AQUA AMERICA INC
Form 4
April 04, 2017

# FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL
OMB Number: 3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
DEBENEDICTIS NICHOLAS
(Last) (First) (Middle)
762 W LANCASTER AVE.
(Street)
BRYN MAWR, PA 19010
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
AQUA AMERICA INC [WTR]

3. Date of Earliest Transaction (Month/Day/Year)
03/15/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 03/15/2017 | | G | V | 794 | D | $ 31.52 | 46,254.79 | D | |
| Common Stock | 03/31/2017 | | A | | 583 | A | $ 32.145 | 46,837.79 | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| DEBENEDICTIS NICHOLAS<br>762 W LANCASTER AVE.<br>BRYN MAWR, PA 19010 | X | | | |

# Signatures

| | |
|---|---|
| /s/ Brian Dingerdissen, attorney-in-fact for Mr. DeBenedictis | 04/03/2017 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. gnatures

| | |
|---|---|
| By: Lisa Bertolet as attorney in fact For: Harry W. Kellogg | 12/04/2009 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** Shares of a performance based restricted stock unit fully vested.

**(2)** The reporting person surrendered company stock to pay for taxes associated with the vesting of a previously reported restricted stock unit.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. T, THE STOCK PRICE MAY NOT INITIALLY, NOR OVER TIME, REFLECT OUR TRUE VALUE. The market price of our common stock may not accurately reflect the future value of our stock in any market. Our stock price may fluctuate significantly. We do not know what the value of our common shares will be in

the future. EDWARD ALEXANDER OWNS 73.4% OF OUR COMMON STOCK AND HE CONTROL US. Mr. Alexander is our CEO and President. Mr. Alexander has the ability to control substantially all matters submitted to our stockholders for approval, including the election and removal of directors and any merger, consolidation, takeover or other business combination involving us, and to control our management and affairs. This may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control in an acquisition or takeover. OUR OFFICERS AND DIRECTORS HAVE LIMITED LIABILITY AND HAVE INDEMNITY RIGHTS. The State of Washington law, our Article of Incorporation and our By-Laws provide that we may indemnify our officers and directors against losses or liabilities which arise in their corporate capacity. The effect of these provisions could be to dissuade lawsuits against our officers and directors. INFORMATION REGARDING FORWARD-LOOKING STATEMENTS Some of the statements contained in this prospectus, including, without limitation, statements containing the words "believes," "anticipates," "expects," and other words of similar import, are "forward-looking statements." Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements expressed or implied by forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on forward-looking statements. In addition to the forward-looking statements contained in this prospectus, the following forward-looking factors could cause our future results to differ materially from our forward-looking statements: market acceptance of our products and our functional water technology, competition, funding and government compliance. USE OF PROCEEDS We will not receive any proceeds from the sale of the common stock by the Selling Stockholders. We will pay for the cost of registering the shares of common stock in this offering. 11 DESCRIPTION OF BUSINESS INTRODUCTION Our only asset prior to the November 2002 acquisition of Proton was a license from a company named Vitamineralherb.com to market vitamins, minerals, nutritional supplements and other health and fitness products in the Province of British Columbia, Canada, through the licensor's Web site www.vitamineralherb.com. We will continue to attempt to establish a business presence in this market which consists of medical practitioners, alternative health professionals, martial arts studios and instructors, sports and fitness trainers, other health and fitness practitioners, school and other fund raising programs and other similar types of customers. The license was acquired in March 2000 for a term of three years with renewal rights. The annual license fee was $500 for maintenance of the licensor's Web site. The licensor retains 50% of the profits. The license was written off to operations in fiscal 2000. We have not attempted to renew the license yet. The Web site of Vitamineralherb.com, www.vitamineralherb.com, has recently established an active e-business Web site. In June 2002, Michael Kirsh ("Kirsh"), our former majority stockholder entered into a Stock Purchase Agreement with Mr. Alexander pursuant to which Mr. Alexander acquired 7,500,000 shares owned by Kirsh. In addition, Mr. Alexander acquired 1,250,000 shares owned by a former minority stockholder, Brian Gruson ("Gruson"). The total consideration paid by Mr. Alexander for the shares was $170,000. Mr. Alexander borrowed money from the following individuals to purchase the shares from Messrs. Kirsh and Gruson: Lender Name Amount Borrowed By Mr. Alexander --------------------------------------------------- Thomas Dizon $40,000 A. J. Moraes $40,000 Jean Wang $90,000 Each of these loans accrues interest at 7% per annum, and the maturity date was extended to December 31, 2003. Mr. Alexander has not paid off any of these loans. The current aggregate balance due on these loans is $181,900. These loans are personal obligations of Mr. Alexander, and we are not responsible for repaying these loans. In November 2002, we entered into an Agreement and Plan of Reorganization whereby Proton Laboratories, LLC, a California limited liability company ("Proton") merged with and into VWO I Inc., our wholly owned subsidiary (the "Merger"). As a result of the Merger, Proton's sole owner, Edward Alexander, exchanged 100% of his ownership of Proton for 8,750,000 shares of our common stock, and we cancelled the similar amount of 8,750,000 shares of our common stock that Mr. Alexander had purchased from Michael Kirsh and Brian Gruson in June 2002 (in August 2003, Mr. Alexander, in a personal transaction, paid off a personal debt of his by making an in-kind payment of 486,000 of his shares of Bentley to his creditors). 12 VWO I Inc. changed its name to Proton Laboratories, Inc. as part of the Merger. Proton itself was incorporated in February 2000 in the State of California. Proton did not begin operations until January 2001 when Mr. Alexander contributed inventory and property and equipment to Proton. Prior to the Merger, Mr. Alexander entered into a Stock Purchase Agreement with Messrs. Kirsh and Gruson. Under the Stock Purchase Agreement, Mr. Alexander purchased 8,750,000 shares of common stock of Bentley from Kirsh and Gruson for $170,000. The 8,750,000 shares Mr. Alexander acquired pursuant to the Stock Purchase Agreement were canceled as part of the Merger. Mr. Gruson is no longer a stockholder. Mr. Kirsh owns 12,500 shares of our common stock as of the date of this prospectus. The Merger was accounted for as the reorganization of Proton and the acquisition of Bentley's assets for $170,000 using the purchase method of accounting. There were no material assets or liabilities of Bentley at the time of the Merger. The $170,000 paid by Mr. Alexander pursuant to the Stock Purchase Agreement has been reflected as a loss on the acquisition of Bentley in the accompanying financial statements (See page 16 and page F-1). For financial statement purposes Proton is considered the parent corporation but maintains Bentley as its business name. Proton was the accounting acquiror, and Bentley was the legal acquiror. The consideration exchanged pursuant to the Merger was the result of arms length negotiations between us and Proton. However, no appraisal was done. In evaluating Proton as a candidate for the proposed Merger, we used criteria such as the value of the assets of Proton, Proton's current business operations and anticipated operations, and Proton's business name and reputation. We determined that the consideration for the Merger was reasonable. Our executive offices are located at: BentleyCapitalCorp.com Inc., 1150 Marina Village Parkway, Suite 103, Alameda, California 94501, tel. (510) 865-6412, fax: (510) 865-9385. Our Web site is www.protonlabs.com. OUR BUSINESS--THE BACKGROUND OF FUNCTIONAL WATER We intend to continue the business of Proton, which includes marketing residential and commercial "functional water systems." "Functional water" is water that has been processed through an electrolytic ion separation process or electrolysis process and has a wide array of functional properties due to its unique characteristics. Proton's functional water systems restructure tap water into one type of water that is alkaline in concentration and one type of water that is acidic in concentration. We believe that the functional water systems that we market will have applications in a large variety of industries, such as agriculture, organic agriculture, food processing, medicine and dentistry, heavy industry, mining, environmental clean-up and beverages. We also intend to continue the vitamin distribution business through our Vitamineralherb.com license. We believe that vitamins and functional water are complementary products that might be marketed or used in conjunction with each another. We are an exclusive importer and master distributor of the functional water systems that are manufactured by Matsushita Electric Corporation of America. We utilize functional water intellectual property under licensing agreements. We supply consumer products related to 13 functional water. We consult on projects utilizing functional water. We facilitate knowledge between the manufacturer and industry, and we act as educators about the benefits of functional water. We are a provider of systems that produce functional water (also called "electrolyzed water" or "functional electrolyzed water"). Functional water is water that has been restructured through the process of electrolysis. Electrolysis forces a separation to occur in the electrolytes that are present in the water molecules. Through the process of creating functional water, regular tap water can be restructured into two separate types of water. For instance, tap water can be restructured into one type of water that is alkaline in concentration and one type of water that is acidic in concentration. We believe that water with these unique properties is desirable for a number of reasons. Water with smaller clusters of molecules has a lower surface tension. With a lower surface tension, water may have improved hydrating, permeating and solubility properties. Collectively, these properties may enhance the overall functional effectiveness of water. The separation of the alkaline and acidic properties found in water provides the water with functional abilities. For example, functional acidic water has disinfecting abilities to meet a wide array of disinfecting requirements in food processing procedures, and functional alkaline water makes an excellent drinking water due to improved hydration. Functional water may have applications in a variety of industries, including agriculture, organic agriculture, food processing, medicine and dentistry, dermatology, heavy industry, mining, environmental clean-up, product formulations and beverages. OUR BUSINESS--SYSTEMS AND MARKETS We market functional water systems to the residential and commercial markets. For the residential market, we market functional water systems that are used to produce a health-beneficial, alkaline-concentrated drinking water. For the commercial market, we market commercial-grade functional water systems that are used in applications ranging from food preparation to hospital disinfection. Other applications of our systems include agriculture, organic agriculture, nutraceutical product formulations and heavy industrial uses. Our goal is to take our functional water technology and market it throughout North America. Our business model envisions us as: a supplier of technology for functional water applications; a supplier of hardware for functional water systems; a provider of intellectual property for functional water systems under licensing agreements; a supplier of consumer functional water products; consultants to industries requiring functional water; facilitators between Japanese functional water manufacturers and U.S.A. industrial users; and educators of academia, government and industry on the benefits of functional water. OUR BUSINESS--SCIENCE "Functional water" is a term that has been assigned to a new category of water. Functional water is water that is processed through an electrolytic ion separation or electrolysis process and has a wide array of functional properties due to its unique characteristics. We believe the uses for this type of water are far reaching, as new applications and uses for 14 functional water are being identified on an ongoing basis. Functional water has applications in agriculture, organic agriculture food processing, hospitals, dental clinics, dermatological procedures, heavy industry, mining, environmental clean up, product formulations and beverages. Functional water systems are capable of producing the following types of functional water: Ionic-Structured Water. Ionic-structured water is electrolyzed drinking --------------------- water that is alkaline-concentrated and utilizes smaller molecular clusters than regular water for improved hydration and solubility. Ionic structured water is smooth to the palate. Electro-Structured Water. Electro-structured water is water that is ----------------------- anti-microbial in nature and may be effective against virus, bacteria, fungus and spores. This water may have a wide array of disinfectant uses. Derma-Structured Water. Derma-structured water is electrolyzed low pH water --------------------- that has astringent and disinfecting properties and may have a wide array of cosmetic, dermatological and post-plastic surgery applications that may minimize infections and scarring and expedite healing. FUNCTIONAL WATER RESEARCH IN ACADEMIA The process to produce functional water was developed by Scottish inventor Michael Faraday in Boston, Massachusetts in 1834. In 1929, the value of electrolytic water separation to produce water with functional properties was realized in Japan. Japanese researchers have since taken this process, created a wide array of functional waters and have introduced this technology to food processing, hospital disinfection, wound care, agriculture, organic agriculture and food safety in Japan. During recent years, functional water applications have been studied by universities in the U.S.A. and Canada. For example, in a University of Georgia study published in the Journal of Food Protection in 1999 entitled "Inactivation of Escherichia coli O157:H7 and Listeria monocytogenes on Plastic Kitchen Cutting Boards by Electrolyzed Oxidizing Water," the immersion of plastic kitchen cutting boards in electrolyzed oxidizing water was found to be an effective method for inactivating food-borne pathogens such as E. coli. Other studies at the University of Georgia have looked at the efficacy of electrolyzed oxidizing water for inactivating E. coli, Salmonella and Listeria and have determined that such water may be a useful disinfectant. A University of Georgia study entitled "Antimicrobial effect of electrolyzed water for inactivating Campylobacter jejuni during poultry washing" demonstrated that electrolyzed water was not only effective in reducing the populations of C. jejuni on chicken, but also may be effective in the prevention of cross-contamination of processing environments. OUR BUSINESS--FUNCTIONAL WATER SYSTEMS Residential Systems. The residential countertop, functional water systems ------------------ produce water that scientists believe contains more wellness and health-beneficial properties than regular tap water (see, "Electrolyzed-Reduced Water Scavenges Active Oxygen Species and Protects DNA from Oxidative Damage," Biochemical and Biophysical Research Communications, Vol. 234, 15 No. 1, pp. 269-274 (1997); and, Hanaoka, K., "Antioxidant Effects Of Reduced Water Produced By Electrolysis Of Sodium Chloride Solutions," 31 Journal of Applied Electrochemistry 1307-1313 (2001)). Generally, the residential countertop system sits next to the kitchen faucet, and through the use of a diverter, allows tap water to be routed through the system. The water is then processed through a charcoal filter where chlorine and sediments are removed. The filtered water then proceeds to the electrolysis chamber that is made up of electrodes and membranes. A positive and negative electrical charge is passed through the electrodes. The minerals that are found in the filtered water are attracted to opposite electrodes. For example, the alkaline minerals (minerals with positive (+) properties that include calcium, magnesium, sodium, manganese, iron and potassium) are attracted to the negatively charged (-) electrode. The acidic minerals (minerals with negative (-) properties include nitric acid, sulfuric acid and chlorine) are attracted to the positively-charged (+) electrode. Through this mineral separation process, two separate types of water are formed, which are water with alkaline-concentrated minerals, and water with acidic-concentrated minerals. Each type of water is held in a separate chamber in the residential countertop system. The alkaline-concentrated water may be consumed for drinking and cooking purposes, while the acidic-concentrated water may be used in a topical, astringent medium. Commercial Systems. We are in preparation to market commercial functional ----------------- water systems to the food processing, medical and agricultural industries. The system for the food processing industry includes: (1) a hand disinfectant system for proper hand washing, and (2) an anti-microbial water production system for general sterilization and disinfectant needs. We also intend to market similar systems to the medical industry. For the agricultural industry, we intend to sell functional water systems to organic food growers who desire to use functional water to replace the use of pesticides, fungicides, herbicides and chemical fertilizers. Our commercial functional water systems produce approximately one gallon per minute of electrolyzed alkaline and acidic waters. For the food processing industry, the alkaline water may be used as an effective medium for removing pesticides from agricultural products, while the acidic water may be used as anti-microbial water. For the hospital industry, the alkaline water may be used as an effective medium in removing protein buildup from surfaces, while the acidic water may be used as anti-microbial water. For the organic agricultural industry, the alkaline water may be used for plant growth and as a solid nutrient, while the acidic water may be used as a substitute for fungicides, pesticides, herbicides and sporicides. OUR BUSINESS--MARKETING STRATEGY We believe that keys to our success are: - To create a strong revenue basis through the sale of residential systems. These sales may be made through independent distributors, network marketing, infomercials, mail order, retail sales and direct sales generated through word-of-mouth referrals. 16 - To create a strong revenue basis through the sale of disinfectant systems to the food processing industry. - To create a strong revenue basis through licensing agreements based upon a wide array of applications for functional water that will be targeted to specific industries. For example, electrolyzed water may be used in the beverage industry to extract flavors from their natural sources, such as extracting tea from tea leaves for use in bottled iced tea. Electrolyzed water may also be used in the formulation of nutraceutical-type dietary supplement products in the health-food and dietary supplement industries. - To continue the development of functional water applications for industries that are currently dependent upon chemicals as a processing medium. In addition to the food processing, medical and agricultural markets, we intend to develop market-driven applications for functional water, provide the science to these applications, publish the developments in scientific and industrial circulars and perform consulting functions to industries that can benefit from functional water. We intend to hire engineers from Japan to design, engineer and assemble prototypes of functional water systems that are built for specific industrial needs. We believe that by performing these functions ourselves, we will have all of the necessary tools to become a leading provider of functional water technology. OUR BUSINESS--GOVERNMENT REGULATIONS Our functional water systems are or may be subject to regulation by a variety of federal, state and local agencies, including the Consumer Product Safety Commission and the Food and Drug Administration ("FDA"). Some of our functional water systems, such as our hand disinfectant water unit, may be subject to pre-market approval by the FDA under Title 21 of the Code of Federal Regulations. Proton expects the approval process to take approximately 30-60 days, although there is no assurance that we will be able to comply. Prior to submitting the hand disinfectant water unit to the FDA, however, we intend to contract with a company familiar with a modern food safety procedure known as Hazard Analysis and Critical Control Point ("HACCP"). HACCP is a food safety procedure that focuses on identifying and preventing hazards that could cause food-borne illnesses. We believe that complying with the HACCP procedure may assist us in getting FDA approval, since the FDA generally encourages retailers to apply HACCP-based food safety principles, along with other recommended practices. OUR BUSINESS--MARKETING AND DISTRIBUTION We intend to develop systems for the following markets: - Hand disinfection needs for the food processing, fast food, medical, dental, personal care and general health care industries. 17 - Residential, countertop electrolysis systems. Hand Disinfection. After we obtain FDA approvals for the hand disinfection ---------------- system, we plan to introduce the device and what we believe to be its operational simplicity, user-friendliness, high efficacy and affordability, through industrial circulars where hand disinfection is of a primary concern. We also intend to arrange with a leasing company to lease the hand disinfectant system to the fast food industry. A large part of our marketing efforts will be directed to educating our target markets about functional water. We plan to write and publish articles through industrial media, disinfection forums, trade shows and documentary-type films that may be aired through CNN, PBS and Voice of America introducing a new and novel method for hand disinfection. We intend to handle all inquiries through a toll-free number. We plan to hire a public relations company that provides the news media with documentary videos for the purpose of educating the public on the technology, processes and applications that we market. The videos will cover the following subjects: - Use of functional electrolyzed water for food safety. - Use of functional electrolyzed water for effective disinfection in hospitals and clinical settings. - Use of functional electrolyzed water for agriculture and organic agriculture. - Use of functional electrolyzed water as a wellness medium. Residential Countertop Units. The first step towards the marketing and -------------------------- distribution of residential countertop units is to develop a national product distribution program through network marketing, mail order catalogs sales, infomercials, independent distributor channels and word of mouth sales. Since we understand that the demographics in these sales channels is predominately composed of females in the age groups of 35-60, we intend to concentrate on this market segment. The second step in the marketing and distribution of residential countertop units is to introduce a simplified, lower price-point system that will be introduced through retail outlets under a series of private labels. Commercial Systems. In addition to marketing the residential countertop ----------------- systems, we plan to develop marketing plans for commercial systems. We may enter into agreements with companies to act as distributors of our functional water systems. We may also grant exclusive rights to companies to use our systems in specific industries for specific applications in exchange for royalties. OUR BUSINESS--COMPETITION Our competitors include several entry-level importers of systems from Japan and Korea. We believe that we have several distinctive advantages over entry-level distributors: 18 - We and our consultants, who are scientists, business people and advisers, are individuals who have helped pioneer the understanding, documentation, representation and structuring of the technology and its relevance to the U.S.A. during the past nine-year period through various companies and organizations. These consultants are the leaders in the U.S.A. in the knowledge and representation of functional water. - We have been able to create a strong platform of specialists to advance functional water technology in the U.S.A., which would be difficult for others to replicate due to our high level of focused commitment and dedication. - We have close working relationships with our Japanese counterparts which have been developed and nurtured over the past ten-year period. These members are highly respected within the Japanese electrolysis community and attend annual conferences as invited speakers. - We have excellent working relationships with the Japanese manufacturers and we are often relied upon to provide international perspectives to be used in the refinement of their scientific, design and engineering thought processes to create products that will be accepted on a global basis. - With our knowledge, experience and foresight into the electrolyzed water industry, we are well-positioned to branch out on our own without reliance on Japanese manufacturing, if necessary. - We have strategically positioned ourselves as the "go to" organization for technology, hardware and informational support for the public. Although the majority of potential competitors are small resellers, the one significant competitor that we have is named Hoshizaki U.S.A., which is an established U.S.A.-based Japanese company that has a substantial market presence in the areas of, and whose primary business is, refrigeration and icemakers. We expect that we may face additional competition from new market entrants and current competitors as they expand their business models, but we do not believe that any real strong competitors are imminent for the foreseeable 3 to 4 year period, other than Hoshizaki U.S.A. To be competitive, we must assemble a strategic marketing and sales infrastructure. Our success will be dependent on our ability to become a formidable marketing and sales entity based upon the technology we have and our ability to aggressively introduce this technology and its far-reaching benefits through documentary videos and other methods of public relations. OUR BUSINESS--CUSTOMERS AND VENDORS Major Customer. During 2002, sales to one customer accounted for 14% of -------------- total sales, and during 2001, sales to this customer accounted for 11% of total sales. As of December 31, 2002, the amount due from this customer accounted for 23% of accounts receivable and as of December 31, 2001, the amounts due from this customer accounted for 49% of accounts 19 receivable. We believe that the loss of this customer would have a negative impact on us. Major Vendor. During the year ended December 31, 2002, our purchases from ------------ four vendors accounted for 96% of our total purchases. During the year ended December 31, 2001, purchases from one vendor accounted for 29% of our total purchases. As of December 31, 2002, amounts due to the four vendors accounted for 95% of accounts payable. As of December 31, 2001 amounts due to the one vendor accounted for 82% of accounts payable. We believe that the loss of these vendors would have a negative impact on us. INTELLECTUAL PROPERTY We plan to file patent applications for various functional water applications or license their use from the patent holders. There can be no assurance that our intellectual property rights, if any, will not be challenged, invalidated or circumvented, or that any rights granted under our intellectual property will provide competitive advantages to us. There can be no assurance that our patent claims allowed on any future patents would be sufficiently broad to protect our products. EMPLOYEES We currently have 3 full-time employees, of whom 2 are in management. None of our employees are subject to a collective bargaining agreement. We believe that our employee relations are good. RECENT DEVELOPMENTS In June 2003, we acted as a consultant to an industrial company for the purposes of evaluating industrial uses for functional water. We received $20,000 as a consulting fee for this project. DESCRIPTION OF PROPERTY We lease office space located at 1150 Marina Village Parkway, Suite 103, Alameda, CA 94501, that is approximately 1,000 square feet and we lease storage space, on a lease with monthly payments of approximately $2,303 per month, which will increase by 4% annually until May 2005. Under this lease, we are required to pay a percentage of the property taxes, insurance and maintenance. We believe that our office and storage space is adequate for our current needs, and that additional space is available to us at a reasonable cost, if needed. FINANCIAL STATEMENTS Our financial statements begin on page F-1. 20 MANAGEMENT'S DISCUSSION AND ANALYSIS INTRODUCTION The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the audited financial statements and accompanying notes and the other financial information appearing elsewhere in this prospectus. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the U.S.A., which contemplate our continuation as a going concern. Our independent auditors made a going concern qualification in their report dated March 20, 2003, which raises substantial doubt about our ability to continue as a going concern. Our revenue decreased during 2002 and capital contributions were required from our president to fund operations. These conditions raise a substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should we be unable to continue in existence. Our ability to continue as a going concern is dependent upon our ability to generate sufficient cash flows to meet our obligations on a timely basis, to obtain additional financing as may be required, and ultimately to attain profitable operations. However, there is no assurance that profitable operations or sufficient cash flows will occur in the future. CRITICAL ACCOUNTING POLICIES AND ESTIMATES Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the U.S.A. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions provide a basis for us to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions, and these differences may be material. We recognize revenue when all four of the following criteria are met: (i) persuasive evidence that an arrangement exists; (ii) delivery of the products and/or services has occurred; (iii) the selling price is both fixed and determinable and; (iv) collectibility is reasonably probable. Our revenues are derived from sales of our industrial, environmental and residential systems which alter the properties of water to produce functional water. We believe that this critical accounting policy affects our more significant judgments and estimates used in the preparation of our consolidated financial statements. During the period from March 14, 2000 through November 15, 2002, prior to our acquisition of Proton November 2002, we did not engage in significant operations other than 21 organizational activities, acquisition of the rights to market the products of Vitamineralherb.com, Inc., the preparation for registration of our securities under the Securities Act and capital raising. No revenues were received by us during that period. For the third quarter of 2002, we incurred a loss as a result of expenses associated with setting up a business structure to begin implementing our business plan. In November 2002, we acquired Proton Laboratories, LLC, which is active in the functional water business. This acquisition was reported in detail on our Form 8-K for the event dated November 15, 2002 as filed with the Commission on November 25, 2002. Proton is now our wholly-owned subsidiary and has been renamed Proton Laboratories, Inc. Since our acquisition of Proton Laboratories in November 2002, our business has been focused on marketing functional water equipment and systems. Alkaline-concentrated functional water may have health-beneficial properties and may be used for drinking and cooking purposes. Acidic-concentrated functional water may be used as a topical, astringent medium. We may become active in marketing Vitamineralherb.com products in the future because Vitamineralherb.com has recently established an active e-business Web site. Our fiscal year end is December 31. Our functional currency is the U.S. dollar. RESULTS OF OPERATIONS--YEARS ENDED DECEMBER 31, 2002 AND 2001. We had revenue of $303,734 in 2002 and revenue of $484,393 in 2001. We had net losses of $411,191 for the year ended December 31, 2002 and net losses of $110,939 for the year ended December 31, 2001. Cash used in operations for the year ended December 31, 2002 was $138,755 and cash used in operations for the year ended December 31, 2001 was $9,692. The Merger activity significantly contributed to our net loss in 2002. The $411,000 loss reported for 2002 includes $170,000 related to the acquisition of Proton and the Merger, approximately $80,000 for legal and accounting fees related to the Merger, and $60,000 for compensation costs for officer services. The merger activity significantly contributed to our net loss in the six months and the quarter ended June 30, 2003. We are currently seeking funds to expand our marketing efforts. We have spent considerable time in contracting with several major overseas corporations for the co-development of enhanced antioxidant beverages for distribution into the overseas markets. We are working with Canadian business associates to identify institutional businesses to market various disinfection applications based upon functional water, pending government approval. In June 2003, we acted as a consultant to an industrial company for the purposes of evaluating industrial uses for functional water. We received $20,000 as a consulting fee for this project. 22 RESULTS OF OPERATIONS-SIX MONTHS ENDED JUNE 30, 2003 AND 2002. We had revenue of $127,400 for the six months ended June 30, 2003, compared to revenue of $157,546 for the six months ended June 30, 2002. We had a net loss of $54,455 for the six months ended June 30, 2003, compared to a net loss of $118,484 for the six months ended June 30, 2002. Cash provided by operating activities was $5,669 for the six months ended June 30, 2003, compared to cash used in operating activities $63,636 for the six months ended June 30, 2002. RESULTS OF OPERATIONS-QUARTERS ENDED JUNE 30, 2003 AND 2002. We had revenue of $63,674 for the quarter ended June 30, 2003, compared to revenue of $78,020 for the quarter ended June 30, 2002. We had a net loss of $14,364 for the quarter ended June 30, 2003, compared to a net loss of $68,727 for the quarter ended June 30, 2002. LIQUIDITY As of December 31, 2002, we had cash on hand of $1,385. As of June 30, 2003, we had cash on hand of $7,054. Our growth is dependent on attaining profit from our operations, or our raising additional capital either through the sale of stock or borrowing. There is no assurance that we will be able to raise any equity financing or sell any of our products at a profit. During the years ended December 31, 2002 and 2001, our President did not receive any amounts related to his salary. We determined that the fair value of his services during 2002 and 2001 were $60,000 per year. We recorded a salary expense and contributed capital of $60,000 during the years ended December 31, 2002 and 2001. During the six months ended June 30, 2003, our President did not receive any amounts related to his salary. During the six months ended June 30, 2003, our President contributed his services and capital contributions to us. We determined that the fair value of our President's services and capital contributions during the six months ended June 30, 2003 was $30,000. We recorded a salary expense and contributed capital of $30,000 during the six months ended June 30, 2003. FUTURE CAPITAL REQUIREMENTS Our growth is dependent on attaining profit from our operations, or our raising additional capital either through the sale of stock or borrowing. There is no assurance that we will be able to raise any equity financing or sell any of our products at a profit. 23 Our future capital requirements will depend upon many factors, including the following: - The cost to acquire equipment to resell. - The cost of sales and marketing our products. - The rate at which we expand our operations. - The results of our consulting business. - The response of competitors. OUR CUSTOMERS AND VENDORS Major Customer. During 2002, sales to one customer accounted for 14% of ------------- total sales, and during 2001, sales to this customer accounted for 11% of total sales. As of December 31, 2002, the amount due from this customer accounted for 23% of accounts receivable and as of December 31, 2001, the amounts due from this customer accounted for 49% of accounts receivable. We believe that the loss of this customer would have a negative impact on us. Major Vendor. During the year ended December 31, 2002, our purchases from ------------ four vendors accounted for 96% of our total purchases. During the year ended December 31, 2001, purchases from one vendor accounted for 29% of our total purchases. As of December 31, 2002, amounts due to the four vendors accounted for 95% of accounts payable. As of December 31, 2001 amounts due to the one vendor accounted for 82% of accounts payable. We believe that the loss of these vendors would have a negative impact on us. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS Our Board of Directors authorized a common stock dividend in November 2002 whereby each stockholder received an additional four shares for each one share held. This had the same effect as a 5:1 forward stock split. All of the information in this prospectus has been adjusted to reflect the stock dividend. There is not now, and there has never been a public trading market for our common stock, nor a trading symbol. We will use our best efforts to seek an NASD member broker-dealer firm to become our market maker so that our common stock may be traded in a public trading market. In 2003, a broker-dealer submitted a Form 211 and an accompanying Form 15c2-11 to the NASD in order to become our market maker. However, the NASD informed the broker-dealer that, in the NASD's opinion, our IPO in 2000 might have been deficient in that it could be interpreted as a blank check offering rather than the offering of a development stage company in the consumer nutritional supplement and health products business. Although the NASD told us that the NASD never rejects a Form 211, we believe that the NASD's comments dissuaded the broker-dealer from being our market maker, and the broker-dealer withdrew the Form 211. We disagree with the NASD's analysis about us being a blank check IPO in 2000. It 24 is our position that in 2000 we were a development stage company in the specific business of consumer nutritional supplements and health products. As a result of our conversations with the NASD's OTCBB compliance department, we concluded that we could put the NASD's objection's to rest by filing a new Registration Statement covering the same shares that were previously registered in our IPO in 2000. This prospectus includes the same 2,500,000 shares as were registered in our IPO in 2000 and 486,000 shares of restricted stock held by three Selling Shareholders. All of these shares are owned by the Selling Stockholders. In 2002, all of the investors who purchased the 2,500,000 shares of registered common stock in our IPO in the year 2000 (the "Former Shareholders") sold or transferred their registered shares to Other Investors (the "Other Investors"). Most of these Other Investors retained their shares and are our Selling Stockholders. A few of the Other Investors sold or transferred their shares in 2003 to additional Other Investors who are also our Selling Stockholders. As a result of these sales and transfers by the Former Shareholders and the Other Investors in 2002 and 2003, and as a result of the Merger, our 104 current shareholders are completely different persons than our year 2000 IPO shareholders, except for one person, our former majority shareholder Michael Kirsh, who presently owns 12,500 shares of our registered common stock (0.1% of our outstanding common stock) that he acquired in 2002 from five Former Shareholders. Mr. Kirsh does not own any other shares. In August 2003, Mr. Alexander, in a personal transaction, paid off in full a personal debt of his by making an in-kind payment of 486,000 of his shares of Bentley to his creditors. These creditors are also Selling Shareholders. As of August 21, 2003, we had 11,250,000 shares of common stock outstanding held by 104 stockholders of record. We have not paid any cash dividends and we do not expect to declare or pay any cash dividends in the foreseeable future. Payment of any cash dividends will depend upon our future earnings, if any, our financial condition, and other factors as deemed relevant by the Board of Directors. We have no outstanding options, warrants, convertible securities or convertible debt. Our transfer agent is Holladay Stock Transfer, Inc., 2939 North 67th Place, Scottsdale, Arizona 85251, tel. (480) 481 3940. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS EXECUTIVE OFFICERS AND DIRECTORS NAME AGE POSITION ------------------------------------------------------------------------- Edward Alexander 51 Director, Chief Executive Officer, Chief Financial Officer, President and Secretary Dick Wullaert 66 Director, Vice President and Chief Technical Officer Michael Fintan Ledwith 61 Director 25 Edward Alexander has been the owner and president of Proton Laboratories, LLC since January, 2001. Proton introduced an electrolytic water separation technology that has many uses in industry, product formulations and consumer products. From January 1997 to July 1998, Mr. Alexander served as owner and president of Advanced H2O, LLC. In July 1998, Mr. Alexander formed Advanced H2O, Inc. to specialize in bottled water production. Mr. Alexander continues to serve as a consultant to Advanced H2O, Inc. Prior to 1997, Mr. Alexander served as General Manager, Tomoe Incorporated and held various positions with various divisions of the U.S. Navy Resale System. In February 2002, the Securities and Exchange Commission accepted a settlement offer from Mr. Alexander and imposed a cease and desist order against Mr. Alexander from committing or causing any violation or future violation of Section 10(b) of the Exchange Act and Rule 10b-5. This order was imposed in connection with a press release that Mr. Alexander was persuaded to release about Proton (before Proton was acquired by us) by a business associate whom Mr. Alexander trusted at the time. Dr. Dick Wullaert is currently President of Bioguard Industries, Inc., a small technical service company specializing in water and materials science research. Dr. Wullaert provides technical services for the production (system design, electrode development), use (disinfection, food processing, beverages, nutraceuticals, agriculture, organic agriculture, etc.) and testing (conventional and new) of functional water. He has held this position since 1994. Since 1997, he has also served as President of the Functional Water Society of North America (FWSNA), a non-profit corporation dedicated to promoting the technology and applications of functional water. He has developed an extensive database of functional water technology and applications, organized conferences on functional water in the U.S.A., and participated in Functional Water Foundation Symposiums in Japan. From March 2000 to June 2001, he served as Chief Technology Officer of Advanced H2O, Inc., where he was responsible for research and development programs and the laboratory. From 1991 to 1999, he served as Senior Materials Engineer of SAIC, an NRC program on the technical basis for extending the license for dry cask storage of spent nuclear fuel. He managed several projects on the electrochemical treatment of water, developed new business in water technology and materials degradation, provided technical support to DOE-HQ on materials, structural integrity and life extension issues, and he represented NRC and DOE on national consensus committees. He received his Ph.D. in Materials Science from Stanford in 1969. Dr. Michael Fintan Ledwith has been retired for the past five years. He was Professor of Systematic Theology at the Pontifical University of Maynooth in Ireland from 1976 to 1994. He was later Dean of the Faculty, Head of Department and Editor of "The Irish Theological Quarterly." He was later appointed as a Consulting Editor of the renowned international review "Communio" and still serves in that capacity. He was appointed Vice-President of the University in 1980, re-appointed in 1983, and was appointed President in 1985. He served as Chairman of the Committee of Heads of the Irish Universities and was a Member of the Governing Bureau of the European University Presidents' Federation (CRE). He retired from his Professorship on September 30, 1996 and has since continued to pursue his interest in research, writing, and lecturing in the field of actualizing human potential. Since November 2001 he has been a partner in World of Star Stuff, which markets whole food products. 26 COMMITTEES We do not have any audit, nominating, or compensation committees of the Board, or committees performing similar functions. MEETINGS OF THE BOARD OF DIRECTORS The current Board did not hold any meetings during the year ended December 31, 2002 and through 2003 to date. The board has acted by consent on occasion. SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE Section 16(a) of the Exchange Act requires our officers, directors and persons who beneficially own more than 10% of the our common stock to file reports of ownership and changes in ownership with the SEC. These reporting persons also are required to furnish us with copies of all Section 16(a) forms they file. Messrs. Alexander, Wullaert and Ledwith each filed one late Form 3. EXECUTIVE COMPENSATION The following table sets forth information as to our highest paid officers and directors for our fiscal year ended December 31, 2002. No other compensation was paid to any such officer or directors other than the compensation set forth below. SUMMARY COMPENSATION TABLE ---------------------- --------------------------------- Annual Compensation Long Term Compensation ---------------------- --------------------------------- Awards Pay-Outs ----------------------- --------- Other Restricted Securities All Annual Stock Under- Other Name and Compen- Award(s) lying LTIP Compen- Principal Year Salary Bonus sation Options/SARs Payouts sation Position $ $ $ $ # $ $ ---------------------------------------------------------------------------------------------- Edward 2002 (1) 60,000 -0- -0- -0- -0- -0- -0- Alexander, 2001 (1) 60,000 -0- -0- -0- -0- -0- -0- CEO, CFO 2000 (2) _______________ (1) Mr. Alexander did not receive any cash compensation. This amount was determined to be the value of his services and was recorded as additional paid in capital. (2) Proton commenced business in 2001. 27 OUTSTANDING STOCK OPTIONS We have not granted any options to purchase common stock and we do not have any outstanding options to purchase common stock. COMPENSATION OF DIRECTORS Our directors do not receive cash compensation for their services as directors or members of committees of the Board of Directors. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT As a result of the Merger, Mr. Alexander became the majority owner of our common stock. The following table sets forth information concerning the number of shares of common stock owned beneficially as of August 21, 2003, by: (i) each person (including any group) known by us to own more than five percent (5%) of any class of our voting securities, (ii) each of our directors and executive officers, and (iii) our officers and directors as a group. Unless otherwise indicated, the stockholders listed possess sole voting and investment power with respect to the shares shown. Name Amount of Shares Class of Percentage and Address Beneficially Owned Securities of Class ---------------------------------------------------------------------------- Edward Alexander 1150 Marina Village Parkway, Suite 103 Alameda, Ca 94501 8,264,000 Common Stock 73.4% Dick Wullaert 340 Old Mill Rd. #2 Santa Barbara, Ca 93110 -0- Common Stock -0-% Michael Fintan Ledwith 6610 Churchill Rd. SE Tenino, WA 98589 -0- Common Stock -0-% Executive Officers & Directors As A Group(3 Persons) 8,264,000 Common Stock 73.4% We are not aware of any arrangements that could result in a change of control. 28 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS In January 2001, Edward Alexander contributed $30,731 of inventory and $13,198 of property and equipment to us for commencement of the operations of Proton. The inventory and property and equipment were recorded at Mr. Alexander's basis due to the transaction being between related parties. In addition, during the year ended December 31, 2002, Mr. Alexander contributed $130,937 in cash to us. During the year ended December 31, 2001, Mr. Alexander contributed $27,700 in cash to us. He originally received the inventory and property and equipment through a severance agreement with a previous employer. During the years ended December 31, 2002 and 2001, Mr. Alexander did not receive any salary. However, we determined that the fair value of his services during 2002 and 2001 was $60,000 per year. We recorded a salary expense and contributed capital of $60,000 during the years ended December 31, 2002 and 2001. In connection with the Merger and the conversion of Proton from a limited liability company into a corporation, these contributions were reclassified to common stock and additional paid-in capital. During the six months ended June 30, 2003, our President did not receive any amounts related to his salary. During the six months ended June 30, 2003, our President contributed his services and capital contributions to us. We determined that the fair value of our President's services and capital contributions during the six months ended June 30, 2003 was $30,000. We recorded a salary expense and contributed capital of $30,000 during the six months ended June 30, 2003. We entered into an Agreement and Plan of Reorganization, finalized and closed in November 2002 whereby Proton Laboratories, LLC, a California limited liability company ("Proton") merged with and into VWO I Inc., our wholly owned subsidiary (the "Merger"). As a result of the Merger, Proton's sole owner, Edward Alexander, exchanged 100% of his ownership of Proton for

8,750,000 shares of our common stock. VWO I Inc. changed its name to Proton Laboratories, Inc. as part of the Merger. Proton itself was incorporated in February 2000 in the State of California. Proton did not begin operations until January 2001 when Mr. Alexander contributed inventory and property and equipment to Proton. Prior to the Merger, Mr. Alexander entered into a Stock Purchase Agreement with Kirsh and Gruson. Under the Stock Purchase Agreement, Mr. Alexander purchased 8,750,000 shares of common stock of Bentley from Kirsh and Gruson stockholders for $170,000. The 8,750,000 shares Mr. Alexander acquired from Kirsh and Gruson were canceled as part of the Merger. The Merger was accounted for as the reorganization of Proton and the acquisition of Bentley's assets for $170,000 using the purchase method of accounting. There were no material assets or liabilities of Bentley at the time of the Merger. The $170,000 paid by Mr. Alexander has been reflected as a loss on the acquisition of Bentley in the accompanying financial statements (See page 16 and page F-1). For financial statement purposes, Proton is considered the parent corporation but maintains Bentley as its business name. Proton was the accounting acquiror, and Bentley was the legal acquiror. In March 20, 2000, our former majority stockholder, Michael Kirsh, transferred to us his license to distribute the products of Vitamineralherb.com. in exchange for 7,500,000 shares of our common stock and a promissory note for $28,000. The license grants an exclusive right to 29 distribute Vitamineralherb.com products to health and fitness professionals in British Columbia, Canada via the Internet. DESCRIPTION OF SECURITIES CAPITAL STOCK The following description of our capital stock is a summary of the material terms of our capital stock. Our authorized capital stock consists of 120,000,000 shares of which there are 100,000,000 shares of common stock having a par value of $0.0001 per share and 20,000,000 shares of preferred stock having a par value of $0.0001 per share. As of the date of this prospectus, there are 11,250,000 shares of common stock outstanding, and no shares of preferred stock outstanding. The outstanding shares of common stock are validly issued, fully paid and non-assessable. The Articles of Incorporation do not permit cumulative voting for the election of directors, nor do stockholders have any preemptive rights, subscription or conversion rights to purchase shares in any future issuance of our common stock. The holders of common stock have the sole right to vote, except as otherwise provided by law or by the Articles, including provisions governing any preferred stock. Election of directors and other general stockholder action requires the affirmative vote of a majority of shares represented at a meeting in which a quorum is represented. The holders of more than 50% of such outstanding shares common stock, voting for the election of directors, can elect all of the directors to be elected, if they so choose, and, in such event, the holders of the remaining shares will not be able to elect any other directors. Subject to the rights, if any, of any outstanding shares of preferred stock, if any, the holders of shares of common stock are entitled to dividends, out of funds legally available therefore, when, if and as declared by the Board of Directors. The Board of Directors has never declared a dividend and does not anticipate declaring a dividend in the future. Each outstanding share of common stock entitles the holder thereof to one vote per share on all matters required by law to be submitted to a vote of stockholders. In the event of liquidation, dissolution or winding up of our affairs, holders of common stock are entitled to receive, ratably, the net assets of BentleyCapitalCorp.com Inc. available after payment of all creditors and any preferential liquidation rights, if any, of any preferred stock, if any, then outstanding. All of the issued and outstanding shares of common stock are duly authorized, validly issued, fully paid, and non-assessable. To the extent that additional shares of our common stock are issued, the relative interests of existing stockholders may be diluted. 30 THE PENNY STOCK RULES Our securities may be considered a penny stock. Penny stocks are securities with a price of less than $5.00 per share other than securities registered on national securities exchanges or quoted on the Nasdaq stock market, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. Our securities may be subject to "penny stock rules" that impose additional sales practice requirements on broker-dealers who sell penny stock securities to persons other than established customers and accredited investors. For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of penny stock securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the "penny stock rules" require the delivery, prior to the transaction, of a disclosure schedule prescribed by the Commission relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Monthly statements must be sent disclosing recent price information on the limited market in penny stocks. The "penny stock rules" may restrict the ability of broker-dealers to sell our securities and may have the effect of reducing the level of trading activity of our common stock in the secondary market. The penny stock restrictions will not apply to our securities when our market price is $5.00 or greater. The price of our securities may not reach or maintain a $5.00 price level. 31 SELLING STOCKHOLDERS The following table sets forth the name of each Selling Stockholder, the number of shares of common stock offered by each Selling Stockholder, the number of shares of common stock to be owned by each Selling Stockholder if all shares were to be sold in this offering and the percentage of our common stock that will be owned by each Selling Stockholder if all shares are sold in this the offering. The shares of common stock being offered hereby are being registered to permit public secondary trading and the Selling Stockholders may offer all, none or a portion of the shares for resale from time to time. ------------------------------------------------------------------------------------------ Name Shares Shares Shares Percentage Of Owned Offered Owned Owned After Selling Before For After Offering If All Stockholder Offering Sale Offering Shares Are Sold If All Shares Are Sold (1) (2) (2) ------------------------------------------------------------------------------------------ Adam R. Alain 75,000 75,000 -0- 0% Morgan L. Alain 75,000 75,000 -0- 0% Natalie D. Alain 75,000 75,000 -0- 0% Rod Alain 539,000 539,000 -0- 0% Michelle Alexander 5,000 5,000 -0- 0% Ted Alexander 17,000 17,00 -0- 0% Vance Alexander 4,000 4,000 -0- 0% Santiago Azpilicueta 6,000 6,000 -0- 0% Kerry Basaraba 8,000 8,000 -0- 0% Wendy Bates 2,000 2,000 -0- 0% Birdsong , Inc. 4,000 4,000 -0- 0% BNY Clearing Services LLC (3) 54,000 54,000 -0- 0% Robert Browne 10,000 10,000 -0- 0% Barbara J. Carmel 50,000 50,000 -0- 0% Thomas Carmiciano 2,000 2,000 -0- 0% Anne Cassidy 2,500 2,500 -0- 0% William Christienson 4,000 4,000 -0- 0% Reg Clements 2,000 2,000 -0- 0% Tom Clements 2,000 2,000 -0- 0% David Comunal 100,000 100,000 -0- 0% Bruna Dalponte 10,000 10,000 -0- 0% Stuart Davis 2,000 2,000 -0- 0% Michael Demarest 4,000 4,000 -0- 0% Thomas Dizon 216,000 216,000 -0- 0% Kerri Douglas 2,500 2,500 -0- 0% Patrick Doyle 75,000 75,000 -0- 0% (continued) 32 (continued) ------------------------------------------------------------------------------------------ Name Shares Shares Shares Percentage Of Owned Offered Owned Owned After Selling Before For After Offering If All Stockholder Offering Sale Offering Shares Are Sold If All Shares Are Sold (1) (2) (2) ------------------------------------------------------------------------------------------ Kurt Duffens 150,000 150,000 -0- 0% Eric R. Durand 10,000 10,000 -0- 0% Robert Durand 10,000 10,000 -0- 0% Ellis Ein 2,000 2,000 -0- 0% Birgit Finstad 1,000 1,000 -0- 0% Fiserv Securities Inc. (3) 14,000 14,000 -0- 0% Stan Foster 3,000 3,000 -0- 0% Marjo Geisbers 1,000 1,000 -0- 0% Brendan Peters Georgeson 5,000 5,000 -0- 0% Paul M. Georgeson 10,000 10,000 -0- 0% Sheila George 4,000 4,000 -0- 0% Marlene Goodman 150,000 150,000 -0- 0% Jerry L. Graham 5,000 5,000 -0- 0% Marion Grosjean 40,000 40,000 -0- 0% Jean Handley 20,000 20,000 -0- 0% Virginia Heinz 4,000 4,000 -0- 0% Douglas Johnston 50,000 50,000 -0- 0% Michael Kirsh 12,500 12,500 -0- 0% Kris Kolt 10,000 10,000 -0- 0% Christina Koo 20,000 20,000 -0- 0% Carol Kounadis 2,000 2,000 -0- 0% Jim Lawson 2,500 2,500 -0- 0% Marjorie Layden 5,000 5,000 -0- 0% Chi-Feng Lee 22,000 22,000 -0- 0% Effie Ligon 15,000 15,000 -0- 0% Stephen Martin 40,000 40,000 -0- 0% McDonald Investments, Inc. (3) 30,000 30,000 -0- 0% Darryl McPherson 60,000 60,000 -0- 0% A. J. Campello Moraes 40,000 40,000 -0- 0% Jane Mudry 5,000 5,000 -0- 0% National Investor Services 6,000 6,000 -0- 0% David Naughton 4,000 4,000 -0- 0% Mike Norman 2,000 2,000 -0- 0% Lars Olson 10,000 10,000 -0- 0% (continued) 33 (continued) ------------------------------------------------------------------------------------------ Name Shares Shares Shares Percentage Of Owned Offered Owned Owned After Selling Before For After Offering If All Stockholder Offering Sale Offering Shares Are Sold If All Shares Are Sold (1) (2) (2) ------------------------------------------------------------------------------------------ Lief Olson 2,000 2,000 -0- 0% Margaret Pei 1,000 1,000 -0- 0% Jeanne Perez 250 250 -0- 0% Pershing LLC (3) 50,000 50,000 -0- 0% Will Peters 1,000 1,000 -0- 0% Miranda M. Reynolds 10,000 10,000 -0- 0% Howard Rosenthal 5,000 5,000 -0- 0% Dolores Rudd 10,000 10,000 -0- 0% Hannes Schick 10,000 10,000 -0- 0% Cynthia Schorno 20,000 20,000 -0- 0% Gail L. Schorno 10,000 10,000 -0- 0% Joel Seidner (4) 12,500 12,500 -0- 0% Christopher M. Sheedy 68,750 68,750 -0- 0% Stanley Sherr 2,000 2,000 -0- 0% Brian Simpson 5,000 5,000 -0- 0% Starfire Inc. 20,000 20,000 -0- 0% Wayne Steiger 2,000 2,000 -0- 0% Alice Stone 5,000 5,000 -0- 0% Li-Jung Sun 2,500 2,500 -0- 0% Yukiko Takara 212,000 212,000 -0- 0% Alfred Tavernier 9,000 9,000 -0- 0% Stephen Tavernier 10,000 10,000 -0- 0% Time's Investments 40,000 40,000 -0- 0% Paula Wall 2,500 2,500 -0- 0% Annie Wang 500 500 -0- 0% David Chen Wang 2,000 2,000 -0- 0% Jean Wang 120,000 120,000 -0- 0% Judy Wang 5,000 5,000 -0- 0% Wells Fargo Investments LLC (3) 114,000 114,000 -0- 0% Brandy Wood 8,000 8,000 -0- 0% Terry Wood 29,000 29,000 -0- 0% Jon Yarlott 8,000 8,000 -0- 0% Tim Yarlott 5,000 5,000 -0- 0% Jonathan Yin 10,000 10,000 -0- 0% (continued) 34 (continued) ------------------------------------------------------------------------------------------ Name Shares Shares Shares Percentage Of Owned Offered Owned Owned After Selling Before For After Offering If All Stockholder Offering Sale Offering

Shares Are Sold If All Shares Are Sold (1) (2) (2) ------------------------------------------------------------------------------------------- Janet and Dion Davies 40,000 40,000 -0- 0% Danny Davies 4,000 4,000 -0- 0% Bret Fosdick 2,000 2,000 -0- 0% Valentine and Eva Fyrst 1,000 1,000 -0- 0% Tim Fyrst 2,000 2,000 -0- 0% Kai Fyrst 1,500 1,500 -0- 0% Raymond Bell 4,000 4,000 -0- 0% Parsio Moraes 6,000 6,000 -0- 0% Jody Gill 2,500 2,500 -0- 0% _______________ (1) To the best of our knowledge, no Selling Stockholder has a short position in our common stock. To the best of our knowledge, no Selling Stockholder that is a beneficial owner of any of these shares is a broker-dealer or an affiliate of a broker-dealer (a broker-dealer may be a record holder). Except as set forth below, no Selling Stockholder has held any position or office, or has had any material relationship with us or any of our affiliates within the past three years. (2) Assumes no sales are transacted by the Selling Stockholder during the offering period other than in this offering. (3) We believe that this record owner may a broker-dealer, and that there is a beneficial owner who is not a broker-dealer. (4) Joel Seidner is our legal counsel for this offering. 35 PLAN OF DISTRIBUTION The Selling Stockholders (of record ownership and of beneficial ownership) and any of their pledgees, assignees, and successors-in-interest may, from time to time, sell any or all of their shares of common stock on any stock exchange, market, or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. There is no assurance that the Selling Stockholders will sell any or all of the common stock in this offering. The Selling Stockholders may use any one or more of the following methods when selling shares: - Ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers. - Block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction. - Purchases by a broker-dealer as principal and resale by the broker-dealer for its own account. - An exchange distribution following the rules of the applicable exchange. - Privately negotiated transactions. - Short sales or sales of shares not previously owned by the seller. - An agreement between a broker-dealer and a Selling Stockholder to sell a specified number of such shares at a stipulated price per share. - A combination of any such methods of sale. - Any other lawful method. The Selling Stockholder may also engage in: - Short selling against the box, which is making a short sale when the seller already owns the shares. - Buying puts, which is a contract whereby the person buying the contract may sell shares at a specified price by a specified date. - Selling calls, which is a contract giving the person buying the contract the right to buy shares at a specified price by a specified date. - Selling under Rule 144 under the Securities Act, if available, rather than under this prospectus. 36 - Other transactions in our securities or in derivatives of our securities and the subsequent sale or delivery of shares by the stock holder. - Pledging shares to their brokers under the margin provisions of customer agreements. If a Selling Stockholder defaults on a margin loan, the broker may, from time to time, offer and sell the pledged shares. Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholder in amounts to be negotiated. If any broker-dealer acts as agent for the purchaser of shares, the broker-dealer may receive commission from the purchaser in amounts to be negotiated. We do not expect these commissions and discounts to exceed what is customary in the types of transactions involved. The Selling Stockholders and any broker-dealers or agents that are involved in selling the shares may be considered to be "underwriters" within the meaning of the Securities Act for such sales. An underwriter is a person who has purchased shares from an issuer with a view towards distributing the shares to the public. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be considered to be underwriting commissions or discounts under the Securities Act. We are required to pay all fees and expenses incident to the registration of the shares in this offering. However, we will not pay any commissions or any other fees in connection with the resale of the common stock in this offering. If we are notified by a Selling Stockholder that they have a material arrangement with a broker-dealer for the resale of the common stock, then we would be required to amend the Registration Statement of which this prospectus is a part, and file a prospectus supplement to describe the agreements between the Selling Stockholder and the broker-dealer. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE Since our inception and until 2002, Manning Elliott, Chartered Accountants, Vancouver, British Columbia, had served as our independent accountant. Until our change in control in 2002, our principal business operations were in Vancouver, British Columbia, Canada. Our business operations moved to California in 2002 in connection with our change of control and our acquisition and Merger with Proton as our wholly-owned subsidiary. We determined that it was no longer appropriate to use a Canadian accountant. On October 9, 2002, our Board of Directors approved a change of accountants to be effective as of the date of the Merger. Effective November 15, 2002, we dismissed Manning Elliott and engaged Hansen, Barnett & Maxwell of Salt Lake City, Utah, as our independent public accountants to audit our financial statements. Manning Elliott's report on the financial statements for the fiscal years ended December 31, 2000 and December 31, 2001, did not contain an adverse opinion or disclaimer of opinion, nor was it modified as to uncertainty, audit scope or accounting principles. We believe, and have been advised by Manning Elliott, that it concurs with such belief, that for the fiscal 37 years ended December 31, 2001 and December 31, 2000, and in the subsequent periods through the date of dismissal, we and Manning Elliott did not have any disagreement on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of Manning Elliott, would have caused it to make reference in connection with its report on our financial statements to the subject matter of the disagreement. Manning Elliott furnish a letter addressed to the U.S. Securities and Exchange Commission stating whether Manning Elliott agrees with the above statements. This letter was submitted in our Form 8-K dated November 15, 2002 and filed with the Commission on November 25, 2002. LEGAL PROCEEDINGS We are not a plaintiff or defendant in any litigation, nor is any litigation threatened against us. INTEREST OF NAMED EXPERTS AND COUNSEL Joel Seidner, Esq., Attorney At Law, 1240 Blalock Road, Suite 250, Houston, Texas 77055, tel. (713) 461-2627 ext. 210, has acted as our legal counsel for this offering. The validity of the shares offered by this prospectus has been passed upon for BentleyCapitalCorp.com Inc. by Mr. Seidner. As of the date of this prospectus, Mr. Seidner owns 12,500 shares of our common stock. Our consolidated balance sheets as of December 31, 2002 and 2001, and the consolidated statements of operations, stockholders' deficit, and cashflows, for the years then ended, have been included in the registration statement on Form SB-2 of which this prospectus forms a part, in reliance on the report of Hansen, Barnett & Maxwell, independent certified public accountants, given on the authority of that firm as experts in auditing and accounting. DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES The Washington Business Corporation Act at Title 23 RCW provides that we shall indemnify our officers and directors and hold harmless each person who was, is or is threatened to be made a party to or is otherwise involved in any threatened proceedings by reason of the fact that he or she is or was our director or officer, against losses, claims, damages, liabilities and expenses actually and reasonably incurred or suffered in connection with such proceeding. However, the statutory indemnity does not apply to: (a) acts or omissions of the director finally adjudged to be intentional misconduct or a knowing violation of law; (b) unlawful distributions; or (c) any transaction with respect to which it was finally adjudged that such director personally received a benefit in money, property, or services to which the director was not legally entitled. 38 Our Articles of Incorporation and By-Laws also state that we indemnify our officers and directors and hold harmless each person who was, is or is threatened to be made a party to or is otherwise involved in any threatened proceedings by reason of the fact that he or she is or was our director or officer, against losses, claims, damages, liabilities and expenses actually and reasonably incurred or suffered in connection with such proceeding. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the forgoing provisions or otherwise, we have been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in that Act and is, therefore, unenforceable. 39 FINANCIAL STATEMENTS Our audited financial statements for the year ended December 31, 2002 begin on page F-2. Our unaudited financial statements for the six months and the quarter ended June 30, 2003 begin on page FF-1. F-1 40 BENTLEYCAPITALCORP.COM, INC REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS AND CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2002 AND 2001 HANSEN, BARNETT & MAXWELL A Professional Corporation CERTIFIED PUBLIC ACCOUNTANTS BENTLEYCAPITALCORP.COM, INC. F-2 41 BENTLEYCAPITALCORP.COM, INC TABLE OF CONTENTS PAGE Report of Independent Certified Public Accountants F-4 Consolidated Balance Sheets - December 31, 2002 and 2001 F-5 Consolidated Statements of Operations for the years ended December 31, 2002 and 2001 F-6 Consolidated Statements of Stockholders' Equity (Deficit) for the year ended December 31, 2002 and 2001 F-7 Consolidated Statement of Cash Flows for the year ended December 31, 2002 and 2001 F-8 Notes to Consolidated Financial Statements F-9 F-3 42 HANSEN, BARNETT & MAXWELL (801) 532-2200 A Professional Corporation Fax (801) 532-7944 CERTIFIED PUBLIC ACCOUNTANTS 5 Triad Center, Suite 750 Salt Lake City, Utah 84180 www.hbmcpas.com REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS To the Board of Directors and the Stockholders BentleyCapitalCorp.com, Inc. and subsidiaries We have audited the consolidated balance sheets of

BentleyCapitalCorp.com, Inc. as of December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years ended December 31, 2002 and 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BentleyCapitalCorp.com as of December 31, 2002 and 2001, and the results of its consolidated operations and its cash flows for the years ended December 31, 2002 and 2001, in conformity with accounting principles generally accepted in the United States of America. The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has an accumulated deficit, has suffered losses from operations and has negative working capital that raise substantial doubt about its ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. HANSEN, BARNETT & MAXWELL Salt Lake City, Utah March 20, 2003 an independent member of Member of AICPA Division of Firms BAKER TILLY Member of SECPS INTERNATIONAL F-4 43 BENTLEYCAPITALCORP.COM, INC CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2002 AND 2001 2002 2001 ----------- ----------- ASSETS CURRENT ASSETS Cash $ 1,385 $ 12,618 Accounts receivable, less allowance of $2,442 and $1,800, respectively 32,755 25,089 Inventory, net of reserve for obsolescence of $5,572 20,661 65,441 ----------- ----------- TOTAL CURRENT ASSETS 54,801 103,148 ----------- ----------- PROPERTY AND EQUIPMENT Furniture and fixtures 4,670 4,670 Equipment and machinery 42,784 11,512 Leasehold improvements 1,886 1,886 Less: accumulated depreciation (5,884) (2,352) ----------- ----------- NET PROPERTY AND EQUIPMENT 43,456 15,716 ----------- ----------- TOTAL ASSETS $ 98,257 $ 118,864 =========== =========== LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) CURRENT LIABILITIES Accounts payable $ 127,638 $ 98,174 Accrued expenses 183 - ----------- ----------- TOTAL CURRENT LIABILITIES 127,821 98,174 ----------- ----------- STOCKHOLDERS' EQUITY (DEFICIT) Preferred stock, 20,000,000 shares authorized with a par value of $0.0001; no shares issued or outstanding. - - Common stock, 100,000,000 common shares authorized with a par value of $0.0001; 11,250,000 and 2,338,273 shares issued and outstanding, respectively. 1,126 234 Additional paid in capital 491,440 131,395 Accumulated deficit (522,130) (110,939) ----------- ----------- TOTAL STOCKHOLDERS' EQUITY (DEFICIT) (29,564) 20,690 ----------- ----------- TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) $ 98,257 $ 118,864 =========== =========== The accompanying notes are an integral part of these consolidated financial statements. F-5 44 BENTLEYCAPITALCORP.COM, INC CONSOLIDATED STATEMENTS OF OPERATIONS FOR YEARS ENDED DECEMBER 31, 2002 AND 2001 2002 2001 ------------ ------------ SALES $ 303,734 $ 484,393 COST OF GOODS SOLD 210,091 316,147 ------------ ------------ GROSS MARGIN 93,643 168,246 ------------ ------------ OPERATING EXPENSES General and administrative expenses 274,873 219,157 Fair value of officer services 60,000 60,000 ------------ ------------ TOTAL OPERATING EXPENSES 334,873 279,157 ------------ ------------ LOSS FROM OPERATIONS (241,230) (110,911) ------------ ------------ OTHER INCOME AND (EXPENSE) Loss on disposal of equipment - (347) Loss on acquisition of BentleyCapitalCorp.com (170,000) - Interest income 39 319 ------------ ------------ TOTAL OTHER EXPENSE (NET) (169,961) (28) ------------ ------------ NET LOSS $ (411,191) $ (110,939) ============ ============ BASIC AND DILUTED LOSS PER COMMON SHARE $ (0.09) $ (0.08) ============ ============ BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING 4,647,953 1,436,029 ============ ============ The accompanying notes are an integral part of these consolidated financial statements. F-6 45 BENTLEYCAPITALCORP.COM, INC CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001 PREFERRED STOCK COMMON STOCK ADDITIONAL --------------- --------------------- PAID IN ACCUMULATED SHARES AMOUNT SHARES AMOUNT CAPITAL DEFICIT TOTAL ------ -------- ----------- -------- --------- ---------- ------------ BALANCE -

DECEMBER 31, 2000 - $ - $ - $ - $ - $ - Issuance for assets contributed by majority shareholder - - 780,360 78 43,851 - 43,929 Issuance for cash contributions - - 492,066 49 27,651 - 27,700 Issuance as compensation for officer services - - 1,065,847 107 59,893 60,000 Net loss for the period - - - - - (110,939) (110,939) ------ -------- ----------- -------- ---------- ----------- ------------ BALANCE - DECEMBER 31, 2001 - - 2,338,273 234 131,395 (110,939) 20,690 Issuance for cash contributions - - 2,325,980 233 130,704 - 130,937 Issuance as compensation for officer services - - 1,065,847 107 59,893 - 60,000 Issuance for officer's acquisition of BentleyCapitalCorp.com stock. - - 3,019,900 302 169,698 - 170,000 Issuance of common stock for net assets of BentleyCapitalCorp.com - - 2,500,000 250 (250) - - Net loss for the period - - - - - (411,191 (411,191) ------ -------- ----------- -------- ---------- ----------- ------------ BALANCE - DECEMBER 31, 2002 - $ - 11,250,000 $ 1,126 $ 491,440 $ (522,130) $ (29,564) ====== ======== =========== ======== ========== =========== ============ The accompanying notes are an integral part of these consolidated financial statements. F-7 46 BENTLEYCAPITALCORP.COM, INC CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001 2002 2001 ----------- ----------- CASH FLOWS FROM OPERATING ACTIVITIES Net loss $ (411,191) $ (110,939) Adjustments to reconcile net loss to cash used in operating activities: Depreciation 3,532 2,525 Loss on impairment of inventory - 5,572 Loss on disposal of property and equipment - 347 Loss on acquisition of BentleyCapitalCorp.com 170,000 - Fair value of officer services 60,000 60,000 Changes in operating assets and liabilities Accounts receivable (7,666) (25,089) Inventory 16,923 (40,282) Accounts payable 29,464 98,174 Accrued expenses 183 - ----------- ----------- NET CASH USED IN OPERATING ACTIVITIES (138,755) (9,692) ----------- ----------- CASH FLOWS FROM INVESTING ACTIVITIES Purchases of property and equipment (3,415) (5,390) ----------- ----------- NET CASH USED IN INVESTING ACTIVITIES (3,415) (5,390) ----------- ----------- CASH FLOWS FROM FINANCING ACTIVITIES Capital contributions 130,93 27,700 ----------- ----------- NET CASH PROVIDED BY FINANCING ACTIVITIES 130,937 27,700 ----------- ----------- NET INCREASE (DECREASE) IN CASH (11,233) 12,618 CASH AT BEGINNING OF PERIOD 12,618 - ----------- ----------- CASH AT END OF PERIOD $ 1,385 $ 12,618 =========== =========== NON-CASH INVESTING AND FINANCING ACTIVITIES: Property and equipment contributed by majority shareholder $ - $ 13,198 Inventory contributed by majority shareholder $ - $ 30,731 Transfer of inventory to equipment $ 27,857 $ - The accompanying notes are an integral part of these consolidated financial statements. F-8 47 BENTLEYCAPITALCORP.COM, INC NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATIONS ORGANIZATION- Proton Laboratories, LLC. (Proton) was incorporated on February 16, 2000 in the State of California. Proton did not begin its operations until January 1, 2001. On January 1, 2001, Proton's sole owner contributed inventory and property and equipment to the Company. BentleyCapitalCorp.com Inc. (Bentley) was incorporated in the State of Washington on March 14, 2000. The Company acquired a license to market and distribute vitamins, minerals, nutritional supplements, and other health and fitness products in the Province of British Columbia, Canada. The Company was in the development stage. On November 15, 2002, Proton entered into an Agreement and Plan of Reorganization with Bentley whereby the Company merged with and into VWO I Inc. (VWO), a wholly owned subsidiary of Bentley (the "Merger"). As a result of the Merger, Proton's sole owner, Edward Alexander, exchanged 100% of his ownership for 8,750,000 shares of Bentley common stock, par value $0.0001 per share. Prior to the Merger, Proton's sole owner (Mr. Alexander) entered into a Stock Purchase Agreement with certain shareholders of Bentley. Under the Stock Purchase Agreement, Mr. Alexander purchased 8,750,000 shares of common stock of Bentley from certain Bentley shareholders for $170,000. The 8,750,000 shares Mr. Alexander acquired were canceled as part of the Merger. VWO I Inc. changed its name to Proton Laboratories, Inc. (Proton) as part of the Merger. In accordance with SFAS 141 Business Combinations and EITF 98-3, Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business, the Merger has been accounted for as the reorganization of Proton and the acquisition of Bentley's assets for $170,000 using the purchase method of accounting. There were no material assets or liabilities of Bentley at the time of the Merger, accordingly, the $170,000 paid by Mr. Alexander has been reflected as a loss on the acquisition of Bentley in the accompanying financial statements. For financial statement purposes Proton is considered the parent corporation but maintains BentleyCapitalCorp.com, Inc as its business name and hereafter is collectively referred to as the "Company". BASIS OF PRESENTATION- Proton changed from an LLC to a corporation on November 15, 2002. The effect of the corporate status of the Company has been reflected in the accompanying consolidated financial statements. The accompanying financial statements have been restated to reflect the shares of common stock acquired through the merger as though they had been issued on the dates capital contributions were received from the majority owner of the Company, including the fair value of services rendered and the $170,000 to acquire the interest in Bentley. CONSOLIDATION POLICY- The accompanying consolidated financial statements reflect the financial position of and operations for Proton as of and for the years ended December 31, 2002 and 2001 and the operations of Bentley for the period from November 15, 2002 through December 31, 2002. All significant intercompany transactions have been eliminated in consolidation. NATURE OF OPERATIONS - The Company's operations are located in Alameda, California. The core business of the Company consists of the sales and marketing of the Company's industrial, environmental and residential systems which alter the properties of water to produce functional water throughout the United States of America. The Company acts as an exclusive importer and master distributor of these products to various companies in which uses for the product F-9 48 BENTLEYCAPITALCORP.COM, INC NOTES TO CONSOLIDATED FINANCIAL STATEMENTS range from food processing to retail water sales. Additionally, the Company formulates intellectual properties under licensing agreements, supply consumer products, consult on projects utilizing functional water, facilitate between manufacturer and industry and act as educators on the benefits of functional water. NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. FINANCIAL INSTRUMENTS -The Company is subject to concentration of credit risk with respect to sales primarily in the functional water industry and sales to a significant customer and purchases from a significant vendor. Accounts receivable are generally unsecured. The Company normally obtains payments from customers prior to delivery of the related products. Otherwise, the Company does not require collateral for accounts receivable. The amounts reported as accounts receivable, inventory, accounts payable, and accrued expenses are considered to be reasonable approximations of their fair values. The fair value estimates presented herein were based on market information available to management at the time of the preparation of the financial statements. BUSINESS CONDITION - The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The company has incurred net losses of $411,191 and $110,939 for the years ended December 31, 2002 and 2001, respectively. Cash used in operations for the years ended December 31, 2002 and 2001 was $138,755 and $9,692, respectively. The Company's revenues decreased during 2002 and capital contributions were required from the company's president to fund operations. These conditions raise a substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Management has devoted a significant amount of time during 2002 to the public filing process. A substantial amount of legal and accounting fees were incurred in the acquisition and merger with BentleyCapitalCorp.com and the required filings due to the merger. These items significantly contributed to the net loss of the Company in 2002. The $411,000 loss reported for 2002 includes $170,000 for the acquisition of BentleyCapitalCorp.com, approximately $80,000 for legal and accounting fees related to the acquisition, and $60,000 for compensation costs for officer services paid with stock. The Company is currently in a start-up phase and working towards raising public funds to expand its marketing and revenues. The Company has spent considerable time in contracting with several major overseas corporations for the co-development of enhanced antioxidant beverages for distribution into the overseas markets. In addition, the Company is working with its Canadian business associates to identify institutional businesses to market various disinfection applications based upon functional water, pending government approval. F-10 49 BENTLEYCAPITALCORP.COM, INC NOTES TO CONSOLIDATED FINANCIAL STATEMENTS The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows to meet its obligations on a timely basis, to obtain additional financing as may be required, and ultimately to attain profitable operations. However, there is no assurance that profitable operations or sufficient cash flows will occur in the future. INVENTORY - Inventory consists of purchased finished goods and is stated at the lower of cost (using the first-in, first-out method) or market value. The inventory obsolescence reserve was $5,572 as of December 31, 2002 and 2001. PROPERTY AND EQUIPMENT - Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3 to 7 years. Depreciation expense for the years ended December 31, 2002 and 2001, was $3,532 and $2,525, respectively. Expenditures for maintenance, repairs, and renewals are charged to expense as incurred. Expenditures for major renewals and betterments that extend the useful lives of existing equipment are capitalized and depreciated. On retirement or disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statement of operations. The Company records impairment losses on property and equipment when indicators of impairment are present and estimated undiscounted cash flows to be generated by those assets are less than the assets' carrying amount. CASH AND CASH EQUIVALENTS - The Company considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents. BASIC AND DILUTED LOSS PER SHARE -Basic loss per common share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is calculated to give effect to potentially issuable common shares, except during periods when those potentially issuable common shares would decrease the loss per share. There were no potentially issuable common shares at December 31, 2002 and 2001. INCOME TAXES - The Company recognizes an asset or liability for the deferred tax consequences of all temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years when the reported amounts of the asset or liabilities are recovered. These deferred tax assets or liabilities are measured using the enacted tax rates that will be in effect when the differences are expected to reverse. Deferred tax assets are reviewed periodically for recoverability and valuation allowances and adjustments are provided as necessary. ADVERTISING - The Company follows the policy of charging the cost of advertising to expense as incurred. Advertising expense for the year ended December 31, 2002 and 2001 was $5,177 and $8,486, respectively. F-11 50 BENTLEYCAPITALCORP.COM, INC NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAJOR CUSTOMER - During the years ended December 31, 2002 and 2001, sales to one customer accounted for 14% and 11% of total sales, respectively. As of December 31, 2002 and 2001 amounts due from this customer accounted for 23% and 49% of accounts receivable, respectively. The Company believes the loss of this customer may have a negative impact on the Company's financial statements. MAJOR VENDOR - During the year ended December 31, 2002, purchases from four vendors accounted for 96% of total purchases. During the year ended December 31, 2001, purchases from one vendor accounted for 29% of total purchases. As of December 31, 2002, amounts due to the four vendors accounted for 95% of accounts payable. As of December 31, 2001 amounts due to the one vendor accounted for 82% of accounts payable. The Company believes the loss of these vendors may have a negative impact on the Company's financial statements. REVENUE RECOGNITION - The Company recognizes revenue when all four of the following criteria are met: (i) persuasive evidence that arrangement exists; (ii) delivery of the products and/or services has occurred; (iii) the selling price is both fixed and determinable and; (iv) collectibility is reasonably probable. The Company's revenues are derived from sales of their industrial, environmental and residential systems which alter the properties of water to produce functional water. NEW ACCOUNTING STANDARDS - SFAS No. 141, "Business Combinations," requires usage of the purchase method for all business combinations initiated after June 30, 2001, and prohibits the usage of the pooling of interests method of accounting for business combinations. The provisions of SFAS No. 141 relating to the application of the purchase method are generally effective for business combinations completed after July 1, 2001. Such provisions include guidance on the identification of the acquiring entity, the recognition of intangible assets other than goodwill acquired in a business combination and the accounting for negative goodwill. The Company utilized this standard in the above mentioned merger. SFAS No. 142, "Goodwill and Other Intangible Assets," changes the current accounting model that requires amortization of goodwill, supplemented by impairment tests, to an accounting model that is based solely upon impairment tests. SFAS No. 142 also provides guidance on accounting for identifiable intangible assets that may or may not require amortization. The provisions of SFAS No. 142 related to accounting for goodwill and intangible assets will be generally effective for the Company at the beginning of 2002, except that certain provisions related to goodwill and other intangible assets are effective for business combinations completed after July 1, 2001. The Company does not believe this statement has any impact to the Company as of December 31, 2002 or 2001. In June 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations." SFAS No.143 addresses financial accounting and reporting for obligations associated with the retirement of intangible long-lived assets and associated asset retirement costs. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it has occurred. The asset retirement obligations will be capitalized as a part of the carrying amount of the long-lived asset. SFAS No. 143

applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and normal operation of long- lived assets. SFAS No. 143 is effective for years beginning after June 15, 2002, with earlier adoption permitted. Currently, the Company does not believe this statement will have any impact to the Company. In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and the recognition of impairment of long-lived assets to be held and used. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, with an earlier adoption encouraged. The Company is evaluating the impact of adopting SFAS No. 144 but believes it will not have a material effect on the Company's results of operations or financial position. F-12 51 BENTLEYCAPITALCORP.COM, INC NOTES TO CONSOLIDATED FINANCIAL STATEMENTS In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." Among other provisions, the statement modifies the criteria classification of gains and losses on debt extinguishments such that they are not required to be classified as extraordinary items if they do not meet the criteria for classification as extraordinary items in APB Opinion No. 30. The Company elected to adopt this standard during the year ended December 31, 2002. The adoption of this standard has had no material effect on the Company's financial position or results of operations. In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal activities." The statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee plan severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. The Company will be required to apply this statement prospectively for any exit or disposal activities initiated after December 31, 2002. The adoption of this standard is not expected to have a material effect on the Company's financial position or results of operations. In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." This statement amends Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for an entity that voluntarily changes to the fair value method of accounting for stock-based employee compensation. It also amends the disclosure provisions of Statement No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Statement No. 148 also requires disclosure about those effects in interim financial information. The adoption of this standard has had no material effect on the Company's financial position or results of operations. NOTE 3 - RELATED PARTY TRANSACTIONS On January 1, 2001, the Company's president contributed $30,731 of inventory and $13,198 of property and equipment to the Company for commencement of their operations. The inventory and property and equipment were recorded at the member's basis due to the transaction being between related parties. In addition during the years ended December 31, 2002 and 2001 the president contributed $130,937 and $27,700 in cash to the Company, respectively. The president originally received the inventory and property and equipment through a severance agreement with a previous employer. During the years ended December 31, 2002 and 2001, the president did not receive any amounts related to his salary. The Company determined that the fair value of the member services during 2002 and 2001 were $60,000 per year. Thus the Company recorded a salary expense and contributed capital of $60,000 during the years ended December 31, 2002 and 2001. As part of the merger and the Company becoming a corporation these contributions were reclassified to common stock and additional paid-in capital. F-13 52 BENTLEYCAPITALCORP.COM, INC NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOTE 4 - INCOME TAXES Prior to November 15, 2002, the Proton LLC elected to be taxed as a corporation. The Company incurred no income taxes during 2001 and had losses through November 2002. As part of the above mentioned merger, all prior net operating losses have been limited under section 382 of the Internal Revenue Code to a nominal amount and are not included in the income tax information below. The income tax information below is from the date of the merger, November 15, 2002, through December 31, 2002. There was no provision for or benefit from income tax for any period. The components of the net deferred tax asset at December 31, 2002 is as follows: Bad debt reserve $ 258 Depreciation 124 Net operating loss carry forward 17,923 Less: valuation allowance (18,305) --------- NET DEFERRED TAX ASSET $ - ========= For tax reporting purposes, the Company has net operating loss carry forwards in the amount of $44,662 which will expire in 2023. The following is a reconciliation of the amount of tax benefit that would result from applying the federal statutory rate to pretax loss with the benefit from income taxes for August 2002 through December 2002: Benefit at statutory rate (34%) $(73,308) Non-deductible expenses 68,220 Change in valuation allowance 18,305 State tax benefit, net of federal tax effect (13,217) --------- NET BENEFIT FROM INCOME TAXES $ - ========= NOTE 5 - COMMITMENTS AND CONTINGENCIES OPERATING LEASES - The Company currently leases office and storage space from a third party. On March 6, 2002, the Company entered into a new lease agreement to pay a monthly lease payment increasing by 4% annually until May 2005. Additionally, under the lease the Company is required to pay a percentage of the property taxes and maintenance expenses. Future minimum lease payments under operating the lease obligation as of December 31, 2002, was as follows: Year ending December 31: 2003 27,647 2004 28,441 2005 11,990 ------- Minimum lease payments $68,078 ======= Rent expense for the years ended December 31, 2002 and 2001 was $39,360 and $27,029. F-14 53 BENTLEYCAPITALCORP.COM, INC -------------------------- TABLE OF CONTENTS ----------------- PAGE ---- Condensed Consolidated Balance Sheets - June 30, 2003 and December 31, 2002 FF-2 (unadutied) Condensed Consolidated Statements of Operations for the three months and six months ended June 30, 2003 and 2002 (unaudited) FF-3 Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2003 and 2002 FF-4 (unaudited) Notes to Condensed Consolidated Financial Statements FF-5 FF-1 54 BENTLEYCAPITALCORP.COM INC CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) JUNE 30, DECEMBER 31, 2003 2002 ------------------------------------------------------------------------------- ASSETS CURRENT ASSETS Cash $ 7,054 $ 1,385 Accounts receivable, less allowance of $2,442 27,711 32,755 Inventory, net of reserve for obsolescence of $5,572 16,735 20,661 ------------------------------------------------------------------------------- TOTAL CURRENT ASSETS 51,500 54,801 ------------------------------------------------------------------------------- PROPERTY AND EQUIPMENT Furniture and fixtures 4,670 4,670 Equipment and machinery 42,784 42,784 Leasehold improvements 1,886 1,886 Less: accumulated depreciation (9,640) (5,884) ------------------------------------------------------------------------------- NET PROPERTY AND EQUIPMENT 39,700 43,456 ------------------------------------------------------------------------------- TOTAL ASSETS $ 91,200 $ 98,257 ------------------------------------------------------------------------------- LIABILITIES AND STOCKHOLDERS' DEFICIT CURRENT LIABILITIES Accounts payable $ 145,309 $ 127,638 Accrued expenses - 183 ------------------------------------------------------------------------------- TOTAL CURRENT LIABILITIES 145,309 127,821 ------------------------------------------------------------------------------- STOCKHOLDERS' DEFICIT Preferred stock, 20,000,000 shares authorized with a par value of $0.0001; no shares issued or outstanding. - - Common stock, 100,000,000 common shares authorized with a par value of $0.0001; 11,250,000 shares issued and outstanding, 1,126 1,126 Additional paid in capital 521,350 491,440 Accumulated deficit (576,585) (522,130) ------------------------------------------------------------------------------- TOTAL STOCKHOLDERS' DEFICIT (54,109) (29,564) ------------------------------------------------------------------------------- TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT $ 91,200 $ 98,257 ------------------------------------------------------------------------------- THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS. FF-2 55 BENTLEYCAPITALCORP.COM INC CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) FOR THE THREE MONTHS ENDED FOR THE SIX MONTHS ENDED JUNE 30, JUNE 30, ------------------------ ------------------------ 2003 2002 2003 2002 ----------------------------------------------------------- ------------------------ SALES $ 63,674 $ 78,020 $ 127,400 $ 157,546 COST OF GOODS SOLD 20,424 45,945 56,352 118,973 ------------------------------------------------------------------------------------- GROSS MARGIN 43,250 32,075 71,048 38,573 ------------------------------------------------------------------------------------- OPERATING EXPENSES General and administrative expenses 42,614 85,802 95,503 127,057 Fair value of officer services 15,000 15,000 30,000 30,000 ------------------------------------------------------------------------------------- TOTAL OPERATING EXPENSES 57,614 100,802 125,503 157,057 ------------------------------------------------------------------------------------- NET LOSS $ (14,364) $ (68,727) $ (54,455) $ (118,484) ------------------------------------------------------------------------------------- BASIC AND DILUTED LOSS PER COMMON SHARE $ (0.00) $ (0.02) $ (0.00) $ (0.04) ------------------------------------------------------------------------------------- BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING 11,250,000 3,389,017 11,250,000 2,992,651 ------------------------------------------------------------------------------------- THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS. FF-3 56 BENTLEYCAPITALCORP.COM INC CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED) FOR THE SIX MONTHS ENDED JUNE 30, --------------------- 2003 2002 ------------------------------------------------------------------------ CASH FLOWS FROM OPERATING ACTIVITIES Net loss $(54,455) $(118,484) Adjustments to reconcile net loss to cash used in operating activities: Depreciation 3,756 1,766 Fair value of officer services 30,000 30,000 Changes in operating assets and liabilities Accounts receivable 4,954 2,256 Inventory 3,926 5,268 Accounts payable 17,671 15,558 Accrued expenses (183) - ------------------------------------------------------------------------ NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES 5,669 (63,636) CASH FLOWS FROM INVESTING ACTIVITIES Purchases of property and equipment - (2,345) ------------------------------------------------------------------------ NET CASH USED IN INVESTING ACTIVITIES - (2,345) ------------------------------------------------------------------------ CASH FLOWS FROM FINANCING ACTIVITIES Capital contributions - 58,218 ------------------------------------------------------------------------ NET CASH PROVIDED BY FINANCING ACTIVITIES - 58,218 ------------------------------------------------------------------------ NET INCREASE (DECREASE) IN CASH 5,669 (7,763) CASH AT BEGINNING OF PERIOD 1,385 12,618 ------------------------------------------------------------------------ CASH AT END OF PERIOD $ 7,054 $ 4,855 ------------------------------------------------------------------------ THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS. FF-4 57 BENTLEYCAPITALCORP.COM INC NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATIONS ORGANIZATION- Proton Laboratories, LLC. (Proton) was incorporated on February 16, 2000 in the State of California. Proton did not begin its operations until January 1, 2001. On January 1, 2001, Proton's sole owner contributed inventory and property and equipment to the Company. BentleyCapitalCorp.com Inc. (Bentley) was incorporated in the State of Washington on March 14, 2000. The Company acquired a license to market and distribute vitamins, minerals, nutritional supplements, and other health and fitness products in the Province of British Columbia, Canada. The Company was in the development stage. On November 15, 2002, Proton entered into an Agreement and Plan of Reorganization with Bentley whereby the Company merged with and into VWO I Inc. (VWO), a wholly owned subsidiary of Bentley (the "Merger"). As a result of the Merger, Proton's sole owner, Edward Alexander, exchanged 100% of his ownership for 8,750,000 shares of Bentley common stock, par value $0.0001 per share. Prior to the Merger, Proton's sole owner (Mr. Alexander) entered into a Stock Purchase Agreement with certain shareholders of Bentley. Under the Stock Purchase Agreement, Mr. Alexander purchased 8,750,000 shares of common stock of Bentley from certain Bentley shareholders for $170,000. The 8,750,000 shares Mr. Alexander acquired were canceled as part of the Merger. VWO I Inc. changed its name to Proton Laboratories, Inc. (Proton) as part of the Merger. The Merger has been accounted for as the reorganization of Proton and the acquisition of Bentley's assets using the purchase method of accounting. For financial statement purposes Proton is considered the parent corporation but maintains BentleyCapitalCorp.com Inc as its business name and hereafter is collectively referred to as the "Company". BASIS OF PRESENTATION- Proton changed from an LLC to a corporation on November 15, 2002. The effect of the corporate status of the Company has been reflected in the accompanying consolidated financial statements. The accompanying financial statements have been restated to reflect the shares of common stock acquired through the merger as though they had been issued on the dates capital contributions were received from the majority owner of the Company, including the fair value of services rendered and the acquisition of Bentley. CONSOLIDATION POLICY- The accompanying consolidated financial statements reflect the financial position of Proton as of June 30, 2003 and December 31, 2002. The results of its operations include the activity of Proton for the three months ended June 30, 2003 and 2002 and the activity of Proton and Bentley for the six months ended June 30, 2003. All significant intercompany transactions have been eliminated in consolidation. CONDENSED FINANCIAL STATEMENTS - The accompanying unaudited condensed consolidated financial statements include the accounts of BentleyCapitalCorp.com and its 58 subsidiary (the "Company"). These financial statements are condensed and, therefore, do not include all disclosures normally required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the Company's annual financial FF-5 59 BENTLEYCAPITALCORP.COM INC NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATIONS (CONTINUED) statements included in the Company's December 31, 2002 Annual Report on Form 10-KSB. In particular, the Company's significant accounting principles were presented as Note 1 to the consolidated financial statements in that report. In the opinion of management, all adjustments necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements and consist of only normal recurring adjustments. The results of operations presented in the accompanying condensed consolidated financial statements for the six months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2003. NOTE 2 - BUSINESS CONDITION The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The company has incurred net losses of $54,455 and $118,484 for the six months ended June 30, 2003 and 2002, respectively. Cash provided by operations for the six months ended June 30, 2003 was $5,669. The Company's revenues decreased during 2003 and capital contributions were required from the Company's president to fund operations. The Company is currently in a start-up phase and working towards raising public funds to expand its marketing and revenues. The Company has spent considerable time in contracting with several major overseas corporations for the co-development of enhanced antioxidant beverages for distribution into the overseas markets. In addition, the Company is working with its Canadian business associates to identify institutional businesses to market various disinfection applications based upon functional water, pending government approval. The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows to meet its obligations on a timely basis, to obtain additional financing as may be required, and ultimately to attain profitable operations. However, there is no assurance that profitable operations or sufficient cash flows will occur in the future. NOTE 3 - CONTRIBUTED CAPITAL During the six months ended June 30, 2003, the president did not receive any amounts related to his salary. Thus the Company recorded a salary expense and contributed capital for the fair value the president's services. During the six months ended June 30, 2003 the president contributed $30,000 in the form of his salary and cash. FF-6 60