WATERSIDE CAPITAL CORP
Form 10-K
April 12, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 811-8387

WATERSIDE CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

VIRGINIA	**54-1694665**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

140 West 31st Street, 2nd Floor

New York, New York 10001

Registrant's telephone number, including area code: **212-686-1515**

Securities registered under Section 12 (b) of the Exchange Act:

Title of Each Class: NONE Name of each exchange on which registered: NONE

Securities registered pursuant to section 12(g) of the Act:

None

Title of Class

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in rule 405 of the Securities Act. YES [ ] NO [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. YES [ ] NO [X]

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES [ ] NO [X]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (ss. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES [ ] NO [X]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss. 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. YES [ ] NO [X]

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting

company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [ ]

Non-accelerated filer [ ] Smaller Reporting Company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES [X] NO [ ]

The aggregate market value of the registrant's voting stock held by non-affiliates, computed on the basis of the closing price of the registrant's common stock on the OTC Pink on April 11, 2018, was approximately $38,311 (1,915,548 shares at $0.02 per share).

As of April 12, 2018, there were 1,915,548 shares of the registrant's common stock, $1.00 par value per share, outstanding.

OTHER INFORMATION

As used in this Annual Report on Form 10-K, the terms “we”, “us”, “our”, “Waterside” and the “Company” refer to Waterside Capital Corporation, a Virginia corporation, unless otherwise stated. “SEC” refers to the Securities and Exchange Commission.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information, this Annual Report contains forward-looking statements within the meaning of the federal securities laws. Such forward-looking statements are based on management's current expectations, assumptions, and beliefs concerning future developments and their potential effect on our business, and are subject to risks and uncertainties that could negatively affect our business, operating results, financial condition, and stock price. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should," "will," "would", "if, " likely result, "projects", "goal", "objective", or "continues", or the negative of these terms or other comparable terminology, although the absence of these words does not necessarily mean that a statement is not forward-looking. Additionally, statements concerning future matters such as our business strategy, development of new products, sales levels, expense levels, cash flows, future commercial and financing matters, future partnering opportunities and other statements regarding matters that are not historical are forward-looking statements.

Although the forward-looking statements in this Annual Report reflect our good faith judgment, based on currently available information, they involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in the section titled "Risk Factors." Moreover, we operate in a very competitive and rapidly-changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Annual Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report to conform these statements to actual results or to changes in our expectations. You should, however, review the factors and risks we describe in the reports we will file from time to time with the SEC after the date we file this Annual Report. Readers are urged to carefully review and consider the various disclosures made in this Annual Report.

CERTAIN REFERENCES AND NAMES OF OTHERS USED HEREIN

This Annual Report may contain additional trade names, trademarks, and service marks of others, which are the property of their respective owners. We do not intend our use or display of other companies' trade names, trademarks,

or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

PART I

ITEM 1. BUSINESS

Organizational History

Waterside Capital Corporation (the "Company") was incorporated in the Commonwealth of Virginia on July 13, 1993 and was a closed-end investment company licensed by the Small Business Administration (the "SBA") as a Small Business Investment Corporation ("SBIC"). The Company previously made equity investments in, and provided loans to, small businesses to finance their growth, expansion, and development. Under applicable SBA regulations, the Company was restricted to investing only in qualified small businesses as contemplated by the Small Business Investment Act of 1958. As a registered investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act"), the Company's investment objective was to provide its shareholders with a high level of income, with capital appreciation as a secondary objective. The Company made its first investment in a small business in October 1996.

On March 30, 2010, the SBA notified the Company that its account had been transferred to liquidation status and that the outstanding debentures of $16.1 million plus accrued interest (the "Debentures") were due and payable within fifteen days of the date of the letter. The Company did not possess adequate liquid assets to make this payment. The Company negotiated terms of a settlement agreement with the SBA effective September 1, 2010, which allowed the Company's management to liquidate the portfolio so long as there are no events of default. The Debentures were repurchased by the SBA in September 2010, represented by a Note Agreement between the SBA and the Company. The Note Agreement had a maturity of March 31, 2013. In the event of a default, the SBA had the ability to seek receivership.

On May 24, 2012 the SBA delivered to the Company a notice of an event of default for failure to meet the principal repayment schedule under the Note Agreement (the "Notice"). Under the terms of the Notice and the Note Agreement the SBA maintained a continuing right to terminate the Note Agreement and appoint a receiver to manage the Company's assets.

On November 20, 2013 the SBA filed a complaint in the United States District Court for the Eastern District of Virginia seeking, among other things, receivership for the Company and a judgment in the amount outstanding under the Note Agreement plus continuing interest. The complaint alleged that as of October 31, 2013 there remained an outstanding balance of $11,762,634.58 under the Note Agreement, including interest, which continued to accrue at the rate of $2,021.93 per day. The SBA, in filing the complaint, requested that the court take exclusive jurisdiction of the Company and all of its assets wherever located and appoint the SBA as permanent receiver of the Company for the

purpose of liquidating all of the Company's assets and satisfying the claims of its creditors in the order of priority as determined by the court.

The Company initially took steps to contest the legal action initiated by the SBA and to oppose the receivership action. On April 29, 2014 the Board of Directors of the Company, as then constituted (the "Board"), met to reconsider the decision to contest the SBA's legal action. In light of developments occurring since December of 2013, including projections of its portfolio companies and discussions with the SBA, the Board determined, after consultation with and advice of its counsel, that it was not in the best interests of the Company and its shareholders to continue to contest the legal action. The SBA was informed of this determination. The Board also decided to consent to the receivership process.

On May 28, 2014, with the Company's consent, the court having jurisdiction over the action filed by the SBA (the "Court") entered a Consent Order and Judgment Dismissing Counterclaim, Appointing Receiver, Granting Permanent Injunctive Relief and Granting Money Judgment (the "Order"). The Order appointed the SBA receiver of the Company for the purpose of marshaling and liquidating in an orderly manner all of the Company's assets and entered judgment in favor of the United States of America, on behalf of the SBA, against the Company in the amount of $11,770,722.31. Such amount represents $11,700,000 in principal and $70,722.31 in accrued interest. The Court assumed jurisdiction over the Company and the SBA was appointed receiver effective May 28, 2014.

Receivership

The Company effectively stopped conducting an active business upon the appointment of the SBA as receiver and the commencement of the court ordered receivership (the "Receivership"). Over the course of the Receivership the activity of the Company was limited to the liquidation of the Company's assets by the receiver and the payment of the proceeds therefrom to the SBA and for the expenses of the Receivership.

The SBIC license granted to the Company by the SBA was revoked by the SBA effective March 20, 2017, in conjunction with the entry by the court of the Order Approving the Procedures for Winding Up and Terminating the Receivership Estate. On June 28, 2017 the Receivership was terminated with the entry of a Final Order by the Court (the "Final Order"). The Final Order specifically stated that "Control of Waterside shall be unconditionally transferred and returned to its shareholders c/o Roran Capital, LLC ("Roran") upon notification of entry of this Order". At that time the Company had, and continues to have, effectively zero (0) assets, and a liability owed to the SBA in an amount exceeding $10,000,000.

Termination of Receivership

Upon termination of the Receivership, Roran took possession of all books and records made available to it by the SBA, and Roran expended, and has continued to expend, its own funds to maintain the viability of the Company. The termination of the Receivership also caused a new board of directors to be appointed (the "New Board"). The New Board considered a variety of options for the Company, including bankruptcy. The New Board determined that such action made scant sense as the Receivership had the same basic result as bankruptcy. Another option was to merely liquidate and legally dissolve the Company, which would result in the complete loss of investment by all shareholders. Roran provided assurances that it would fund reasonable expenses of the Company so long as progress was being made to reorganize the Company and to identify either (i) a new business to undertake; or, (ii) an existing business with which to merge or otherwise acquire. The New Board has continued to work toward achieving that goal. With no assets and no SBIC license from the SBA, no income, and liabilities in excess of $10,000,000, the New Board concluded that continuing to operate as a registered investment company was impossible.

Since the entry of the Final Order (June 28, 2017) and the termination of the Receivership the Company has been maintained for the benefit of its shareholders and pursuant to the Final Order. The Company has no assets of any value, and the Company no longer has the SBIC license from the SBA. The Company is no longer operating as a registered investment company under the Investment Company Act. While it would have been easy for the Company to merely dissolve, the Company has instead decided to reconstitute itself as a viable business. The Company has engaged, and intends to continue to engage, qualified professionals and personnel in order to bring the Company current in its SEC filings and audits. Roran paid for the Company to file all delinquent SEC filings as a registered investment company. The Company believes that as of June 28, 2017 it ceased to be a registered investment company

under the Investment Company Act so it did not file as a registered investment company for the period ended June 30, 2017. Instead, the Company is filing this Form 10-K for that period. Prior to the filing of this 10-K, the Company filed with the SEC an Application pursuant to Section 8(f) of the Investment Company Act for an order declaring that the Company has ceased to be a registered investment company.

The current status of the Company is consistent with the Company's pronounced intention of converting from a registered investment company to an operating company. Although the Company may historically have operated as a registered investment company, the result of the Receivership is that the Company can no longer operate as a registered investment company. The only chance for the shareholders of the Company to recognize any value from their investment in the Company is to allow the Company to change the nature of its business such that it should no longer be a registered investment company under the Investment Company Act.

Current Business Strategy and Operations

The Company will now seek to either (i) enter into a new business; or, (ii) merge with, or otherwise acquire, an active business which would benefit from operating as a public entity. The New Board has undertaken a search to identify the best possible candidate(s) in order to provide value to the shareholders of the Company. The Company believes that it no longer qualifies as an "investment company" within the meaning of the Investment Company Act, and has engaged in a strategy to convert from a registered investment company to an operating company. The Company will file to register under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), thereby becoming a mandatory filer under the Exchange Act. It will continue to list its common stock on the Pink OTC Markets for the benefit of its shareholders. As a result of these efforts, the Company is and holds itself out as being engaged primarily in the business of seeking either (i) a new business to enter into; or, (ii) merger or acquisition candidates which would benefit from being public.

Our Business

We are a shell company as that term is defined under federal securities laws. Our business plan is to seek (i) a new business to enter into; or, (ii) acquire assets or shares of an entity actively engaged in business that generates revenues in exchange for our securities. We will not restrict our search to any specific business, industry, or geographical location and we may participate in a business venture of virtually any kind or nature. This discussion of our new business is purposefully general and is not meant to be restrictive of our virtually unlimited discretion to search for and enter potential business opportunities. Management anticipates that it may be able to participate in only one potential business venture because we have nominal assets and limited financial resources. This lack of diversification should be considered a substantial risk to our shareholders because it will not permit us to offset potential losses from one venture against gains from another.

Plan of Operations

We currently plan to investigate and, if such investigation warrants, either (i) enter into a new business; or, (ii) acquire assets or shares of an entity actively engaged in business and which is seeking the perceived advantages of being a publicly held corporation. Our principal business objective for the next 12-months and beyond will be to achieve long-term growth potential through either entry into a new business or a combination with an existing business, rather than immediate, short-term earnings. We will not restrict our search for potential candidate target companies to any specific business, industry or geographical location and, thus, may acquire, or enter into, any type of business.

The analysis of new business opportunities will be undertaken by or under the supervision of the New Board. We have not had any material conversations with potential merger or acquisition targets nor have we entered into any definitive agreement with any party. In our efforts to analyze and evaluate a prospective target business, we will consider several factors, including, without limitation, the following:

- experience and skill of management and availability of additional personnel of the target business;
- costs associated with effecting the business combination;
- equity interest retained by our shareholders in the merged entity;
- growth potential of the target business;
- capital requirements of the target business;
- capital available to the target business;
- stage of development of the target business;
- proprietary features and degree of intellectual property or other protection of the target business;
- the financial statements of the target business; and
- the regulatory environment in which the target business operates.

The foregoing criteria are not intended to be exhaustive and any evaluation relating to the merits of a particular target business will be based, to the extent relevant, on the above factors, as well as other considerations we deem relevant. In connection with our evaluation of a prospective target business, we anticipate that we will conduct a due diligence review which will encompass, among other things, meeting with incumbent management as well as a review of financial, legal and other information.

The time and costs required to select and evaluate a target business (including conducting a due diligence review) and to structure and consummate the business combination (including negotiating and documenting relevant agreements and preparing requisite documents for filing pursuant to applicable corporate and securities laws) cannot be determined at this time. Our sole officer and director intends to devote only a very small portion of his time to our affairs, and, accordingly, the consummation of a business combination may require a longer time than if he devoted his full time to our affairs. However, he will devote such time as he deems reasonably necessary to carry out our business and affairs. The amount of time devoted to our business and affairs may vary significantly depending upon, among other things, whether we have identified a target business or are engaged in active negotiation of a business combination.

We anticipate that various prospective target businesses will be brought to our attention from various sources, including securities broker-dealers, investment bankers, venture capitalists, bankers and other members of the financial community, including, possibly, Roran.

Various impediments to a business combination or an entry into a new business may arise, such as appraisal rights afforded the shareholders of a target business under the laws of its state of organization. This may prove to be deterrent to a particular combination.

The way we participate in an opportunity will depend upon the nature of the opportunity, our respective needs and desires as well as those of the promoters of the opportunity, and the relative negotiating strength of ourselves and such promoters.

It is likely that we will acquire our participation in a business opportunity through the issuance of common stock or other securities. Although the terms of any such transaction cannot be predicted, it should be noted that in certain circumstances the criteria for determining whether or not an acquisition is a so-called “tax free” reorganization under Section 368(a)(1) of the Internal Revenue Code of 1986, as amended (the “Code”), depends upon the issuance to the shareholders of the acquired company of at least 80% of the common stock of the combined entities immediately following the reorganization. If a transaction were structured to take advantage of these provisions rather than other “tax free” provisions provided under the Code, all prior shareholders would in such circumstances retain 20% or less of the total issued and outstanding shares. Under other circumstances, depending upon the relative negotiating strength of the parties, prior shareholders may retain substantially less than 10% of the total issued and outstanding shares. This could result in substantial additional dilution to the equity of those who were our shareholders prior to such reorganization.

Our present shareholders will likely not have control of a majority of our voting shares following a reorganization transaction. As part of such a transaction, our current director may resign and new directors may be appointed without any vote by shareholders.

In the case of an acquisition, the transaction may be accomplished upon the sole determination of our management without any vote or approval by shareholders. In the case of a statutory merger or consolidation directly involving our Company, it will likely be necessary to call a shareholders’ meeting and obtain the approval of the holders of a majority of the outstanding shares. The necessity to obtain such stockholder approval may result in delay and additional expense in the consummation of any proposed transaction and will also give rise to certain appraisal rights to dissenting shareholders. Most likely, management will seek to structure any such transaction so as not to require stockholder approval, if possible.

It is anticipated that the investigation of specific business opportunities and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention and substantial cost for accountants, attorneys and others. If a decision is made not to participate in a specific business opportunity, the costs theretofore incurred in the related investigation would not be recoverable. Furthermore, even if an agreement is reached for the participation in a specific business opportunity, the failure to consummate that transaction may result in our loss of the related costs incurred.

During the year ended June 30, 2017, and the interim fiscal quarters since that time, we have essentially been dormant. We do not currently engage in any business activities that provide us with positive cash flows. As such, the costs of investigating and analyzing business combinations for the next 12-months and beyond will be paid with funds raised through other sources, which may not be available on favorable terms, if at all. The Company, at this time, does not intend to obtain funds in one or more private placements to finance the operation of any acquired business opportunity until such time as the Company has successfully consummated such a merger or acquisition or entered into a new business. Rather, the Company intends to borrow money from Roran to finance ongoing operations.

Government Regulations

Since the Company intends to no longer operate as a registered investment company though remain as a public company, it will be subject to the reporting requirements of the Exchange Act, which includes the preparation and filing of periodic, quarterly and annual reports on Forms 8-K, 10-Q and 10-K. The Exchange Act specifically requires that any merger or acquisition candidate comply with all applicable reporting requirements, which include providing audited financial statements to be included within the numerous filings relevant to complying with the Exchange Act.

The Company's common stock is a "penny stock," as defined in Rule 3a51-1 under the Exchange Act. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its sales person in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that the broker-dealer, not otherwise exempt from such rules, must make a special written determination that the penny stock is suitable for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure rules have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. So long as the Company's common stock is subject to the penny stock rules, it may be more difficult to sell our common stock.

Patents, Trademarks, Franchises, Royalty Agreements or Labor Contracts

We have no current plans for any registrations such as patents, trademarks, copyrights, franchises, concessions, royalty agreements or labor contracts. We will assess the need for any copyright, trademark or patent applications on an ongoing basis.

Need for Government Approval of Products or Services

We are not required to apply for or have any government approval for our products or services.

Research and Development Costs During the Last Two Years

We have not expended funds for research and development costs since inception.

Competition

The Company will remain an insignificant participant among the firms which engage in the acquisition of business opportunities. There are many established venture capital and financial concerns which have significantly greater financial and personnel resources and technical expertise than the Company. In view of the Company's extremely

limited financial resources and limited management availability, the Company will continue to be at a significant competitive disadvantage compared to the Company's competitors.

Employees

The Company currently has no employees. The business of the Company will be managed by its sole officer and director and such officer and director may join the Company as an employee in the future. The Company does not anticipate a need to engage any full-time employees at this time.

Available Information

The Company expects to file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, proxy statements and other information with the SEC. Any materials filed by the Company with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the SEC's Public Reference Room is available by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains annual, quarterly and current reports, proxy statements and other information that issuers (including the Company) file electronically with the SEC. The Internet address of the SEC's website is *http://www.sec.gov*. At some point in the near future we intend to make our reports, amendments thereto, and other information available, free of charge, on a website for the Company. At this time, the Company does not maintain a website and there is no estimate for when such a website will be maintained by the Company. Our corporate offices are located at 140 West 31st Street, Second Floor, New York, New York, 10001. Our telephone number is 212-686-1515.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below together with the other information set forth in this report, which could materially affect our business, financial condition, and future results. The risks described below are not the only risks facing our Company. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and operating results.

Risks Related to Our Business

We have no recent operating history or basis for evaluating prospects.

We currently have no operating business or immediate plans to develop one. We are seeking to enter into a merger or business combination with another operating company, or to enter into a new business. To date, our efforts have been limited to meeting our regulatory filing requirements and searching for a business target.

We have limited resources and no revenues from operations, and will need additional financing in order to execute any business plan.

We have limited resources, no revenues from operations to date and our cash on hand will not be sufficient to satisfy our cash requirements during the next twelve months. In addition, we will not achieve any revenues (other than insignificant investment income) until, at the earliest, the consummation of a merger or similar business combination and we cannot ascertain our capital requirements until such time. There can be no assurance that determinations ultimately made by us will permit us to achieve our business objectives.

Our business will have no revenues unless and until we merge with or acquire or start an operating business.

We are an early stage company and have had no revenues from operations. We may not realize any revenues unless and until we successfully merge with or acquire an operating business or start our own operations.

Since the Company has no assets and no present source of revenues, we are dependent upon the financial support of Roran.

At present, our business activities are limited to seeking potential business opportunities. Due to our limited financial and personnel resources, there is only a limited basis upon which to evaluate our prospects for achieving our intended business objectives. We have no assets and have no operating income, revenues or cash flow from operations. Roran is providing us with funding, on an as needed basis, under a loan arrangement, with amounts advanced limited to enabling us to continue our corporate existence and our business objective to seek new business opportunities, as well as funding the costs, including professional accounting and legal fees, of registering our securities under the Exchange Act and continuing to be a reporting company under the Exchange Act. The amount to be loaned by Roran in the interim financing arrangement is limited to $150,000.

We will be able to effect at most one merger or similar business combination, or enter into just one new business, and thus may not have a diversified business.

Our resources are limited and we will most likely have the ability to effect only a single merger or similar business combination, or enter into a single new business. This probable lack of diversification will subject us to numerous economic, competitive and regulatory developments, any or all of which may have a material adverse impact upon the particular industry in which we may operate subsequent to the consummation of a merger. We will become dependent upon the development or market acceptance of a single or limited number of products, processes or services.

We depend substantially upon our chief executive officer to make all management decisions.

Our ability to effect a merger or similar business combination or enter into a new business will be dependent upon the efforts of our sole director and officer, Zindel Zelmanovitch. Notwithstanding the importance of Mr. Zelmanovitch, we have not entered into any employment agreement or other understanding with Mr. Zelmanovitch concerning compensation or obtained any “key man” life insurance on any of his life. The loss of the services of Mr. Zelmanovitch will have a material adverse effect on achieving our business objectives and success. We will rely upon the expertise of Mr. Zelmanovitch and do not anticipate that we will hire additional personnel.

There is competition for those private companies suitable for a business combination of the type contemplated by management.

We are in a highly competitive market for a small number of business opportunities which could reduce the likelihood of consummating a successful business combination. We are and will continue to be an insignificant participant in the business of seeking mergers with, joint ventures with and acquisitions of small private and public entities. A large number of established and well-financed entities, including small public companies and venture capital firms, are active in mergers and acquisitions of companies that may be desirable target candidates for us. Nearly all these entities have significantly greater financial resources, technical expertise and managerial capabilities than we do; consequently, we will be at a competitive disadvantage in identifying possible business opportunities and successfully completing a business combination. These competitive factors may reduce the likelihood of our identifying and consummating a successful business combination.

Future success is highly dependent on the ability of management to locate and attract a suitable target business opportunity.

The nature of our operations is highly speculative. The success of our plan of operation will depend to a great extent on the operations, financial condition and management of the identified business opportunity. While management intends to seek business combination(s) with entities having established operating histories, we cannot assure you that we will be successful in locating candidates meeting that criterion. In the event we complete a business combination, the success of our operations may be dependent upon management of the successor firm or venture partner firm and numerous other factors beyond our control.

We have no agreement for a business combination or other transaction.

We have no definitive agreement with respect to engaging in a merger with, joint venture with or acquisition of, a private or public entity, or to enter into a new business. No assurances can be given that we will successfully identify and evaluate suitable business opportunities or that we will conclude a business combination. We cannot guarantee that we will be able to negotiate a business combination on favorable terms, and there is consequently a risk that funds allocated to the purchase of our shares will not be invested in a company with active business operations.

Management will change upon the consummation of a business combination.

After the closing of a merger or business combination, it is likely our current management will not retain any control or managerial responsibilities. Upon such event, Mr. Zelmanovitch intends to resign from his positions with us.

Current shareholders will be immediately and substantially diluted upon a merger or business combination.

Our Articles of Incorporation authorized the issuance of (i) twenty five thousand (25,000) shares of preferred stock, with a par value of $1.00 per share, of which none are issued; and, (ii) ten million (10,000,000) shares of common stock, with a par value of $1.00 per share, of which a total of 1,915,548 shares have been issued. To the extent that additional shares of common stock are authorized and issued in connection with a merger or business combination, our shareholders could experience significant dilution of their respective ownership interests. Furthermore, the issuance of a substantial number of shares of common stock may adversely affect prevailing market prices, if any, for the common stock and could impair our ability to raise additional capital through the sale of equity securities.

There are relatively low barriers to becoming a blank check company or shell company, thereby increasing the competition for a small number of business opportunities.

There are relatively low barriers to becoming a blank check or shell company. A newly incorporated company with a single stockholder and sole officer and director may become a blank check company or shell company by voluntarily subjecting itself to the SEC reporting requirements by filing and seeking effectiveness of a Form 10, thereby registering its common stock pursuant to Section 12(g) of the Securities and Exchange Act of 1934 with the SEC. Assuming no comments to the Form 10 have been received from the SEC, that registration statement is automatically deemed effective 60 days after filing the Form 10 with the SEC. The relative ease and low cost with which a