted William A. Fredell a stock option to purchase up to 250,000 shares of the Company's Common Stock at 30¢ per share. The option expires on December 31, 1998.

On December 7, 1993 the Company issued 59,440 shares of the Company's Common Stock to William A. Fredell, in exchange for his independent marketing communications services valued by the Company at \$17,832.

In December of 1993, EJ Partners Limited Partnership gave 33,334 shares of stock to Norman L. Schultz.

In October of 1993, EJ Partners Limited Partnership gave 120,000 shares of stock to Norman L. Schultz.

In July of 1993, Mr. Palmer, the Company's founder, gave away his personal stock (10,000,000 shares). The following individuals or entities received gifts of stock from Mr. Palmer: EJ Partners Limited Partnership 7,455,000 shares; Jacqueline L. Palmer 1,000,000 shares; Solid Rock Church 545,000 shares; Mr. & Mrs. Jim Kantorowicz 200,000 shares; Patty J. Palmer 200,000 shares; Brian A. Palmer 200,000 shares; Mr. & Mrs. Kim Vickroy 200,000 shares; Barbara J. Lepse 100,000 shares; and, Mr. & Mrs. Jim Stanley 100,000 shares.

In September 1992, the Company issued 204,000 shares of the Company's common stock valued at 30 cents per share to Mr. David C. Smith for all the rights to U. S. Patent 4,502,476 which is now U.S. reissue patent number Re. 32,607. Prior to this time there was no affiliation between Mr. Smith and the Company.

Continued on next page

CERTAIN TRANSACTIONS

Continued from previous page

A “note payable to Officer” of \$29,793 is shown for the year 1993 (See auditor’s Note 2 on page F-9). This note listed is payable to Edward G. Palmer, the Company’s President. The reason for the note payable is a small business operating loan that Mr. Palmer secured for the benefit of the Company but personally is responsible to pay to Community Credit Company in Coon Rapids, Minnesota. The operating loan was backed by a first mortgage of Mr. Palmer’s home in Elk River. This mortgage collateral was a requirement of Mr. Palmer in order to secure the loan for the Company. All of the proceeds of this operating loan have been used by the Company. The Company, in turn, has signed a note payable to Mr. Palmer in the amount and in the terms of the Community Credit Company loan. The Company makes its payments directly to Community Credit in Coon Rapids, Minnesota on a monthly basis.

The Company has two notes due from officers on the Company’s books as receivables. One note totals \$6,305 and is due and payable on demand, from a prior officer of the Company, at any time after December 31, 1996 or is payable in installments equal to 1/20th of any salary established for such individual prior to this time should the Company employ such individual. The second note is due from Mr. Palmer, the Company’s President and represents the balance of the officer’s notes receivables. At June 30, 1994, this amount was \$18,314. This note from Mr. Palmer is due and payable on demand at any time after December 31, 1999 or is payable in installments equal to 1/20th of any salary established for Mr. Palmer prior to this time. Both notes are non-interest bearing and the amounts represent funds loaned to such officers from time to time to assist the officers. The Company does not currently pay its officers any salaries.

The Company makes monthly rent payments of \$205 for approximately 1,500 square feet of space to Mr. Palmer, the Company’s President for the use of the Company’s facilities which are presently located in Mr. Palmer’s home. This is a month by month rental agreement. The Company has also agreed to pay for utilities, maintenance and repairs while the Company maintains its facilities at this location. Since January 1, 1992, the Company has paid \$4,183 for maintenance and \$1,884 for repair expenses. The Company has also agreed to reimburse Mr. Palmer for any and all expenses incurred in restoring the premises after the rental arrangement is terminated.

The Company’s management believes that the terms of all 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.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of the Company's Common Stock as of June 30, 1994 by (i) each person who is of record owning more than five 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. See "OPTIONS"

NAME	SHARES	Percent Before Offering	Percent After Offering Minimum	Percent After Offering Maximum
EJ Partners Limited Partnership (1) 15548 95th Circle NE Elk River, Minnesota 55330	4,101,666	49.4%	41.9%	36.3%
The Jacqueline L. Palmer Trust (2) 15548 95th Circle NE Elk River, Minnesota 55330	1,000,000	12.0%	10.2%	8.8%
Solid Rock Church 11800 196th Avenue NW Elk River, Minnesota 55330	545,000	6.6%	5.6%	4.8%
Lawrence J. Matthews, Director	100,000	1.2%	1.0%	0.9%
William A. Fredell, V.P. (Imminent)	91,787	1.1%	0.9%	0.8%
Lawrence Garde, Director	62,500	0.7%	0.6%	0.5%
Edward G. Palmer, President (1), (2)	0	0.0%	0.0%	0.0%
Officers & Directors as a Group (3)	254,287	3.1%	2.6%	2.3%

(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.

OPTIONS

The following table sets forth certain information regarding ownership of the Company's Common Stock Options and/or Warrants as of June 30, 1994 by (i) each person who is of record owning more than five 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
Edward G. Palmer, President	—	—	0
Lawrence Garde, Director	12/31/96	20¢	47,500
Lawrence J. Matthews, Director	12/31/96	20¢	65,000
William A. Fredell, Vice President (Imminent)	12/31/98	30¢	250,000
Officers & Directors as a Group	—	—	362,500

-
- (1) Options or warrants exercisable for additional Common Stock until the date shown.
- (2) Mr. Palmer is not the beneficial owner of any options or warrants in the Company's stock.
- (3) Mr. Garde's shares are exercisable at 20¢ per share until December 31, 1996.
- (4) Mr. Matthew's shares are exercisable at 20¢ per share until December 31, 1996.
- (5) Mr. Fredell's shares are exercisable at 30¢ per share until December 31, 1998.
- (6) All other options or warrants are owned by other private investors in the Company's stock.

It is the Company's general policy to not grant any options at less than 100% of the fair market value of the stock on the date of the option grant.

DESCRIPTION OF CAPITAL STOCK

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

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.

Transfer Agent

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

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.

OFFERING PLAN

The Company is offering hereby an aggregate of 3,000,000 shares maximum and 1,500,000 shares minimum for sale to the public. The shares will be sold at \$.50 per share. Proceeds from subscriptions for shares in the form of cheques made payable to National City Bank, SolarAttic escrow account, by the subscriber initially will be deposited with the National City Bank in Minneapolis, Minnesota (the “Escrow Agent”) pursuant to an Escrow Agreement between the Company and the Escrow Agent. The Escrow Agent will hold such funds until (i) it has received a minimum of \$750,000 or (ii) the 365th day after the effective date of this offering, whichever is earlier. If condition (i) is not satisfied, the sale of shares hereunder will not be completed and the full amount paid by the subscribers will be refunded without interest or deduction. Until such time as the funds have been released to the Company, the purchasers, if any, will be deemed subscribers and not shareholders.

The shares will be offered and sold pursuant to a continuing offer over the period ending 365 days after the effective date of this Prospectus, by officers of the Issuer without special compensation.

The Company is conducting a self-underwritten offering of its stock on a best efforts basis without the benefit of Broker-Dealer Underwriters. The Company does not have any Underwriting agreements with any Securities company to underwrite and sell the Company’s stock. However, as compensation for services in connection with the sale of the Shares, the Company may agree to pay a Broker-Dealer a cash commission of up to 10% for shares sold pursuant to this offering. In addition, the Company may agree to pay a Broker-Dealer a non-accountable expense allowance of up to 3% of the aggregate price of the Shares sold in the offering.

Prior to this offering, there has been no public market for the Company’s Common Stock. Consequently, the initial public offering price has been determined by the Board of Directors of the Company and is not based on net worth or earnings. Among the factors considered in determining the initial public offering price were an assessment of the Company’s results of operations, an evaluation of the Company’s management, the future prospects of the Company and its industry in general, the Company’s intellectual property, and the prevailing conditions in the securities markets. There can be no assurance, however, that the price at which the Common Stock will sell in the public market after the offering will not be lower than the price the shares are purchased at herein. Also, there can be no assurance that the Shares can be resold after this offering.

SHARES ELIGIBLE FOR FUTURE SALE

On the date of this Prospectus, approximately 3,454,834 shares of Common Stock will be eligible for sale without restriction under Rule 144. A further quantity of restricted stock in the amount of 743,922 shares will become eligible for resale within two years under Rule 144. And an additional 4,101,666 controlling shares are eligible for resale with some restrictions that may relate to “control shares.” All of these shares can be sold in market transactions in Compliance with Rule 144. Rule 144, if available, provides that restricted securities which are held for a period of two years can be sold in brokerage transactions in an amount equal to 1% of the outstanding shares every three months or in amounts equal to the average weekly volume of trading in the Company’s outstanding Common Stock during the four week period preceding such sale as reported on certain special reporting systems. Persons who are not affiliates of the issuer and who have not been affiliated for a period of at least three months, may sell under Rule 144 any amount of restricted securities held at least three years. Sales under Rule 144, if available, may have a depressive effect on the price of the Common Stock in any trading markets that may develop for such stock.

SIGNIFICANT PARTIES

Directors & Officers

The full names and residential addresses for all directors and officers are shown in the table under “MANAGEMENT” on page 26.

Record Owners of 5% or More

The full names and addresses for all record owners of 5 percent or more of the Company’s stock are shown in the table under “PRINCIPAL SHAREHOLDERS” on page 31.

Affiliates & Beneficial Owners

EJ Partners Limited Partnership owns 4,101,666 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 4,101,666 shares of the common stock owned by the Partnership and is therefore a beneficial owner. See “MANAGEMENT” and “PRINCIPAL SHAREHOLDERS” for their addresses.

Legal Matters & Counsel To Issuer

The validity of the Shares offered hereby will be passed upon for the Company by Keller & Hannaford P.A., 1615 American National Bank, 101 East Fifth Street, St. Paul, Minnesota 55101. Keller & Hannaford P.A. is also the counsel to the issuer with respect to this offering.

Experts

The financial statements of the Company, as of December 31, 1993, included in this Prospectus and Registration Statement, have been so included in reliance upon the reports of McGladrey & Pullen, 1300 Midwest Plaza East, 800 Marquette Avenue, Minneapolis, Minnesota 55402, independent certified accountants, and given on the authority of that firm as experts in accounting and auditing.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets of **SolarAttic, Inc. (A Development Stage Company)** as of December 31, 1993 and 1992, 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 audit 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, 1993 and 1992, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 5 to the financial statements, the Company has suffered recurring losses from operations. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 5. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

McGladrey & Pullen

Minneapolis, Minnesota
January 10, 1994

SOLARATTIC, INC. (A Development Stage Company)**BALANCE SHEETS**

December 31,	1992	1993
ASSETS		
Current Assets		
Cash	\$ 598	\$ 7,908
Accounts receivable	—	391
Inventories	2,611	32,541
Total current assets	3,209	40,840
Furniture and Equipment		
Less accumulated depreciation	19,511	20,043
	15,416	17,669
Total furniture and equipment	4,095	2,374
Patent		
Less accumulated amortization 1992 \$1,879; 1993 \$8,321	59,321	52,879
	\$ 66,625	\$ 96,093
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of note payable to officer (Note 2)	\$ 1,780	\$ 2,128
Due to related party (Note 2)	5,505	4,475
Total current liabilities	7,285	6,603
Note Payable to Officer		
Less current maturities (Note 2)	31,921	29,793
Commitments and Contingencies (Note 4)		
Stockholders' Equity		
Common stock, no par value; authorized 100,000,000 shares; issued and outstanding 1992 10,943,521 and 1993 11,215,462 shares (Note 3)	203,340	281,672
Deficit accumulated during the development stage	(163,783)	(201,774)
	39,557	79,898
Less officer notes receivable (Note 2)	(12,138)	(20,201)
	27,419	59,697
	\$ 66,625	\$ 96,093

See Notes to Financial Statements.

SOLARATTIC, INC. (A Development Stage Company)
STATEMENTS OF OPERATIONS

	Years Ended December 31,		Period From
	1992	1993	August 11, 1986 (Date of Inception), to December 31, 1993
Revenues	\$ 33,625	\$ 49,375	\$ 112,681
Cost of Goods Sold	17,178	22,930	58,755
Gross profit	16,447	26,445	53,926
Operating Expenses	34,578	57,679	242,172
Operating loss	(18,131)	(31,234)	(188,246)
Interest Expense (Note 2)	6,771	6,757	13,528
Net loss	\$ (24,902)	\$ (37,991)	\$ (201,774)
Net Loss Per Common Share (Note 1)	\$ (.01)	\$ (.01)	\$ (.02)
Weighted Average Common Shares			
Outstanding (Note 1)	10,735,711	10,993,873	10,524,769

See Notes to Financial Statements.

SOLARATTIC, INC. (A Development Stage Company)
STATEMENTS OF STOCKHOLDERS' EQUITY

Period From August 11, 1986 (Date of Inception), to December 31, 1993

	Common Stock		Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
	Shares	Amount		
Balance at Inception				
Initial sale of common stock in August 1986	10,000,000	\$ 1	\$ -	\$ 1
Additional sale of common stock in 1986	50,000	5,000	-	5,000
Net loss 1986	-	-	(3,608)	(3,608)
Sale of common stock in 1987	249,000	44,600	-	44,600
Net loss 1987	-	-	(31,356)	(31,356)
Sale of common stock in 1988	180,000	36,000	-	36,000
Net loss 1988	-	-	(32,100)	(32,100)
Sale of common stock in 1989	80,000	16,000	-	16,000
Net loss 1989	-	-	(22,947)	(22,947)
Sale of common stock in 1990	32,500	6,500	-	6,500
Net loss 1990	-	-	(22,245)	(22,245)
Sale of common stock in 1991	73,674	14,735	-	14,735
Net loss 1991	-	-	(26,625)	(26,625)
Balance, December 31, 1991	10,665,174	122,836	(138,881)	(16,045)
Sale of common stock	40,000	9,000	-	9,000
Issuance of stock for patent	204,000	61,200	-	61,200
Issuance of stock for services	34,347	10,304	-	10,304
Net loss 1992	-	-	(24,902)	(24,902)
Balance, December 31, 1992	10,943,521	203,340	(163,783)	39,557
Sale of common stock	109,167	29,500	-	29,500
Issuance of stock for inventory	93,334	28,000	-	28,000
Issuance of stock for services	69,440	20,832	-	20,832
Net loss 1993	-	-	(37,991)	(37,991)
Balance, December 31, 1993	11,215,462	\$ 281,672	\$ (201,774)	\$ 79,898

See Notes to Financial Statements.

SOLARATTIC, INC. (A Development Stage Company)
STATEMENTS OF CASH FLOWS

	Years Ended December 31,		Period From
	1992	1993	August 11, 1986 (Date of Inception), to December 31, 1993
Cash Flows From Operating Activities			
Net loss	\$ (24,902)	\$ (37,991)	\$ (201,774)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	2,732	2,253	21,533
Amortization	1,879	6,442	8,321
Issuance of common stock for services	10,304	20,832	31,136
Change in assets and liabilities:			
Increase in accounts receivable	-	(391)	(391)
Decrease (increase) in inventory	5,973	(1,930)	(4,541)
Net cash used in operating activities	(4,014)	(10,785)	(145,716)
Cash Flows From Investing Activities			
Purchase of equipment	-	(532)	(24,241)
Proceeds from sale of equipment	-	-	334
Net cash used in investing activities	-	(532)	(23,907)
Cash Flows From Financing Activities			
Net proceeds from issuance of common stock	598	21,437	141,135
Proceeds from note payable to officer	-	-	35,630
Payments on note payable to officer	(1,491)	(1,780)	(3,709)
Proceeds (payments) on note payable to related party	2,055	(1,030)	4,475
Net cash provided by financing activities	1,162	18,627	177,531
Increase (decrease) in cash and cash equivalents	(2,852)	7,310	7,908
Cash and Cash Equivalents			
Beginning	3,450	598	-
Ending	\$ 598	\$ 7,908	\$ 7,908

SOLARATTIC, INC. (A Development Stage Company)
STATEMENTS OF CASH FLOWS (CONTINUED)

	<u>Years Ended December 31,</u>		Period From
	1992	1993	August 11, 1986 (Date of Inception), to December 31, 1993
Supplemental Disclosures of Cash Flow Information			
Cash payments for interest	\$ 6,771	\$ 6,757	\$ 13,528
Supplemental Schedule of Noncash Investing and Financing Activities			
Issuance of common stock for services	\$ 10,304	\$ 20,832	\$ 31,136
Issuance of common stock for patent	61,200	-	61,200
Issuance of common stock for inventory	-	28,000	28,000

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Principles

Nature of business:

SolarAttic, Inc. (Company) is a development stage Company manufacturing and selling heating units which use passive attic heat. Revenue is recognized upon shipment of the product.

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. Depreciation is provided on a straight-line basis over the estimated useful life of three to seven years.

Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method and is charged to expense based upon the estimated useful lives of the assets which range from five to seven years.

Patent:

The Company has obtained a patent in exchange for Company stock. The patent is being amortized using the straight-line method over the life of the patent (9.5 years).

Research and Development:

Research and development costs are charged to operations as incurred and totaled \$0 and \$3,000 for 1992 and 1993, respectively.

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.

Net operating loss carry forwards for income tax and financial reporting purposes of approximately \$200,000 expire in various amounts from 2001 through 2008. The Company has not recognized a benefit for the loss since no benefit will be available for these carry forwards until the Company generates taxable income.

The income tax basis is substantially the same for both financial statement purposes and income tax purposes.

Net loss per share attributable to common stock:

Net loss per share is computed based on the weighted average number of common shares outstanding during the period.

NOTES TO FINANCIAL STATEMENTS

Note 2. Related Party Transactions

Note payable to officer at December 31, 1992 and 1993, consists of the following:

	1992	1993
Unsecured note payable, due in monthly installments of \$642, including interest at 18%	\$33,701	\$31,921
Less current maturities	1,780	2,128
	\$31,921	\$29,793

Future maturities of this note are as follows:

1994	\$2,128
1995	2,544
1996	3,042
1997	3,637
1998	4,349
Thereafter	16,221
	\$31,921

Due to related party is due on demand and bears interest at a variable rate (currently 15.9 percent).

Interest expense for related parties was \$6,771 in 1992 and \$6,757 in 1993.

Amounts due from officers are non interest bearing and mature between December 31, 1996, and December 31, 1999. Due to the nature of these amounts and uncertainty of repayment, the officer notes receivable have been classified as a reduction of stockholders' equity.

The Company is renting office and warehouse facilities from an officer of the Company on a month-to-month basis. Rent expense was \$2,227 in 1992 and \$2,460 in 1993.

The Company has not paid or accrued any compensation expense to any officers or employees since the inception of the Company.

NOTES TO FINANCIAL STATEMENTS

Note 3. Stockholders' Equity

Stock warrants:

Stockholders are able to purchase additional stock with stock warrants attached to common stock issued. At December 31, 1993, there are 1,101,953 warrants exercisable at 20 cents per share expiring between December 31, 1996, and December 31, 1998.

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. No options have been granted as of December 31, 1993.

In 1991, 200,000 options were granted outside the stock option plan at an exercise price of 20 cents per share and expire on December 31, 1998. No options have been exercised to date.

Common shares issued as consideration:

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

Note 4. Insurance

The Company is self-insured for all business risks and does not have any stop loss insurance. The Company has not experienced any losses and is not aware of any potential losses.

Note 5. Ability to Continue as a Going Concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. While the Company has maintained operations for several years with minimal new capital in the past, significant additional funds will be necessary for the Company to pursue its growth strategies. Management will attempt to raise these funds through a public offering of the Company's stock. In the interim, the Company will rely on current working capital to fund operations. Ultimately, the Company will need to obtain future profitable operations. It is uncertain as to whether the Company will be able to achieve these objectives.

NOTES TO FINANCIAL STATEMENTS

Note 6. Employee and Officer Compensation

The Company's majority shareholder and sole officer is the only employee of the Company. The Company has not compensated this individual since the date of inception. The Company does plan to compensate this individual at the rate of \$60,000 per year upon a successful initial public offering which is planned for the latter part of 1994. The following pro forma information reflects the operations of the company as if the shareholder was compensated at this rate during 1992 and 1993:

	1992	1993
Net loss, as reported	(24,902)	(37,991)
Pro forma provision for compensation	<u>60,000</u>	<u>60,000</u>
Pro forma net loss	<u>(84,902)</u>	<u>(97,991)</u>

SolarAttic, Inc.
(A Development Stage Company)
Balance Sheets
(Unaudited)

JUNE 30,	1993	1994
ASSETS		
Current Assets		
Cash	\$ 4,639	\$ 5,222
Accounts receivable	75	—
Inventories	2,514	31,419
Total current assets	7,228	36,641
Furniture and Equipment	20,043	23,936
Less accumulated depreciation	16,501	18,566
Total furniture and equipment	3,542	5,370
Patent		
Less accumulated amortization 1993- \$5,100; 1994- \$11,542	56,100	49,658
	\$ 66,870	\$ 91,669
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of note payable to officer	\$ 1,946	\$ 2,327
Accounts payable	—	15,242
Due to related party	5,254	6,796
Total current liabilities	7,200	24,365
Note Payable to Officer		
Less current maturities	30,905	28,578
Stockholders' Equity (Notes 2, 3 and 4)		
Common stock, no par value; authorized 100,000,000 shares; Issued and outstanding 1993 10,976,021 and 1994 8,300,422 shares	209,840	307,160
Deficit accumulated during the development stage	(165,909)	(243,815)
	43,931	63,345
Less officer notes receivable	(15,166)	(24,619)
	28,765	38,726
	\$ 66,870	\$ 91,669

See Notes to Unaudited Statements

SolarAttic, Inc.
(A Development Stage Company)
Statements of Operations
(Unaudited)

	<u>Six Months Ended June 30,</u>		Period From
	<u>1993</u>	<u>1994</u>	August 11, 1986 (Date of Inception), to June 30, <u>1994</u>
Revenues	\$ 31,640	\$ 22,328	\$ 135,009
Cost of Goods Sold	15,491	10,830	69,585
Gross profit	16,149	11,498	65,424
Operating Expenses	14,819	49,553	291,725
Operating Income (loss)	1,330	(38,055)	(226,301)
Interest Expense	3,457	3,986	17,514
Net loss	\$ (2,127)	\$ (42,041)	\$ (243,815)
Net Loss Per Common Share	\$ (.00)	\$ (.00)	\$ (.02)
Weighted Average Common Shares Outstanding	10,965,358	11,240,921	10,569,871

See Notes to Unaudited Statements

SolarAttic, Inc.
(A Development Stage Company)
Statements of Stockholder Equity
(Unaudited)

Period From August 11, 1986 (Date of Inception), to June 30, 1994

	Common Stock		Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
	Shares	Amount		
Balance at Inception				
Initial sale of common stock in August 1986	10,000,000	\$ 1	\$ -	\$ 1
Additional sale of common stock in 1986	50,000	5,000	-	5,000
Net loss 1986	-	-	(3,608)	(3,608)
Sale of common stock in 1987	249,000	44,600	-	44,600
Net loss 1987	-	-	(31,356)	(31,356)
Sale of common stock in 1988	180,000	36,000	-	36,000
Net loss 1988	-	-	(32,100)	(32,100)
Sale of common stock in 1989	80,000	16,000	-	16,000
Net loss 1989	-	-	(22,947)	(22,947)
Sale of common stock in 1990	32,500	6,500	-	6,500
Net loss 1990	-	-	(22,245)	(22,245)
Sale of common stock in 1991	73,674	14,735	-	14,735
Net loss 1991	-	-	(26,625)	(26,625)
Balance, December 31, 1991	10,665,174	122,836	(138,881)	(16,045)
Sale of common stock	40,000	9,000	-	9,000
Issuance of stock for patent	204,000	61,200	-	61,200
Issuance of stock for services	34,347	10,304	-	10,304
Net loss 1992	-	-	(24,902)	(24,902)
Balance, December 31, 1992	10,943,521	203,340	(163,783)	39,557
Sale of common stock	109,167	29,500	-	29,500
Issuance of stock for inventory	93,334	28,000	-	28,000
Issuance of stock for services	69,440	20,832	-	20,832
Net loss 1993	-	-	(37,991)	(37,991)
Balance, December 31, 1993	11,215,462	\$ 281,672	\$ (201,774)	\$ 79,898
Sale of common stock	84,960	25,488	-	25,488
Cancellation of common stock (Note 4)	(3,000,000)	-	-	-
Net Loss	-	-	(42,041)	(42,041)
Balance, June 30, 1994	8,300,422	\$ 307,160	\$ (243,815)	\$ 63,345

See Notes to Unaudited Statements

SolarAttic, Inc.
(A Development Stage Company)
Statements of Cash Flows
(Unaudited)

	<u>Six Months Ended June 30,</u>		Period From
	<u>1993</u>	<u>1994</u>	August 11, 1986 (Date of Inception), to June 30, <u>1994</u>
Cash Flows From Operating Activities			
Net loss	\$ (2,127)	\$ (42,041)	\$ (243,815)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	1,085	897	22,430
Amortization	3,221	3,221	11,542
Issuance of common stock for services	-	-	31,136
Change in assets and liabilities:			
Increase in payables and accrued expenses	-	15,242	15,242
Decrease (increase) in inventory	97	1,513	(3,419)
Net cash provided by (used in) operating activities	2,276	(21,168)	(166,884)
Cash Flows From Investing Activities			
Purchase of equipment	(531)	(3,893)	(28,134)
Proceeds from sale of equipment	-	-	334
Net cash used in investing activities	(531)	(3,893)	(27,800)
Cash Flows From Financing Activities			
Net proceeds from issuance of common stock	6,500	25,488	166,623
Proceeds from note payable to officer	-	-	35,630
Payments on note payable to officer	(850)	(1,016)	(4,725)
Proceeds (payments) on note payable to related party	(3,354)	(2,097)	2,378
Net cash provided by financing activities	2,296	22,375	199,906
Increase (decrease) in cash and cash equivalents	4,041	(2,686)	5,222
Cash and Cash Equivalents			
Beginning	598	7,908	-
Ending	\$ 4,639	\$ 5,222	\$ 5,222
Supplemental Disclosures of Cash Flow Information			
Cash payments for interest	\$ 3,457	\$ 3,986	\$ 17,514

See Notes to Unaudited Statements

SolarAttic, Inc.
(A Development Stage Company)
Statements of Cash Flows (CONTINUED)
(Unaudited)

	<u>Six Months Ended June 30,</u>		Period From
	1993	1994	August 11, 1986 (Date of Inception), to June 30, 1994
Supplemental Schedule of Noncash Investing and Financing Activities			
Issuance of common stock for services	\$ -	\$ -	\$ 31,136
Issuance of common stock for patent	-	-	61,200
Issuance of common stock for inventory	-	-	28,000

NOTES TO UNAUDITED 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 elsewhere in this Prospectus. In the opinion of management, all necessary adjustments (consisting of normal recurring adjustments) have been included to present fairly the unaudited quarterly results when read in conjunction with the audited financial statements of the Company and notes thereto appearing elsewhere in this Prospectus. 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 elsewhere herein.

Note 2. Stock warrants

Stockholders are able to purchase additional stock with stock warrants attached to common stock issued. At June 30, 1994, there are 1,416,953 warrants exercisable. Of this total, 1,126,953 warrants are exercisable at 20¢ per share expiring between December 31, 1996 and December 31, 1998. The remaining 290,000 warrants are exercisable at 30¢ per share expiring December 31, 1998.

Note 3. Stock option plan

In 1994, an additional 250,000 options were granted outside the stock option plan at an exercisable price of 30¢ per share and expire on December 31, 1998. (This is part of the 290,000 stock warrants in Note 2.) See "Employee Stock Option Plan" under "COMPENSATION."

Note 4. Adjustment to common stock

On June 29, 1994, EJ Partners Limited Partnership gave as a gift 3,000,000 shares of common stock to the Company. See "CERTAIN TRANSACTIONS"

Note 5. Research and Development

Research and development costs are charged to operations as incurred and totaled \$0 and \$5,716 for the six month periods ending June 30, 1993 and 1994, respectively. The increased spending in 1994 reflects the development work with the University of Minnesota.

Note 6. Employee and Officer Compensation

The following pro forma information reflects the operations of the company as if Mr. Palmer was compensated at an anticipated future salary rate of 60,000 per year during the six month periods ending June 30, 1993 and 1994:

	<u>Six Months Ending June 30,</u>	
	<u>1993</u>	<u>1994</u>
Net loss, as reported	(2,127)	(42,041)
Pro forma provision for compensation	<u>30,000</u>	<u>30,000</u>
Pro forma net loss	<u>(32,127)</u>	<u>(72,041)</u>

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.

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Until the first anniversary after the effective date of this Prospectus, all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

SolarAttic

1,500,000 Shares Minimum
3,000,000 Shares Maximum

COMMON STOCK

PROSPECTUS

September 7, 1994

SolarAttic, Inc.
15548 95th Circle NE
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(612) 441-3440
