

VITACUBE SYSTEMS HOLDINGS INC
Form SB-2
December 07, 2004

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As filed with the Securities and Exchange Commission on December 7, 2004

Registration No.

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

FORM SB-2
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

VITACUBE SYSTEMS HOLDINGS, INC.
(Name of small business issuer in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

2833
(Primary Standard Industrial
Classification Code Number)

84-1575085
(I.R.S. Employer Identification No.)

480 South Holly Street
Denver, Colorado 80246
(303) 316-8577
(Address and telephone number of principal executive offices and principal place of business)

Sanford D. Greenberg, Chief Executive Officer
VitaCube Systems Holdings, Inc.
480 South Holly Street
Denver, Colorado 80246
(303) 316-8577
(Name, address and telephone number of agent for service)

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Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

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CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Dollar Amount To Be Registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price(1)	Amount of registration fee
Units, consisting of two shares of common stock, par value \$0.001 per share, one Class A public warrant to purchase one share of common stock and one Class B public warrant to purchase one share of common stock(2)	[]	[]	\$11,040,000	\$1,398.77
Shares of common stock, par value \$0.001 per share, included in the units				
Class A public warrants to purchase common stock included in the units				
Shares of common stock, par value \$0.001 per share, underlying the Class A public warrants included in the units(3)	[]	[]	\$8,280,000	\$1,049.08
Class B public warrants to purchase common stock included in the units				
Shares of common stock, par value \$0.001 per share, underlying the Class B public warrants included in the units(3)	[]	[]	\$11,040,000	\$1,398.77
Representative's warrants to purchase units(4)	[]	[]	\$100	[]
Units issuable upon exercise of the Representative's warrants	[]	[]	\$1,104,000	\$139.88
Shares of common stock, par value \$0.001 per share, included in units underlying the Representative's warrants(3)				
Class A public warrants to purchase common stock, par value \$0.001 per share, included in units underlying the Representative's warrants(3)				
Shares of common stock, par value \$0.001 per share, underlying the Class A public warrants included in the units issuable upon exercise of the Class A public warrants underlying the Representative's warrants(3)	[]	[]	\$828,000	\$104.91
Class B public warrants to purchase common stock, par value \$0.001 per share, included in the units underlying the Representative's warrants				
Shares of common stock, par value \$0.001 per share, underlying the public warrants included in the units issuable upon exercise of the Class B public warrants underlying the Representative's warrants(3)	[]	[]	\$1,104,000	\$139.88
Class A public warrants to purchase common stock to be issued to certain stockholders(5)				
Shares of common stock, par value \$0.001 per share, underlying Class A public warrants to be issued to certain stockholders(5)	[]	[]		
Class B public warrants to purchase common stock to be issued to certain stockholders(5)				
Shares of common stock, par value \$0.001 per share, underlying Class B public warrants to be issued to certain stockholders(5)	[]	[]		

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Total	[]	[]	\$33,396,100.00	\$4,231.29
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- (1) We intend to register units having an aggregate initial public offering price of approximately \$11,040,000, including units that may be sold on exercise of the underwriters' over-allotment option. The number of units to be registered and the per unit price will depend on the market price of our common stock and the effect of a 1-for-5 reverse stock split of our common stock that we expect to consummate on December 8, 2004 as well as any other reverse stock split we may effect prior to this offering.
- (2) Estimated pursuant to Rule 457(o) solely for the purpose of calculating the amount of the registration fee. Includes _____ units that the underwriters have the option to purchase to cover over-allotments, if any.
- (3) Pursuant to Rule 416 under the Securities Act, there are also being registered hereby such additional indeterminate number of shares as may become issuable pursuant to any antidilution provisions of the warrants.
- (4) In connection with the sale of units, we are granting to the representative of the underwriters a warrant to purchase up to _____ units at a per unit purchase price equal to 120% of the public offering price of a unit. No registration fee is required pursuant to Rule 457(g).
- (5) In connection with the sale of the units we are granting certain of our stockholders 250,000 Class A public warrants and 250,000 Class B public warrants in consideration of their agreements not to sell their securities of the registrant for 12 months from the completion of this offering. No monetary consideration will be paid by such stockholders for the issuance of the Class A and Class B public warrants to them.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting nor does it seek an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated December , 2004

PRELIMINARY PROSPECTUS

VITACUBE SYSTEMS HOLDINGS, INC.

Units

each unit consisting of two shares of common stock, one redeemable Class A public warrant and one redeemable Class B public warrant

This is a public offering of securities of VitaCube Systems Holdings, Inc. Our securities are being offered in units, each unit consisting of two shares of our common stock, one Class A public warrant to purchase one share of our common stock and one Class B public warrant to purchase one share of our common stock. The Class A and Class B public warrants will trade only as a part of a unit for 45 days following the effective date of this offering unless The Shemano Group, Inc., the representative of the underwriters, determines that separate trading of the public warrants should occur earlier. Each Class A public warrant will entitle its owner to purchase one share of our common stock for \$ per share subject to adjustment, including anti-dilution provisions for corporate events such as stock splits. Each Class B public warrant will entitle its owner to purchase one share of our common stock for \$ per share subject to adjustment, including anti-dilution provisions for corporate events such as stock splits. Each Class A and Class B public warrant may be exercised at any time after 45 days from the effective date of this offering or such earlier date as the public warrant becomes separately traded and thereafter for five years after the effective date of this offering unless we have redeemed them. At any time after the first anniversary after the effective date of this offering, we may redeem some or all of the Class A public warrants at a price of \$0.01 per warrant, upon 30 days' notice so long as the last reported sales price per share of our common stock as reported by the principal exchange or trading market on which our common stock trades equals or exceeds \$ for 20 consecutive trading days ending on the third day prior to the date we give notice of redemption. We may redeem some or all of the Class B public warrants under the same conditions at a price of \$0.01 per public warrant except the last reported sales price per share of our common stock must be at least \$ for such period.

Our common stock trades on the National Association of Securities Dealers Over-the-Counter Bulletin Board under the symbol "VCUB.OB." On , 2004, the last reported sales price of our common stock on the Over-the-Counter Bulletin Board was \$. We have applied to list our common stock, units and Class A and Class B public warrants under the symbols " , " , " " and " , " respectively, on the American Stock Exchange, and plan to be so listed concurrently with the effectiveness of this offering.

The initial public offering price will be \$ per unit. Unless otherwise indicated, all shares and per-share information in this prospectus gives retroactive effect to a 1-for-5 reverse stock split of our common stock that we expect to consummate on December 8, 2004. The initial public offering price of the units will be based on various factors, including the reported sales price per share of our common stock as reported on the Over-the-Counter Bulletin Board and any other reverse stock split we may effect prior to this offering, and will be determined by negotiations between us and The Shemano Group, Inc., the representative of the underwriters.

Investing in the securities offered by this prospectus involves significant risks. We urge you to read carefully the "Risk Factors" section beginning on page 8 where we describe specific risks you should consider before buying these units.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Unit	Total
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Public offering price	\$	\$9,600,000
Underwriting discount	\$	\$768,000
Proceeds to us, before expenses(1)	\$	\$8,832,000

(1) We expect total cash expenses for this offering to be approximately \$300,000. This does not include (i) a non-accountable expense allowance of 3% of the gross proceeds of this offering (not including proceeds from units sold as part of the underwriters' over-allotment, if any); and (ii) a financial advisory agreement with the representative of the underwriters for a period of 12 months commencing on the date of the closing of the offering for a fee of \$16,000 per month, or an aggregate of \$192,000.

The units are being offered on a firm commitment basis. The underwriters expect to deliver the units to purchasers on _____, 2005. We have granted the underwriters a 45-day option to purchase up to _____ additional units to cover over-allotments. We have also agreed to sell to the representative underwriters' warrants to purchase up to _____ additional units.

The Shemano Group, Inc.

Prospectus dated _____, 2004.

[PICTURES OF SEVERAL PROFESSIONAL ATHLETE ENDORSERS AND SOME OF OUR PRODUCTS]

While these endorsers use and endorse our products, no endorsement by any of them as to the merits of the securities offered by this prospectus should be inferred.

YOUR RELIANCE ON INFORMATION CONTAINED IN THIS PROSPECTUS

We have not authorized anyone to provide you with information different from that contained in this prospectus. These securities may be sold only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the effective date of this offering, regardless of the time of delivery of this prospectus or of any sale of the securities. You must not consider that the delivery of this prospectus or any sale of the securities covered by this prospectus implies that there has been no change in our affairs since the effective date of this offering or that the information contained in this prospectus is current or complete as of any time after the effective date of this offering.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding us and the securities being offered for sale by means of this prospectus and our financial statements and notes to those statements appearing elsewhere in this prospectus. The following summary highlights information contained elsewhere in this prospectus. Unless the context indicates otherwise, all references in this prospectus to "we," "our," "us" or the "Company" refer to VitaCube Systems Holdings, Inc., and its subsidiaries, VitaCube Systems, Inc. ("V3S"), a Colorado corporation that was acquired by us in a stock-for-stock exchange in June 2003, and VitaCube Network, Inc., a Colorado corporation formed as our network marketing subsidiary in July 2003.

Our Business

We develop, sell, market and distribute nutritional supplement products primarily through direct sales or network marketing in which independent distributors sell our products, as well as purchase them for their own personal use. We also sell our products directly to professional and Olympic athletes and to professional sports teams.

Our independent distributors are encouraged to build a sales organization consisting of customers and other independent distributors that they recruit and enroll with us. The new independent distributors and customers are classified as part of the recruiting independent distributor's sales network in that distributor's "downline" organization.

Our network marketing program is designed to provide incentive for independent distributors to build, maintain and motivate a sales organization of customers and other independent distributors to enhance their earning potential. Our independent distributors are compensated with commissions and bonuses on sales generated through their downline organization.

Our product lines consist of two powdered beverages, 12 individual supplements packaged in our VitaCube®, and four supplements sold separately. Our VitaCube® is an easy to use, compartmentalized box with instructions for which supplements to take and the proper times to take them.

Our products were formulated for use by professional and Olympic athletes, with sales beginning in the third quarter of 2001. In 2002, we marketed our products to consumers through retail outlets and in-house telemarketing. In the third quarter of 2003, we refocused our marketing plan to concentrate on direct marketing while continuing to sell our products directly to professional and Olympic athletes and to professional sports teams.

We chose direct selling as our primary distribution channel because we believe:

sales and distribution growth can occur without significant additional capital outlays and with minimal incremental increases in general and administrative costs;

advancements in Internet technology over the past few years make it easier for distributors to develop, build and maintain sales organizations; and

compared to other distribution methods, our distributors can provide customers high levels of service, education and attention.

Our Business Strategy

Our business strategy is centered on adding independent distributors, increasing the number of professional athletes endorsing our products to enhance our brand and developing additional products. We believe this plan should result in increased sales of our products. In the event our business plan is

successful in the U.S., we would expect to expand our business to international markets. We are focusing on the following three key strategies:

Add Proven Sales Leaders. We plan to use a portion of the net proceeds from this offering to continue to recruit experienced sales leaders that can attract and train significant numbers of new independent distributors. In 2004, we entered into agreements with three sales leaders, each with more than 10 years of direct selling experience.

Add New Endorsers. We are seeking to add new endorsers in sports such as basketball, golf and NASCAR auto racing, all of which have a significant number of fans which we believe will be receptive to our products. We also believe that our endorsers in these sports will be beneficial to us in recruiting new independent distributors.

Develop New Products. In 2005, we plan to introduce two to four new products including a healthy "instant food" product and healthy snack to complement our current products.

Our Competitive Strengths

We believe our core strengths are in five areas: brand position, product offerings, selling system, operational infrastructure and corporate management.

Brand Position. We believe that endorsements by professional and Olympic athletes help establish our brand with nutritional supplement consumers. We have entered into endorsement contracts with athletes in football, baseball, hockey, lacrosse, skiing, snowboarding, golf and track and field.

We compensate several well-known sports celebrities through discounted product prices, cash and stock options in exchange for the use of their testimonials, photographs and video footage in our marketing materials and website. Some of our celebrity endorsers include:

Mike Shanahan (football): Head Coach, Denver Broncos five Super Bowl teams;

Curt Schilling (baseball): Pitcher, Boston Red Sox World Series Co-MVP;

Randy Johnson (baseball): Pitcher, Arizona Diamondbacks four-time Cy Young Award Winner and 2001 World Series Co-MVP;

Mike Alstott (football): Fullback, Tampa Bay Buccaneers four-time Pro Bowl selection;

John Lynch (football): Safety, Denver Broncos five-time Pro Bowl selection;

Gary Gait (lacrosse): Forward, Colorado Mammoth six-time National Lacrosse League MVP; and

Megan Addy (track and field): world-ranked 400 meter hurdler.

While these endorsers use and endorse our products, no endorsement by any of them as to the merits of the securities offered by this prospectus should be inferred.

Product Offerings. We developed our line of proprietary nutritional supplement products and packaging systems for professional athletes. These same products, which we continue to sell to professional athletes, are available to the general public.

The formulations of our products are based on publicly available scientific research. Key attributes of our products are:

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the ingredients are combined in a manner so that their effectiveness is not impaired;

the products do not contain adulterated ingredients such as ephedra, creatine, androstenedione, aspartame, steroids or human growth hormones; and

the tablets, capsules and soft gels are designed to dissolve readily to facilitate absorption.

Simple Selling System. Our products are marketed through a simple three-step system to quickly and consistently recruit new independent distributors and customers. First, we invite people to learn about our Company and sample our products. Second, we educate potential new customers and distributors. Third, we use our experienced independent distributors to assist prospects in deciding what products to purchase and how to become an independent distributor.

Operational Infrastructure. We believe we can significantly expand our business without substantial additional investment in infrastructure. We incur minimal incremental costs with each added distributor or customer. We utilize our Internet operations to enable online ordering of our products, to enroll new distributors and customers, and to broadcast our training program for new independent distributors.

Corporate Management. Collectively, our management team and board of directors have worked for many years for start-up growth companies, leading direct selling companies and for leading nutritional supplement companies.

Corporate Structure and Information

We were incorporated on January 9, 2001, under the name "Instanet, Inc." Instanet was originally formed to provide Internet funds transfers, but had no operating revenues and was a development stage company. In June 2003, Instanet acquired V3S, a Colorado corporation formed in October 2000, in a stock-for-stock exchange. In the transaction, all of the stock of V3S was exchanged for 2,714,403 shares of common stock of Instanet, then representing a 90% ownership interest. After the exchange, V3S became a wholly-owned subsidiary of Instanet, V3S's management became management of Instanet and Instanet changed its name to VitaCube Systems Holdings, Inc. The description of our historical business describes the business conducted by V3S. Instanet discontinued its business prior to the stock-for-stock exchange.

We maintain our principal executive offices at 480 South Holly Street, Denver, Colorado 80246, and our telephone number is (303) 316-8577. Our website is located at <http://www.v3s.com>. The information on our website does not constitute part of this prospectus.

The Offering

Units offered in this offering units, each unit consisting of two shares of our common stock, one Class A public warrant to purchase one share of our common stock and one Class B public warrant to purchase one share of our common stock. The Class A and Class B public warrants will trade only as part of a unit for 45 days following the effective date of this offering unless the representative of the underwriters determines that separate trading of the public warrants should occur earlier.

Common stock to be outstanding after this offering shares. This number does not include: shares underlying the Class A public warrants and the Class B public warrants offered by this prospectus;

500,000 shares underlying Class A and Class B public warrants to be issued to certain of our stockholders in connection with this offering;

shares of common stock reserved for issuance upon exercise of the underwriters' over-allotment option;

shares of common stock reserved for issuance upon exercise of the representative's warrants; and

2,074,074 shares of common stock underlying outstanding warrants and stock options with an average exercise price of \$3.44 per share.

Class A and Class B public warrants to be outstanding after this offering Class A public warrants to purchase up to shares of common stock and Class B public warrants to purchase up to shares of common stock issued in the offering, as well as an additional 250,000 Class A and 250,000 Class B public warrants to certain of our stockholders to be issued in connection with this offering.

Term of Class A and Class B public warrants Commencing on the date the public warrants become separately tradeable and thereafter for five years after the effective date of this offering unless earlier redeemed.

Exercise price of Class A public warrants \$ per warrant

Exercise price of Class B public warrants \$ per warrant

Redemption of Class A public warrants

At any time after the first anniversary of the effective date of this offering, we may redeem some or all of the Class A public warrants at a price of \$0.01 per public warrant, upon 30 days' notice so long as the last reported sales price of the common stock as reported by the principal exchange or trading market on which our common stock trades equals or exceeds \$ (subject to certain adjustments) for 20 consecutive trading days ending on the third day prior to the day on which notice is given.

Redemption of Class B public warrants

At any time after the first anniversary of the effective date of this offering, we may redeem some or all of the Class B public warrants at a price of \$0.01 per public warrant, upon 30 days' notice so long as the last reported sales price of the common stock as reported by the principal exchange or trading market on which our common stock trades equals or exceeds \$ (subject to certain adjustments) for 20 consecutive trading days ending on the third day prior to the day on which notice is given.

Proposed American Stock Exchange Symbols

Common stock: " "
 Units: " "
 Class A public warrants: " "
 Class B public warrants: " "

Risk factors

Investing in the securities offered by this prospectus involves a high degree of risk, including: we have incurred significant operating losses since inception and may never achieve profitability; our independent auditor's report on our most recent audited financial statements contained an explanatory paragraph expressing doubt about our ability to continue as a going concern; our direct sales program through independent distributors is new and unproven; our success will depend to a large degree on our ability to attract and maintain productive independent sales distributors; we rely on third parties for production of our products; we are dependent on our Chief Executive Officer; we face intense competition and new products may render our products obsolete. As an investor, you should be able to bear a complete loss of your investment. You should carefully consider the information set forth in the "Risk Factors" section of this prospectus.

Use of proceeds

We intend to use the net proceeds from this offering, including any proceeds received upon exercise of the over-allotment option, for marketing and promotions, product development and inventory, capital expenditures, general and administrative expenditures, and for working capital. See "Use of Proceeds."

250,000 Class A public warrants and 250,000 Class B public warrants to be issued to certain of our stockholders

In connection with this offering, certain of our stockholders are being issued 250,000 Class A public warrants and 250,000 Class B public warrants in consideration of their agreements not to sell _____ shares of common stock, _____ warrants to purchase common stock and _____ shares of common stock underlying the warrants until the earlier of 12 months from the closing of this offering or the average of the last reported sales price of our common stock equals or exceeds \$ _____ for 20 consecutive trading days.

Unless the context indicates otherwise, all share and per-share information in this prospectus:

is based on 6,534,046 shares of our common stock outstanding as of December 7, 2004;

assumes no exercise of the Class A or Class B public warrants, including the 250,000 Class A public warrants and the 250,000 Class B public warrants to be issued to certain stockholders of the Company in connection with this offering;

assumes no exercise of the underwriters' over-allotment option to purchase up to _____ units;

assumes no exercise of the representative's warrants to purchase _____ units;

assumes no exercise of any of our outstanding options and warrants to acquire 2,074,074 shares of our common stock; and

gives retroactive effect to a 1-for-5 reverse split of our common stock we expect to consummate on December 8, 2004 but does not give effect to any other reverse stock split we may effect prior to this offering.

SUMMARY FINANCIAL INFORMATION

In the table below, we provide you with historical selected consolidated financial data for the two years ended December 2003 and 2002, derived from our audited consolidated financial statements included elsewhere in this prospectus. We also provide the below financial data for, and as of the end of, the third fiscal quarters of 2004 and 2003, derived from our unaudited financial statement included elsewhere in this prospectus. Historical results are not necessarily indicative of the results that may be expected for any future period. When you read this historical selected financial data, it is important that you read along with it the historical consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	Year Ended December 31, 2002	Year Ended December 31, 2003	Nine Months Ended September 30,	
			2003	2004
			(unaudited)	
Statements of Operations Data:				
Net sales	\$ 983,557	\$ 1,213,062	\$ 1,018,329	\$ 561,454
Cost of goods sold	291,132	414,230	362,691	177,664
Operating expenses	2,141,354	2,658,739	2,077,343	1,804,078
Other expenses (interest)	156,928	225,075	132,244	296,901
Net loss	(1,605,857)	(2,084,982)	(1,553,948)	(1,717,189)
Per Common Share Data:				
Basic and Diluted loss per share	\$ (.42)	\$ (.71)	\$ (.54)	\$ (.32)
Weighted Average Shares of Common Stock Outstanding:				
Basic and Diluted	3,786,458	2,952,907	2,867,113	5,443,860

	December 31, 2003	September 30, 2004	
		Actual	As adjusted
		(unaudited)	
Balance Sheet Data:			
Current assets	\$ 354,489	\$ 1,232,791	\$ 9,284,791
Total assets	565,112	1,460,227	9,512,227
Current liabilities	1,410,692	402,095	402,095
Long-term debt and other liabilities	1,635,861		
Stockholders' equity (deficit)	(2,481,441)	1,058,132	9,110,132
Accumulated deficit	(4,868,405)	(6,585,594)	(6,585,594)

RISK FACTORS

Investment in our securities involves a high degree of risk. You should carefully consider the risks described below together with all of the other information included in this prospectus before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our securities could decline, and you may lose all or part of your investment.

We have a history of operating losses and a significant accumulated deficit, and we may never achieve profitability.

We have not been profitable since inception in 2001. We had a net loss of \$2,084,982 for the year ended December 31, 2003, and a net loss of \$1,717,189 for the nine months ended September 30, 2004. At September 30, 2004, we had an accumulated deficit of \$6,585,594. We may never achieve or maintain profitability. Our ability to achieve and maintain a profit is dependent upon our attracting and maintaining a large base of independent distributors who generate significant sales.

Assuming successful completion of this offering, we expect to incur operating losses for at least the next 12 to 18 months, depending primarily on our sales levels. We will incur significant expenses in seeking to expand our sales, including marketing and promotional expenditures directed at increasing consumer awareness of our products, differentiating our products from competing products, and building a productive direct sales force. We cannot assure you that we will be successful in expanding our sales or in achieving profits.

We may be unable to continue as a going concern in which case our securities will have little or no value.

Our independent auditor has noted in its report concerning our financial statements as of December 31, 2003, that we have incurred substantial losses since inception and at December 31, 2003, our current liabilities exceeded our current assets, which raised substantial doubt about our ability to continue as a going concern. In the event we are not able to continue operations you will likely suffer a complete loss of your investment in our securities. See the auditors' report on our consolidated financial statements elsewhere in this prospectus.

Because our working capital requirements have been and will continue to be significant, we may need funds in addition to the net proceeds of this offering or we would not be able to continue to operate our business. If our business fails, then you could lose your entire investment.

Upon completion of this offering, we expect that our available funds will be sufficient to meet our anticipated capital needs for 12 to 18 months, depending primarily upon our sales levels. If our assumptions are incorrect we would require additional capital beyond the cash generated from our operations, and we would need to seek additional financing. We cannot assure you that we would be able to obtain additional financing on acceptable terms or at all. Our failure to obtain financing when needed could force us to reduce or terminate operations which would lower or eliminate revenues, which would severely jeopardize our ability to stay in business. Any additional equity financing could substantially dilute your equity interests in our Company and any debt financing could impose significant financial and operational restrictions on us.

Our limited operating history and recent change in marketing strategy make it difficult to evaluate our prospects.

We have a limited operating history on which to evaluate our business and prospects. Our products were formulated in 2000 and 2001, and we began selling our products to the general public in early 2002. In late 2003, we began to refocus our sales and marketing efforts on direct sales of products

through our network of independent distributors. There is no assurance that we will achieve significant sales as a result of this new strategy. Our revenue for the first nine months of 2004 decreased by 45% compared to the same period during 2003 due in large part to the start up efforts relating to our direct sales program. There is no assurance that we will achieve significant sales as a result of our new marketing strategy.

We also may not be successful in addressing our operating challenges such as establishing a viable network of independent distributors, developing brand awareness and expanding our market presence. Our prospects for profitability must be considered in light of our evolving business model. These factors make it difficult to assess our prospects.

Our failure to recruit, maintain and motivate a large base of productive independent distributors could limit our ability to generate revenues.

To increase revenue, we must increase the sales and recruiting productivity of our independent distributors. We cannot assure you that we will be successful in recruiting and retaining productive independent distributors, particularly since direct sales organizations usually experience high turnover rates of independent distributors. Our independent distributors can terminate their relationships with us at any time. The distributors also typically work on a part-time basis and may engage in other business activities, which may reduce their efforts for us.

In recruiting and keeping independent distributors, we will be subject to significant competition from other direct sales organizations, both inside and outside our industry. Our ability to attract and retain independent distributors will be dependent on the attractiveness of our compensation plan, our product mix, and the support we offer to our independent distributors. Adverse publicity concerning direct sales marketing and public perception of direct selling businesses generally could negatively affect our ability to attract, motivate and retain independent distributors.

We anticipate that our independent distributor organization will be headed by a relatively small number of key independent distributors who together with their downline network will be responsible for a disproportionate amount of revenues. The loss of key independent distributors will adversely affect our revenues and could adversely affect our ability to attract other independent distributors, especially if an independent distributor takes other independent distributors of ours to a competitor or to any other organization.

A change in the amount of compensation paid to our independent distributors could reduce our ability to recruit and retain them and to realize a profit.

We expect that one of our significant expenses will be payment of compensation to our independent distributors. This compensation includes commissions, bonuses, awards and prizes. We may change our independent distributor compensation plan in seeking to better manage these incentives, to monitor the amount of independent distributor compensation paid and to prevent independent distributor compensation from having a significant adverse effect on our revenues. Changes to our independent distributor compensation plan may make it difficult for us to recruit and retain qualified and motivated independent distributors.

We are not in a position to exert the same level of influence or control over our independent distributors as we could if they were our employees, and we may be subject to significant costs and reputational harm in the event our independent distributors violate any laws or regulations applicable to our operations.

Our independent distributors are independent contractors and, accordingly, we are not in a position to provide the same level of control and oversight as we would if independent distributors were our employees. While we have implemented independent distributor policies and procedures

designed to govern independent distributor conduct and to protect our goodwill, there can be no assurance that our independent distributors will comply with our policies and procedures. Violations by our independent distributors of applicable law or of our policies and procedures dealing with customers could reflect negatively on our products and operations and harm our business reputation.

In addition, extensive federal, state and local laws regulate our direct selling program. The Federal Trade Commission ("FTC") or a court could hold us liable for the actions of our independent distributors. The FTC could also find us liable civilly for deceptive advertising if health benefit representations made by our independent distributors are not supported by competent and reliable scientific evidence. If any of these representations made by our independent distributors were deemed fraudulent, the FTC could refer the matter to the Department of Justice for criminal fraud prosecution. Also, the Food and Drug Administration ("FDA") could seek to hold us civilly and criminally liable for misbranding, for adulteration, or for sale of an unapproved new drug if an independent distributor were to make false or misleading claims, sell a product past its shelf life, or represent that any of our products were intended for use in the cure, treatment, or prevention of a disease or health-related condition. While we train our independent distributors and attempt to monitor our independent distributors' marketing claims and sales materials, we cannot ensure that all of these materials comply with applicable law.

Our direct selling program through independent distributors could be found not to be in compliance with current or newly adopted laws or regulations, which could subject us to increased costs and reduced distributor participation in sales efforts, and our revenues would decrease significantly.

Our direct marketing program could be found to violate laws or regulations applicable to direct selling marketing organizations. These laws and regulations generally are directed at preventing fraudulent or deceptive schemes, often referred to as "pyramid" or "chain sales" schemes, by ensuring that product sales ultimately are made to consumers and that advancement within an organization is based on sales of the organization's products rather than investments in the organization or other non-retail sales-related criteria. The regulations concerning these types of marketing programs do not include "bright line" rules and are inherently fact-based. Thus, even in jurisdictions where we believe that our direct selling program is in full compliance with applicable laws or regulations governing direct selling programs, we are subject to the risk that these laws or regulations or the enforcement or interpretation of them by governmental agencies or courts can change. The failure of our direct selling program to comply with current or newly adopted laws or regulations could result in costs and fines to us and make our independent distributors reluctant to continue their sales efforts, which would reduce our revenues significantly.

We are also subject to the risk of private party challenges to the legality of our direct selling program. Direct selling programs of some other companies have been successfully challenged in the past. An adverse judicial determination with respect to our direct selling program, or in proceedings not involving us directly but which challenge the legality of direct selling systems, could have a material adverse effect on our sales efforts, leading to lower revenues.

We may be held responsible for taxes or assessments relating to the activities of our independent distributors resulting in greater costs to us.

We treat our independent distributors as independent contractors and do not pay social security or similar taxes with respect to compensation paid to them. In the event that we are required to treat our independent distributors as employees, rather than independent contractors, we may be held responsible for social security and related taxes, plus any related assessments and penalties, which could significantly increase our operating costs.

We are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints which can make compliance costly and subject us to enforcement actions by governmental agencies.

The formulation, manufacturing, packaging, labeling, holding, storage, distribution, advertising and sale of our products are affected by extensive laws, governmental regulations and policies, administrative determinations, court decisions and similar constraints at the federal, state and local levels. There can be no assurance that we or our independent distributors will be in compliance with all of these regulations. A failure by us or our distributors to comply with these laws and regulations could lead to governmental investigations, civil and criminal prosecutions, administrative hearings and court proceedings, civil and criminal penalties, injunctions against product sales or advertising, civil and criminal liability for the Company and/or its principals, bad publicity, and tort claims arising out of governmental or judicial findings of fact or conclusions of law adverse to the Company or its principals. In addition, the adoption of new regulations and policies or changes in the interpretations of existing regulations and policies may result in significant new compliance costs or discontinuation of product sales and may adversely affect the marketing of our products, resulting in decreases in revenues.

The FDA regulates our products and our product labeling. Among other matters the FDA regulates nutrient content and ingredient information, claims of the effect of a dietary supplement or dietary ingredient on a body structure or function, and claims of the effect of a dietary supplement or dietary ingredient on disease or risk of disease. The FDA can initiate civil and criminal proceedings against persons who make false or misleading claims on labels or in labeling, who engage in misbranding, who evidence an intent to sell their products for a therapeutic use not approved by the agency, who sell misbranded products, or who sell adulterated products. The FDA can also require the recall of all products that are misbranded or adulterated.

The FTC has jurisdiction over our product advertising. The FTC can initiate civil proceedings for deceptive advertising and deceptive advertising practices. It can seek for companies to make payments to consumers or disgorgement of profits from the sale of any product held to have been deceptively advertised. The FTC or a federal court can require a company found liable to give notice of the availability of refunds in part or whole for the product purchase price for all products sold through use of advertising deemed deceptive.

State authorities may likewise bring enforcement actions for misbranding, adulteration, and deceptive advertising. Those actions may be pursued simultaneously with federal actions.

On March 13, 2003, the FDA proposed a new regulation to require current Good Manufacturing Practice guidelines ("cGMPs") in the manufacture, packing, holding, and distribution of nutritional supplements. The proposed rules would establish minimum standards that must be met by all companies that manufacture, package, and hold nutritional supplements in the United States. Violation of those standards would render the products in question presumptively adulterated and unlawful to sell. The proposed cGMPs would require manufacturers to follow procedures that would track nutrients from source to finished product, test nutrients for identity, purity, quality, strength, and composition at each stage of production, and record full compliance with specific regulations governing production, manufacture, and holding of nutritional supplements. The cGMPs may be adopted by the end of 2004 and may become fully effective by 2007. We expect that the cGMPs will increase our product costs by requiring our various contract manufacturers to expend additional capital and resources on quality control testing, new personnel, plant redesign, new equipment, facilities placement, recordkeeping and ingredient and product testing.

The FDA and some state agencies invite the public to complain if they experience any adverse effects from the consumption of nutritional supplements. These complaints may be made public. Regardless of whether complaints of this kind are substantiated or proven, public release of complaints of this type may have an adverse effect upon public perception of us, the quality of our products or the

prudence of taking our products. Changes in consumer attitudes based on adverse event reports could adversely affect the potential market for and sales of our products and make it more difficult to recruit and retain independent distributors and obtain endorsers.

We are dependent on a limited number of independent suppliers and manufacturers of our products, which may affect our ability to deliver our products in a timely manner. If we are not able to ensure timely product deliveries, potential distributors and customers may not order our products, and our revenues may decrease.

We rely entirely on a limited number of third parties to supply and manufacture our products. Our manufacturers produce our products on a purchase order basis only and can terminate their relationships with us at will. These third parties may be unable to satisfy our supply requirements, manufacture our products on a timely basis, fill and ship our orders promptly, provide services at competitive costs or offer reliable products and services. The failure to meet any of these critical needs would delay or reduce product shipment and adversely affect our revenues, as well as jeopardize our relationships with our independent distributors and customers. In the event any of our third party manufacturers were to become unable or unwilling to continue to provide us with products in required volumes and at suitable quality levels, we would be required to identify and obtain acceptable replacement manufacturing sources. There is no assurance that we would be able to obtain alternative manufacturing sources on a timely basis. An extended interruption in the supply of our products would result in decreased product sales and our revenues would likely decline.

We are dependent on our third party manufacturers to supply our products in the compositions we require, and we do not independently analyze our products. Any errors in our product manufacturing could result in product recalls, significant legal exposure, and reduced revenues and the loss of distributors.

While we require that our manufacturers verify the accuracy of the contents of our products, we do not have the expertise or personnel to monitor the production of products by these third parties. We rely exclusively, without independent verification, on certificates of analysis regarding product content provided by our third party suppliers and limited safety testing by them. We cannot be assured that these outside manufacturers will continue to supply products to us reliably in the compositions we require. Errors in the manufacture of our products could result in product recalls, significant legal exposure, adverse publicity, decreased revenues, and loss of distributors and endorsers.

We face significant competition from existing suppliers of products similar to ours. If we are not able to compete with these companies effectively, then we may not be profitable.

We face intense competition from numerous resellers, manufacturers and wholesalers of energy drinks, protein shakes and nutritional supplements similar to ours, including retail, online and mail order providers. Most of our competitors have longer operating histories, established brands in the marketplace, revenues significantly greater than ours, more capital and better access to capital than us. These competitors may use their resources to engage in various business activities that could result in reduced sales of our products. Companies with greater capital and research capabilities could re-formulate existing products or formulate new products that could gain wide marketplace acceptance, which could have a depressive effect on our future sales. In addition, aggressive advertising and promotion by our competitors may require us to compete by lowering prices because we do not have the resources to engage in marketing campaigns against these competitors, and the economic viability of our operations likely would be diminished.

We may not be able to attract high visibility endorsers, which may result in reduced product sales for us.

A principal component of our marketing program is the use and endorsement of our products by well-known professional and Olympic athletes and others associated with professional sports teams. Although we have obtained several well-known sports celebrities as endorsers of our products, some of these persons may not continue their endorsements, may not continue to succeed in their fields, may engage in activities which could bring disrepute on themselves and, in turn, on us and our products, and our revenues could suffer. We also may not be able to attract new endorsers, especially sports celebrities that may emerge in the future. Competition for endorsers is significant and adverse publicity regarding us or our industry could make it more difficult to attract and retain endorsers.

Adverse publicity associated with our products, ingredients or direct selling program, or those of similar companies, could adversely affect our sales and revenues.

Adverse publicity concerning any actual or purported failure of our Company or our independent distributors to comply with applicable laws and regulations regarding any aspect of our business could have an adverse effect on the public perception of our Company. This, in turn, could negatively affect our ability to obtain endorsers and attract, motivate and retain independent distributors, which would have a material adverse effect on our ability to generate sales and revenues.

Our independent distributors' and customers' perception of the safety and quality of our products as well as similar products distributed by others can be significantly influenced by national media attention, publicized scientific research or findings, product liability claims and other publicity concerning our products or similar products distributed by others. Adverse publicity, whether or not accurate, that associates consumption of our products or any similar products with illness or other adverse effects, will likely diminish the public's perception of our products. Claims that any products are ineffective, inappropriately labeled or have inaccurate instructions as to their use, could have a material adverse effect on the market demand for our products, including reducing our sales and revenues.

The results of new nutritional dietary supplement studies could be contrary to general industry knowledge on which the formulation and marketing of our products are based and could materially and adversely impact our product sales. The federal government, research institutes, universities and others regularly conduct research into the use, effectiveness and potential for adverse results from the use of nutritional dietary supplements. Even if adverse studies are subject to substantial criticism or not supported by accepted scientific methodology, publicity surrounding the reports of these studies may result in flat or decreased sales of our products. In the past few years, the effectiveness of, and potential for harm from, some of the leading herbal supplements, which contain ingredients not in our products, have come into question as a result of research studies. These negative study results and other negative publicity could adversely affect the potential market and sales of our products.

Nutritional supplement products may be supported by only limited conclusive clinical studies resulting in less market acceptance of these products and lower revenues or lower growth rates in revenues.

Our nutritional supplement products are made from vitamins, minerals, amino acids, herbs, botanicals, and other substances for which there is a long history of human consumption. However, there is little long-term experience with human consumption of certain product ingredients or combinations of ingredients in concentrated form. Although we believe all of our products fall within the generally known safe limits for daily doses of each ingredient contained within them, nutrition science is imperfect. Moreover, some people have peculiar sensitivities or reactions to nutrients commonly found in foods and may have similar sensitivities or reactions to nutrients contained in our products. Furthermore, nutrition science is subject to change based on new research. New scientific

evidence may disprove the efficacy of our products or prove our products to have effects not previously known. We could be adversely affected in the event that our products should prove to be or if they are asserted to be ineffective or harmful to consumers, or if adverse effects are associated with a competitor's similar products.

Our products have higher prices than the products of most of our competitors, which may make it difficult for us to achieve significant revenues.

We may have difficulty in achieving market acceptance of our products because our products are among the highest priced in their categories due to the ingredients that we require in our products. While we believe that our products are superior to competing, lower priced products, consumers must be educated about our products. If we are unable to achieve market acceptance, we will have difficulty in achieving revenue growth, which would likely result in continuing operating losses.

The sale of our products involves product liability and related risks that could expose us to significant insurance and loss expenses.

We face an inherent risk of exposure to product liability claims if the use of our products results in, or is believed to have resulted in, illness or injury. Most of our products contain combinations of ingredients, and there is little long-term experience with the effect of these combinations. In addition, interactions of these products with other products, prescription medicines and over-the-counter drugs have not been fully explored or understood and may have unintended consequences. While our third party manufacturers perform tests in connection with the formulations of our products, these tests are not designed to evaluate the inherent safety of our products.

Although we maintain product liability insurance, it may not be sufficient to cover product liability claims and such claims could have a material adverse effect on our business. The successful assertion or settlement of an uninsured claim, a significant number of insured claims or a claim exceeding the limits of our insurance coverage would harm us by adding further costs to our business and by diverting the attention of our senior management from the operation of our business. Even if we successfully defend a liability claim, the uninsured litigation costs and adverse publicity may be harmful to our business.

Any product liability claim may increase our costs, and adversely affect our revenues and operating income. Moreover, liability claims arising from a serious adverse event may increase our costs through higher insurance premiums and deductibles, and may make it more difficult to secure adequate insurance coverage in the future. In addition, our product liability insurance may fail to cover future product liability claims, which if adversely determined could subject us to substantial monetary damages.

We have primarily used one individual to formulate all of our products, and the loss of his services may result in delays in formulating new products and our revenues may decrease.

The loss of the services of Dr. William Wheeler, a nutritionist, could have an adverse effect on our future revenues, as he is the primary person responsible for the formulation of all of our existing products. Dr. Wheeler is an independent contractor to us, and there is no assurance that he will be available to formulate new products for us. In addition, Dr. Wheeler formulates nutritional products for others, including his own company, and these products may compete with our products. If he is unavailable to us for any reason, our ability to formulate new products may be impaired, which could result in lower revenues.

A slower growth rate in the nutritional supplement industry could lessen our sales and make it more difficult for us to achieve growth and become profitable.

Nutritional supplement companies, analysts, publications and other industry sources have indicated that the nutritional supplement industry has experienced a significantly slower rate of growth in recent years, although available data revealed this trend was reversed in 2003, and numbers for 2004 are not available. In our view, this slowdown may be attributable in part to the maturing of the market for nutritional supplements, the lack of any significant developments of new products over the past few years, negative publicity about the effectiveness of some ingredients in certain nutritional supplements, the increase in the number of products competing in the industry, and the increased number of private label brands. Despite the growth in 2003, a slowdown in the industry's rate of growth could continue over the long term and impair the prospects for increasing the sale of and the demand for our products.

New products may render our products obsolete and our sales may suffer.

The nutritional supplement market historically has been influenced by "fad" products that became popular due to changing consumer tastes and media attention. Our products may be rendered obsolete by changes in popular tastes as well as media attention on new products or adverse media attention on nutritional supplements, which could reduce our sales. It may be difficult for us to change our product line to adapt to changing tastes. In addition, other "fad" food regimens, such as low carbohydrate diets, may decrease the overall popularity and use of our products.

If we are not able to adequately protect our intellectual property, then we may not be able to compete effectively and we may not be profitable.

Our existing proprietary rights may not afford remedies and protections necessary to prevent infringement, reformulation, theft, misappropriation and other improper use of our products by competitors. We own the formulations contained in our products. We consider our product formulations our critical proprietary property, which must be protected from competitors. We do not have any patents because we do not believe they are necessary to protect our proprietary rights. Although trade secret, trademark, copyright and patent laws generally provide such protection and we may attempt to protect ourselves through contracts with manufacturers of our products, we may not be successful in enforcing our rights. In addition, enforcement of our proprietary rights may require lengthy and expensive litigation. We have attempted to protect the trade names and trademarks used for our products by registering them with the U.S. Patent and Trademark Office, but we must rely on common law trademark rights to protect our unregistered trademarks. Common law trademark rights do not provide the same remedies as are granted to federally registered trademarks and the rights of a common law trademark are limited to the geographic area in which the trademark is actually used. Our inability to protect our intellectual property could have a material adverse impact on our ability to compete and could make it difficult for us to achieve a profit.

Loss of key personnel could impair our ability to operate.

Our future success depends on the skills, experience and efforts of our executive officers. The active involvement and participation of our Chief Executive Officer, Sanford D. Greenberg, is critical to our success. The loss of Mr. Greenberg's services could impair and delay our ability to operate and could cause us to go out of business. Although we have a \$5 million key man insurance policy on the life of Mr. Greenberg and an employment contract with him, we have no arrangement providing for his disability or loss of his services for reasons other than death.

Our success also depends on hiring, retaining and integrating senior management and skilled employees, including Timothy Transtrum, our Chief Operating Officer, and David Litt, our Vice

President of Sales and Marketing, in order to expand our business. As with all personal service providers, our officers can terminate their relationship with us at will. Our inability to retain these individuals may result in our reduced ability to operate our business.

Risks Related to This Offering

The price of our securities could be subject to wide fluctuations and your investment could decline in value.

The market price of the securities of a company such as ours with little name recognition in the financial community and without significant revenues can be subject to wide price swings. For example, the bid price of our common stock has ranged from a high \$16.25 and a low \$0.75 during the seven quarters ended September 30, 2004. The market price of our securities may be subject to wide changes in response to quarterly variations in operating results, announcements of new products by us or our competitors, reports by securities analysts, volume trading, or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations for a number of reasons, including the failure of certain companies to meet market expectations. These broad market price swings, or any industry-specific market fluctuations, may adversely affect the market price of our securities.

Speculative traders may anticipate a decline in the market price of our securities and engage in short sales of our securities. Such short sales could further negatively affect the market price of our securities.

Companies that have experienced volatility in the market price of their stock have been the subject of securities class action litigation. If we were to become the subject of securities class action litigation, it could result in substantial costs and a significant diversion of our management's attention and resources.

An active trading market for our securities may not be developed or sustained which could limit the liquidity of an investment in our securities.

There is a limited trading market for our common stock and no trading market for our units, Class A public warrants or Class B public warrants. Since December 26, 2001, our common stock has been traded on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities. We have submitted an application to list the units, common stock, Class A public warrants and Class B public warrants offered by this prospectus, together with the common stock currently trading on the OTC Bulletin Board, on the American Stock Exchange as of the effective date of this offering. However, there can be no assurance that our securities will be accepted for listing on the American Stock Exchange. There is no assurance that, in the event the securities offered by this prospectus are listed for trading on the American Stock Exchange, we will be able to continue to meet the listing requirements or that our securities will remain listed on the American Stock Exchange. If we are delisted from the American Stock Exchange, an investor could find it more difficult to dispose of, or to obtain accurate quotation as to the market value of, our securities and it may be difficult for us to qualify the Class A and Class B public warrants, as well as the common stock underlying those warrants, for sale in various states, impairing your ability to sell your securities. Additionally, regardless of which exchange our securities may trade on, an active and liquid trading market may not develop or, if developed, may not be sustained, which could limit security holders' ability to sell our securities at a desired price.

The representative has limited experience as a managing underwriter, which may adversely affect the size of any trading market for our securities and adversely affect their price.

Although certain officers of the representative of the underwriters have experience working on public offerings and other corporate finance matters, the representative has limited experience serving as a managing underwriter. Since the representative's experience in underwriting a firm commitment public offering is limited, there can be no assurance that the lack of experience will not adversely affect the trading market for our securities.

Certain events could result in a dilution of your ownership of our common stock.

We currently have 2,074,074 common stock equivalents outstanding, including warrants and options. The exercise price of all common stock equivalents is an average of \$3.44 per share. We may issue additional shares of common stock in private or public transactions to raise funds for working capital, research and development, acquisitions, or other purposes. If we issue additional common stock or if outstanding warrants or options are exercised, the number of outstanding shares of our common stock would increase and dilute your percentage ownership of our common stock. Exercise of the Class A and B public warrants, including 250,000 Class A and 250,000 Class B public warrants to be issued to certain of our stockholders in connection with this offering, will also dilute your percentage ownership of common stock.

If we do not maintain an effective registration statement or comply with applicable state securities laws, you may not be able to exercise your Class A and Class B public warrants.

For you to be able to exercise our Class A and Class B public warrants, the shares of our common stock underlying these warrants must be covered by an effective and current registration statement and qualify or be exempt under the securities laws of the state or other jurisdiction in which you live. We cannot assure you that we will continue to maintain a current registration statement relating to the shares of our common stock underlying the Class A and Class B public warrants or that an exemption from registration or qualification will be available throughout their term. This may have an adverse effect on demand for the Class A and Class B public warrants and the prices that can be obtained from reselling them.

The Class A and Class B public warrants may be redeemed on short notice. This may have an adverse impact on their price.

We may redeem the Class A public warrants upon 30 days' notice so long as the last reported sales price of the common stock as reported by the principal exchange or trading market on which our common stock trades equals or exceeds \$ (subject to certain adjustments) for 20 consecutive trading days ending on the third day prior to the day on which notice is given. We may redeem the Class B public warrants upon 30 days' notice so long as the last reported sales price of the common stock as reported by the principal exchange or trading market on which our common stock trades equals or exceeds \$ (subject to certain adjustments) for 20 consecutive trading days ending on the third day prior to the day on which notice is given. The redemption price is \$0.01 per public warrant, subject to adjustment in the event of a stock split, dividend or the like. If we give notice of redemption, holders of our public warrants will be forced to sell or exercise the public warrants they hold or accept the redemption price. The notice of redemption could come at a time when it is not advisable or possible to sell or exercise the public warrants.

The Class A and Class B public warrants may negatively affect our ability to raise additional capital.

During the terms of the Class A and Class B public warrants, their holders are given the opportunity to profit from a rise in the market of our common stock. So long as the public warrants

are outstanding, the terms on which we could obtain additional capital may be adversely affected. The holders of the public warrants might be expected to exercise them at a time when we might be able to obtain any needed capital by a new offering of securities on terms more favorable than those provided by the public warrants.

A large number of our shares of common stock may be sold in the market following this offering which could cause the prices of our securities to decline.

Sales of a substantial number of shares of our common stock or other securities in the public markets, or the perception that these sales may occur, could cause the market price of our common stock or other securities to decline. After this offering, we will have _____ shares of our common stock outstanding (including shares of our common stock comprising a part of the units that are the subject of this offering but excluding shares of our common stock issuable upon exercise of any of the Class A and Class B public warrants), or _____ shares if the underwriters' over-allotment is exercised in full. We anticipate _____ of the shares will be eligible for public trading. The _____ units sold in this offering, or _____ units if the underwriters' over-allotment is exercised in full, will be freely tradeable without restriction or further registration under the federal securities laws unless purchased by our affiliates.

Assuming no exercise of options or warrants outstanding as of the effective date of this offering, _____ shares are subject to contractual lockup agreements with the representative of the underwriters pursuant to which the holders of the shares have agreed not to sell their shares for one year after the completion of this offering. Of these shares, unless held by "affiliates," _____ will be freely tradable after _____ and _____ will be freely tradable after _____.

In addition, the holders of _____ common shares and _____ warrants to purchase _____ shares have agreed with the representative not to sell their common shares, the warrants or the _____ shares of common stock underlying the warrants for the earlier of one year after completion of this offering or when the average of the last reported sales price for our common stock exceeds \$ _____ for 20 consecutive trading days. These shares and warrants are otherwise freely tradeable pursuant to an effective registration statement with the SEC.

We may issue preferred stock with rights senior to the common stock.

Our articles of incorporation authorize the issuance of up to 5,000,000 shares of preferred stock without stockholder approval and on terms established by our directors. We have no existing plans to issue shares of preferred stock. However, the rights and preferences of any such class or series of preferred stock would be established by our board of directors in its sole discretion and may have dividend, voting, liquidation and other rights and preferences that are senior to the rights of the common stock.

We do not pay cash dividends.

Because of our significant operating losses and because we intend to retain future profits, if any, to expand our business, we have never paid cash dividends on our stock and do not anticipate paying any cash dividends in the foreseeable future.

Our officers, directors and their affiliates control us and can take actions that conflict with your interests.

Our executive officers, directors and holders of more than 5% of our outstanding common stock own a total of approximately 72.5% of the issued and outstanding shares of our common stock. As a result of this ownership, these persons have the power to control our Company in many instances without a vote of stockholders, including the election of directors, and other matters pertaining to

corporate governance. For example, our two largest stockholders recently approved the request of our board to effect a reverse stock split. This concentration of ownership also may have the effect of delaying or preventing a change in control of our Company. Thus, you will have no ability to exert control over our operations or significant corporate decisions.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new products or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words "may," "will," "estimate," "intend," "continue," "believe," "expect" or "anticipate" and other similar words.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed in this prospectus. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in forward-looking statements include, among others, the following:

- our ability to attract and retain productive independent distributors and endorsers;
- our relationships with, and our ability to influence the actions of, our independent distributors;
- adverse publicity associated with our products, similar products of others or direct sales organizations;
- our ability to continue as a going concern;
- changing consumer preferences and demands;
- the competitive nature of our business;
- regulatory matters governing our products and direct sales program;
- our reliance on outside manufacturers;
- the sufficiency of our trademarks and other intellectual property rights; and
- our reliance on our management team.

Additional factors that could cause actual results to differ materially from our forward-looking statements are set forth in this prospectus, including under the headings "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Our Company" and in our "Summary of Financial Information" and the related notes. We do not intend, and undertake no obligation, to update any forward-looking statement.

Before deciding whether to invest in the securities offered by the prospectus, you should carefully consider the matters set forth under the heading "Risk Factors" and all other information contained in this prospectus. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the units that we are selling in this offering will be approximately \$8,052,000 based on a public offering price of \$ per unit and after deducting \$1,248,000, reflecting the estimated underwriting discount, non-accountable expense allowance, financial advisory agreement with the representative of the underwriters, and \$300,000, reflecting the estimated offering expenses payable by us. If the underwriters' over-allotment option is exercised in full, we estimate that we will receive net proceeds of approximately \$9,276,000. We expect to use the net proceeds of this offering as follows.

Intended Use	Approximate Amount	Approximate Percentage of Net Proceeds
For marketing and promotions of our products as well as allocations for sales leader acquisitions, celebrity endorsements, promotional and independent distributor lead generation events and public relations.	\$ 3,400,000	42.3%
For product development and inventory build up in anticipation of sales growth, including expenditures for the formulation, marketing and introduction of two to four new products.	1,200,000	14.9%
Capital expenditures for warehouse relocation, improvements and expansion of our customer service center currently located at our Denver, Colorado office, upgrading and expansion of our website and other information systems.	1,000,000	12.4%
General and administrative expenditures, including increasing staffing and consulting and other operating costs as we seek to expand our operations.	800,000	9.9%
For general working capital needs, including repayment of any short term loans for working capital needs we may obtain prior to the completion of this offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources."	1,652,000	20.5%
	\$ 8,052,000	100.0%

In the event the underwriters' over-allotment option is exercised, then the amount of net proceeds available for working capital will be more than is indicated in the above table.

The above amounts are our current estimate of the allocation of the net proceeds. Because the future of our business is difficult to predict, it is likely that the actual amounts used for these purposes may vary significantly from our current estimates. Also, we may use offering proceeds for purposes not listed above in response to cash requirements or business opportunities that we do not now anticipate. Any such use could reduce proceeds available for the uses described above.

We anticipate that our existing cash and the net proceeds of this offering will be sufficient to fund our operations and capital requirements for at least 12 to 18 months following this offering, depending primarily on our sales levels. We cannot assure you, however, that such funds will not be expended earlier due to unanticipated changes in economic conditions or other circumstances that we cannot foresee. In the event our plans change or our assumptions change or prove to be inaccurate, we could be required to seek additional financing sooner than currently anticipated.

Until we use the net proceeds of this offering in our business, we intend to invest the funds in short-term, government or investment grade, interest-bearing securities. We cannot predict whether the proceeds invested will yield a favorable return.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent upon then existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects, and other factors that our board of directors considers relevant.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2003, derived from our audited consolidated financial statements found elsewhere in this prospectus. The table also sets forth our capitalization as of September 30, 2004, derived from our unaudited consolidated financial statements found elsewhere in this prospectus on an actual basis and on an as adjusted basis. As adjusted data assume the receipt of \$8,052,000 in net proceeds from this offering.

	<u>December 31, 2003</u>	<u>September 30, 2004</u>	
		<u>Actual</u>	<u>As adjusted</u>
		<u>(unaudited)</u>	<u>(unaudited)</u>
Cash and cash equivalents	\$ 7,963	\$ 602,714	\$ 8,654,714
Total debt	2,089,401		
Shareholders' equity			
Preferred Stock, authorized 5,000,000 shares, \$0.001 par value, none issued and outstanding			
Common Stock, authorized 50,000,000 shares, \$0.001 par value, issued and outstanding actual and pro forma, shares issued and outstanding pro forma as adjusted	3,241	6,534	
Additional paid-in capital	2,383,723	7,637,192	
Deficit	(4,868,405)	(6,585,594)	(6,585,594)
Total shareholders' equity (deficit)	(2,481,441)	1,058,132	9,110,132
Total capitalization (deficit)	\$ (392,040)	\$ 1,058,132	\$ 9,110,132

DILUTION

Purchasers of units in this offering will experience immediate and substantial dilution in the net tangible book value of the common stock from the public offering price, without ascribing any value to the Class A and Class B public warrants included in a unit. Net tangible book value per share represents the amount of our tangible assets reduced by the amount of our total liabilities, divided by the number of shares of common stock outstanding.

As of September 30, 2004, our net tangible book value (unaudited) was \$ _____ or approximately \$ _____ per share of common stock then outstanding. As of _____, 2004, our pro forma net tangible book value (unaudited), as adjusted for the sale of the _____ units offered in this offering and application of the net proceeds of \$8,052,000 (at the public offering price of \$ _____ per unit and after deducting the underwriting discounts and commissions and estimated offering expenses), would have been approximately \$ _____ per share, without ascribing any value to the Class A and Class B public warrants included in a unit.

This represents an immediate increase in net tangible book value of \$ _____ per share to existing stockholders and an immediate and substantial dilution of \$ _____ per share or approximately _____ % to new investors purchasing common stock in this offering.

The following table illustrates this per share dilution:

	Per Share of Common Stock
Public offering price per share of common stock	\$ _____
Net tangible book value (unaudited) as of _____, 2004	
Increase attributable to new investors	
Pro forma net tangible book value (unaudited) after this offering	
Dilution of net tangible book value to investors in this offering	\$ _____

The following table summarizes on a pro forma basis, as of _____ (giving retroactive effect to a 1-for-5 reverse split of our common stock we expect to consummate on December 8, 2004) (i) the number of shares of common stock purchased from us, (ii) the total consideration paid for such shares (without ascribing any value to the Class A and Class B public warrants included in a unit) and (iii) the average price per share paid by existing holders of our common stock, and investors in this offering, assuming the sale of all _____ shares offered by this prospectus of common stock at the price indicated above and before deducting any underwriting discounts and offering expenses payable by us.

	Shares		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholders	6,534,046	%	\$ 7,551,515	%	\$ 1.16
New investors		%		%	
Total		100%	\$	100%	\$

The above discussion and tables exclude:

shares of common stock issuable upon exercise of the underwriters' over-allotment option;

shares of common stock issuable upon the exercise of Class A and Class B public warrants issuable in this offering;

500,000 shares of common stock underlying 250,000 Class A and 250,000 Class B public warrants to be issued to certain of our stockholders in connection with this offering;

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shares of common stock issued upon exercise of the representative's warrants (including Class A and Class B warrants underlying the units the representative's warrants); and

2,074,074 shares of common stock reserved for issuance upon exercise of outstanding warrants and stock options with an average exercise price of \$3.44 per share.

MARKET FOR COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

Our common stock commenced trading on the OTC Bulletin Board on December 26, 2001. Our trading symbol is "VCUB.OB." Since there is only a limited trading market for our stock, stockholders, may find it difficult to sell their shares. Until June 20, 2003, the common stock trades reflected the business of Instanet prior to the share exchange with V3S. There is presently no market for the units or Class A or Class B public warrants offered by this prospectus.

The following table sets forth high and low bid prices for our common stock for the calendar quarters indicated as reported by the OTC Bulletin Board for the fiscal quarters indicated. These prices have been stated after giving retroactive effect to a 1-for-5 reverse split of our common stock we expect to consummate on December 8, 2004, and represent quotations between dealers without adjustment for retail markup, markdown, or commission and may not represent actual transactions.

	<u>High</u>	<u>Low</u>
Fourth Quarter 2004 (through December 2, 2004)	\$ 3.50	\$ 2.00
Third Quarter 2004	\$ 4.25	\$ 1.55
Second Quarter 2004	\$ 7.55	\$ 3.50
First Quarter 2004	\$ 7.55	\$ 4.00
Fourth Quarter 2003	\$ 15.00	\$ 7.00
Third Quarter 2003	\$ 16.25	\$ 14.00
Second Quarter 2003	\$ 14.00	\$ 0.75
First Quarter 2003	\$ 6.25	\$ 0.75

As of December 1, 2004, we had approximately 170 holders of record of our common stock. A significant number of our shares were held in street name and, as such, we believe that the actual number of beneficial owners is significantly higher.

Equity compensation plans

The following table provides information about our equity compensation plans as of December 31, 2003.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plan</u>
Equity compensation plans approved by stockholders	550,275	\$ 5.00	449,725
Equity compensation plans not approved by stockholders	0	N/A	0
Total	550,275	\$ 5.00	449,725

SELECTED FINANCIAL DATA

In the table below, we provide you with historical selected consolidated financial data for the two years ended December 31, 2003 and 2002, derived from our audited consolidated financial statements included elsewhere in this prospectus. We also provide below financial data for, and as of the end of, our third fiscal quarter of 2004, derived from our unaudited financial statements included elsewhere in this prospectus on an actual basis and on an as adjusted basis. As adjusted data assume the receipt of \$8,052,000 in net proceeds from this offering. Historical results are not necessarily indicative of the results that may be expected for any future period or for a full year. When you read this historical selected financial data, it is important that you read along with it the historical consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	For the Year Ended December 31, 2002	For the Year Ended December 31, 2003	For the Nine Months Ended September 30,		
			2003 (unaudited)	2004 (actual)	2004 (as adjusted) (unaudited)
Statements of Operations Data:					
Net sales	\$ 983,557	\$ 1,213,062	\$ 1,018,329	\$ 561,454	\$ 561,454
Cost of goods sold	291,132	414,230	362,691	177,664	177,664
Operating expenses	2,141,354	2,658,739	2,077,342	1,804,078	1,804,078
Other expenses (interest)	156,928	225,075	132,244	296,901	296,901
Net loss	(1,605,857)	(2,084,982)	(1,553,948)	(1,717,189)	(1,717,189)
Per Common Share Data:					
Basic and Diluted loss per share	\$ (.42)	\$ (.71)	\$ (.54)	\$ (.32)	\$
Weighted Average Shares of Common Stock Outstanding:					
Basic and Diluted	3,786,458	2,952,907	2,867,113	5,443,860	
Balance Sheet Data:					
		December 31, 2003	September 30, 2004	2004 (as adjusted)	
			(unaudited)	(unaudited)	
Current assets	\$	354,489	\$ 1,232,791	\$ 9,284,791	
Total assets		565,112	1,460,227	9,512,227	
Current liabilities		1,410,692	402,095	402,095	
Long-term debt and other liabilities		1,635,861			
Stockholders' equity (deficit)		(2,481,441)	1,058,132	9,110,132	
Accumulated Deficit		(4,868,405)	(6,585,594)	(6,585,594)	

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion and analysis in conjunction with our financial statements, including the notes thereto contained elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of certain factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

We are in the business of developing, selling, marketing and distributing nutritional supplement products. We market our products primarily through direct selling or network marketing, in which independent distributors sell our products. In addition, we sell our products directly to professional and Olympic athletes and professional sports teams.

Our product lines consist of two powdered beverages, 12 individual supplements packaged in our VitaCube®, and four supplements sold separately. Our VitaCube® is an easy to use, compartmentalized box with instructions for which supplements to take and the proper times to take them.

During the third quarter of 2003, we initiated a transition of our sales and marketing efforts from sales to retail outlets and in-house telemarketing to direct selling through independent distributors and we launched our direct sales program in the second quarter of 2004. As of December 1, 2004, we had 918 independent distributors and 942 customers (excluding professional athletes and sports teams) who had purchased our products within the prior seven months.

Our network marketing program is designed to provide incentive for independent distributors to build, maintain and motivate a sales organization of customers and other independent distributors to enhance earning potential. Our independent distributors are compensated with commissions and bonuses on sales generated through their downline organization. Independent distributors advance in distributor levels as they develop their sales organization and increase their sales volume, which increases their compensation.

We recognize revenue when products are shipped to our customers. Revenue is reduced by product returns at the time we take the product either back into inventory or dispose of it. In addition, we estimate a reserve total for future returns. Cost of our sales consists of expenses directly related to the production and distribution of the products and certain sales materials. Included in the sales and marketing expenses are independent distributor commissions, bonus and incentives along with other general selling expenses. We expect our independent distributor expenses, as a percentage of net revenues, to increase as independent distributors reach the higher levels of incentives in our direct sales program. General and administrative expenses include salaries and benefits, rent and building expenses, legal, accounting, telephone, professional fees, depreciation and amortization.

Our revenue will depend on the number and productivity of our independent distributors, who purchase products and sales materials from us for resale to their customers or for personal use. Because we will distribute substantially all of our products through our independent distributors, our failure to retain our existing distributors and recruit additional distributors could have an adverse effect on our revenue.

Due to the recent start-up of our direct sales program we believe we need to gain more operating experience in order to discern and discuss key indicators of our performance. To date, however, we believe that the number of our distributors is an important indicator to monitor. In addition, we will monitor the sales generated per independent distributor as well as the success of our independent distributors in recruiting new independent distributors. At this time it is too early to determine what indicators will be necessary for us to be profitable.

With respect to industry and market factors that may affect us directly, we believe that industry credibility in both direct selling and nutritional supplements will be critical elements in whether we can increase revenues and become profitable. Any adverse developments in either of these two areas, to us or in our industry, could lead to a lower number of our independent distributors and reduced sales and recruiting efforts by existing distributors, as well as a loss or no increase in the number of sports celebrity endorsers of our products. We do not know what industry growth will be for 2004 nor do we have enough experience in the direct sales channel to determine whether a slower industry growth rate, which occurred for several years leading up to 2003, will adversely affect us.

Our operating plan for 2005 is focused on increasing the number of independent distributors, growing revenues, increasing gross profits, and conserving cash. Due to the recent commencement of our direct selling program through independent distributors, we cannot predict our revenue, gross profit, net income or loss or use of cash and cash equivalents.

Critical Accounting Policies and Estimates

Discussion and analysis of our financial condition and results of operations are based upon financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. 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 on-going basis, we evaluate our estimates, including those related to bad debts, inventories, sales returns and customer warranties. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition. In accordance with Staff Accounting Bulletin 101 "Revenue Recognition in Financial Statements", revenue is recognized at the point of shipment, at which time title is passed. Net sales include sales of products, sales of marketing tools to independent distributors and freight and handling charges. With the exception of approved professional sports teams, we receive the net sales price from all of our orders in the form of cash or credit card payment prior to shipment. Professional sports teams with approved credit have been extended payment terms of net 30 days.

Inventory Valuation. Inventories are stated at the lower of cost or market on a first in first out basis. A reserve for inventory obsolescence is maintained and is based upon assumptions about current and future product demand, inventory whose shelf life has expired and market conditions. A change in any of these variables may require additional reserves to be taken.

Allowances for Doubtful Accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of the ability to make payments, additional allowances may be required, which would increase our expenses during the periods in which any such allowances were made. The amount recorded as an allowance for doubtful accounts in each period is based upon an assessment of the likelihood that we will be paid on our outstanding receivables, based on customer-specific as well as general considerations. To the extent that our estimates prove to be too high, and we ultimately collect a receivable previously determined to be impaired, we may record a reversal of the provision in the period of such determination.

Results of Operations

For the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003 (unaudited).

The discussion below first presents the results of the 2004 nine-month period followed by the 2003 nine-month period.

Net sales. Net sales were \$561,454 compared to \$1,018,329, a decrease of 45%. The decrease in sales was the result of refocusing of our sales and marketing efforts from in-house sales to direct selling through independent distributors. Independent distributors purchase our products for resale to customers and for their own personal consumption.

Gross profit. Gross profit decreased to \$383,790 from \$655,638, a decrease of 41%. Gross profit as a percentage of revenue (gross margin) increased to 68% compared to 64%, a result of obtaining higher profit margin sales through independent distributors and the elimination of sales to low margin retail outlets. The overall decrease in gross profit reflected the decrease in net revenue.

Sales and marketing expenses. Sales and marketing expenses decreased to \$823,923 from \$987,200, a decrease of 17%. Sales and marketing activities decreased due to our transition to sales through our independent distributors. Costs previously incurred with maintaining an in-house sales staff have been eliminated. The independent distributors now incur most of the costs of print and radio advertising. Therefore, we expect that the primary expense items will be the direct compensation to our independent distributors in the form of commissions, promotions and sales events and the continued commitments to our sports celebrity endorsers.

General and administrative expenses. General and administrative expenses were \$920,372 compared to \$1,027,588 or a decrease of 10%. In 2003 we incurred higher legal, accounting and other associated expenses due to our financing activities. Executive compensation increased as a result of an employment agreement with our Chief Executive Officer effective April 1, 2004. Prior to that time our Chief Executive Officer drew a nominal salary.

Research and development expenses. Research and development expenses were relatively minor, increasing to \$5,511 from \$0. We completed the introduction of our reformulated eForce® sports energy drink during the quarter ended September 30, 2004. We plan to develop and introduce two to four new products in 2005 and expect these expenses will show a modest increase.

For the year ended December 31, 2003, compared to the year ended December 31, 2002.

The discussion below first presents the results of the 2003 year followed by the results of the 2002 year.

Net sales. Net sales were \$1,213,062 compared to \$983,557, an increase of 23%. The increase was the result of our continuing to mature and create a brand awareness and demand for our products.

Gross profit. Gross profit increased to \$798,832 from \$692,425 or an increase of 15%. Gross profit as a percentage of revenue (gross margin) decreased to 66% from 71%. The increase in gross profits was the result of the increase in net revenue and reflected the mix of products sold. During the first half of 2003, VitaPro®, our protein shake, which carries a lower profit margin, was heavily marketed to retail outlets, negatively impacting our gross margins. The additional decrease in gross margin was a result of our selling products below cost for products that we determined would not be sold through the independent distributor marketing plan.

Sales and marketing expenses. Sales and marketing expenses decreased to \$1,273,361 from \$1,353,335, or 6%, as a result of transitioning into our direct selling through independent distributors, the conversion of our inside sales force into independent distributors and the termination of all print and radio advertising.

General and administrative expenses. General and administrative expenses increased to \$1,303,025 from \$617,457 or an increase of 111%. The increase was a result of legal, accounting and other associated expenses in 2003 due to an abandoned public offering, the reverse acquisition of Instanet and requirements of becoming a public entity that were non-recurring. We also incurred a charge in 2003 against inventory for discontinued items of \$177,896 and established a provision for future obsolete inventory of \$31,782.

Research and development expenses. We incurred no research and development expenses in 2003 compared to \$88,456 for 2002. Our initial product line was completed in 2002.

For the year ended December 31, 2002, compared to the year ended December 31, 2001.

The discussion below first presents the 2002 year followed by the 2001 year.

Net sales. Net sales were \$983,557 compared to \$203,448 or an increase of 383%. The increase was due primarily to our initiating sales to the general public on January 1, 2002, where prior to that we were still in the development stage and sales were only to professional and Olympic athletes.

Gross profit. Gross profit increased to \$692,425 from \$79,581, an increase of 770%. Gross profit as a percentage of revenue (gross margin) increased to 71% from 39% due to sales to the general public at non-discounted prices compared to special discount pricing given to professional and Olympic athletes. Our gross margin fluctuates depending upon the mix of products sold.

Sales and marketing expenses. Sales and marketing expenses increased to \$1,178,619 from \$405,503, a 190% increase. The increase was due primarily to the introduction of our products to the general public in the form of print and radio advertising, educational literature and assembling an in-house sales and customer service force to support sales, all of which was discontinued in 2003.

General and administrative expenses. General and administrative expenses increased to \$792,168 from \$531,261 or an increase of 49%. The increase was a result of establishing the operational components necessary to support the launch of products to the general public.

Research and development expenses. Research and development expenses decreased by 6%, to \$88,456 from \$94,421. Development of our product line was completed during the first half of 2002 attributing to the decrease.

Liquidity and Capital Resources

To date, our operating funds have been provided primarily by loans from our Chief Executive Officer, one of our directors and by various stockholders (\$3,624,209), and from sales of our common stock (\$3,537,905), through September 30, 2004, and to a lesser degree, cash flow provided by sales of our products.

On January 31, 2004, we closed a private offering of our common stock issuing, 207,999 shares for gross proceeds of \$1,039,980. On April 15, 2004, we closed a second offering of our common stock issuing 1,665,290 shares for gross proceeds of \$2,497,925. In conjunction with the second offering, both our Chief Executive Officer and one of our directors converted outstanding loans plus accrued interest into 1,391,087 shares of our common stock at March 31, 2004, further reducing our debt. In April 2004, we repaid all of our then existing debt of \$220,000. As of September 30, 2004, we had no outstanding short-term or long-term debt.

We used \$1,855,110 of cash for operations in the nine months ended September 30, 2004, and we used \$610,666 of cash in the nine months ended September 30, 2003. The use of cash in our operations results from incurring and accruing expenses to suppliers necessary to generate business and service our customers at a time when revenues did not keep pace with expenses. As of September 30, 2004, we had

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\$602,714 in cash and cash equivalents available to fund future operations. Working capital increased from a deficit of \$1,056,203 at December 31, 2003, to positive working capital of \$830,696 at September 30, 2004. This increase in working capital was the result of the completion of a private placement of our common stock and debt conversion described in "Notes to Financial Statements Note 2 Stockholders' Equity."

We are not certain of our near term revenue and cash needs. We do, however, expect that we may acquire additional short term debt pending the completion of this offering, depending on the timing of this offering. We have engaged in preliminary discussions with possible short term lenders, but cannot provide any assurances that such funding would be available on acceptable terms to us, if at all. We would expect that any such short term debt, if obtained, would be paid with proceeds from this offering.

Beyond our short term needs, we believe that our cash resources, including the net proceeds of this offering, will be sufficient to fund our operations for the next 12 to 18 months, depending primarily on our sales levels. If our business operations do not result in increased product sales, our business viability, financial position, results of operations and cash flows would likely be adversely affected. Further, if we are not successful in achieving profitability, additional capital will be required to conduct ongoing operations. We cannot predict the terms upon which we could raise such capital or if any capital would be available at all.

Contractual Obligations. We lease office space from the father of our Chief Executive Officer with the lease expiring at December 31, 2004. We also have various operating leases for automobiles, computer and telephone equipment. At September 30, 2003, our commitments under these obligations were as follows:

Contractual Obligations	Less than 1 year	2 - 3 years	4 - 5 years
Office lease	\$ 18,000	\$	\$
Operating leases	45,194	66,774	9,581
Total	\$ 63,194	\$ 66,774	\$ 9,581

Customer Concentrations. We had no single customer that accounted for any substantial portion of our revenues.

Off-Balance Sheet Items. We had no off-balance sheet items as of September 30, 2004.

OUR COMPANY

Overview

We develop, sell, market and distribute nutritional supplement products primarily through a direct sales or network marketing system in which independent distributors sell our products, as well as purchase them for their own personal use. We also sell our products directly to professional and Olympic athletes and to professional sports teams.

We formulated our products in 2000 and 2001 for sale to professional and Olympic athletes. We launched our sales and marketing programs to the general public in early 2002 through our internal sales force targeting specialty retail stores, health clubs and personal trainers. During 2003, we refocused our marketing and sales strategy on direct selling through independent distributors. We believe, based upon our sales experience in 2001 and 2002, our products can be more effectively sold through the face-to-face sales method afforded by direct selling.

A key part of our marketing strategy, in conjunction with our direct sales program, is the endorsement of our products by sports celebrities. Some of our celebrity endorsers include:

Mike Shanahan (football): Head Coach, Denver Broncos five Super Bowl teams;

Curt Schilling (baseball): Pitcher, Boston Red Sox World Series Co-MVP;

Randy Johnson (baseball): Pitcher, Arizona Diamondbacks four-time Cy Young Award Winner and 2001 World Series Co-MVP;

Mike Alstott (football): Fullback, Tampa Bay Buccaneers four-time Pro Bowl selection;

John Lynch (football): Safety, Denver Broncos five-time Pro Bowl selection;

Gary Gait (lacrosse): Forward, Colorado Mammoth six-time National Lacrosse League MVP; and

Megan Addy (track and field): world-ranked 400 meter hurdler.

While these endorsers use and endorse our products, no endorsement by any of them as to the merits of the securities offered by this prospectus should be inferred.

In addition, we supply our products to the following professional sports teams:

National Football League ("NFL"): Denver Broncos, Buffalo Bills, Chicago Bears, Green Bay Packers, New England Patriots, Seattle Seahawks;

Major League Baseball ("MLB"): Arizona Diamondbacks, Boston Red Sox, Cincinnati Reds, Chicago White Sox, Milwaukee Brewers and Oakland Athletics;

National Basketball Association ("NBA"): Denver Nuggets, Los Angeles Clippers, Memphis Grizzlies, Washington Wizards; and

National Hockey League ("NHL"): Columbus Blue Jackets and Florida Panthers.

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While these professional sports teams use our products, no endorsement by any of them as to the merits of the securities offered by this prospectus should be inferred.

We were formed in 2001, under the name "Instanet, Inc." to provide Internet fund transfers. Instanet, which had no operating revenues, was a development stage company. In a stock-for-stock exchange completed on June 20, 2003, Instanet acquired V3S, a Colorado corporation formed in October 2000. In the exchange, the then existing stockholders of V3S exchanged their stock in V3S for 2,714,403 shares of common stock of Instanet, then representing a 90% ownership interest in Instanet. V3S then became a wholly-owned subsidiary of Instanet and V3S's management became management

of Instanet. Instanet changed its name to VitaCube Systems Holdings, Inc. The description of our business describes the business conducted by V3S. Instanet discontinued its business prior to the stock-for-stock exchange.

Industry Overview

The Nutrition Industry

According to the latest industry overview, *Nutrition Business Journal* (May/June 2004), despite the changing regulatory atmosphere surrounding supplements, the fundamentals of growth for the nutrition industry – aging baby boomers' health concerns, the obesity epidemic and rising health care costs – were strong enough to propel nutritional industry growth overall to 8.2% and total U.S. consumer sales to \$62.9 billion in 2003, the first increase in sales growth in several years. The supplements segment contributed \$19.8 billion to nutrition industry sales and increased 5.7% in 2003 over the prior year, the highest annual growth rate since 1999. Vitamin sales grew 7.6% over 2002 or the highest growth rate since 1997. Topping the growth list were minerals and specialty supplements, both of which advanced sales by 15% in 2003. Rounding out the supplement categories is sports nutrition that gained 8% in sales in 2003 over 2002.

We believe that the size of the supplement market is due to public awareness of the positive effects of nutritional dietary supplements. Helping to increase awareness are reports and industry marketing that provides a correlation between the consumption of nutritional dietary supplements and better health. Both the United States government and universities have increased sponsorship of research relating to nutritional dietary supplements. For example, in fiscal year 2002, the National Institutes of Health (NIH) continued to lead all Federal agencies with a total of \$917 million spent on research and training. This total represents the combined individual contributions of the 18 NIH institutes and three centers that supported biomedical nutrition research and training. In addition, as part of the NIH, Congress has established the Office of Alternative Medicine, which focuses on alternative medical treatments, and the Office of Dietary Supplements, which conducts and coordinates research regarding the role of dietary supplements in maintaining health and preventing disease. New developments in 2004 have been the FDA's ban on ephedra and the steroid scandals in Major League Baseball and Track and Field. While these scandals may be perceived as having a negative effect on the nutritional supplement business, we have never produced or sold any products with the ingredients under public scrutiny.

The Direct Selling Industry

Firms that use direct sales as their distribution method have grown in numbers, sales and profits, both domestically and abroad. Results of the 2003 Direct Selling Association's Annual Growth and Outlook Survey indicate a 7.5% increase in direct sales over the previous year to a record high of \$28.7 billion. This represents the 18th consecutive year of growth for the industry. The survey, which measures the size and activity of the U.S. direct selling industry, is conducted annually and includes responses from a cross-section of direct selling companies. Other major results of the survey indicate wellness products, such as weight loss products and nutritional supplements, account for approximately 15.4% of direct sales. The Direct Selling Association's published figures for 1999-2003 indicate that annual U.S. retail sales for the five years ended December 31, 2003, have grown from \$24.5 billion to nearly \$30 billion along with the independent distributor base growing from 10.3 million to nearly 13.3 million during the same time period.

We believe the prospects for continued growth in direct sales are good and should benefit us, and we perceive several reasons as to why such growth has occurred:

The growth of direct sales has given it public visibility. We believe that governmental regulation of the direct selling industry has facilitated the public's market acceptance of legitimate direct selling companies.

The current economic climate of business closures, lay-offs, downsizing, outsourcing, and merging has resulted in motivated, educated workers seeking direct sales. These workers generally have professional and social networks, which offer personalized credibility to the direct selling industry.

With improved technology and the expanding use of the Internet, direct selling firms can become more efficient. For example, none of our independent distributors are required to carry inventory or personally conduct public presentations, and our computer systems keep track of and communicate with independent distributors and their organizations. We believe these efficiencies make direct selling easier to administer than in the past.

Our Products

Currently we offer 18 different nutritional products. None of our products contain substances that have been the subject of publicized health concerns by the medical community such as ephedra, creatine, androstene, androstenedione, aspartame, steroids or human growth hormones. Our products include:

eForce® Sports Drink

eForce® is a sports drink that has been reformulated to support sustained energy without the levels of sugar and caffeine of most colas, and with one-tenth the amount of carbohydrates and two additional hydrating electrolytes not found in Gatorade®, a competing sports drink. eForce® has been reformulated to provide support for sustained energy before activity by incorporating the ingredients D-Ribose, 5 ginseng and a complete B-Vitamin Complex (B1, B2, B6 and B12). eForce® also contains antioxidants such as Vitamins A, C and E and pomegranate extract in its formulation designed to benefit the body after activity.

VitaPro® Nutrition Shake

VitaPro® is a balanced shake that has a blend of proteins, carbohydrates and sugars and is available in chocolate or vanilla flavors. Its blend of proteins is designed to support metabolism and provide energy.

VitaPro® is formulated with 27 vitamins, minerals and antioxidants delivered in a shake form to help provide nourishment. VitaPro® combines various protein sources, vitamins, and minerals with ingredients such as Aminogen® an ingredient that contributes amino acids to the body and Fibersol-2®, a fiber that aids in digestion.

Vitamins and Minerals

Our vitamins, minerals, and specialty formulations are sold in various VitaCubes®, and consist of tablets, capsules and soft gel formulations. The VitaCube® is a compartmentalized container in which each supplement is separated into its own compartment, with a label above to designate the location of supplement. This label also provides the supplement name, a photograph, its benefits, the main

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ingredients and dosages, and the time to take it. VitaCubes® are divided into three primary and gender-specific packages:

VitaCube® Basic, designed for individuals who are new to nutritional supplement programs or who are recreational athletes;

VitaCube® Essential, designed for the individuals who have taken supplements previously and who seek a continued, serious exercise routine; and

VitaCube® Elite, designed for the individual who wants to maximize his or her exercise regimen and sports performance.

Supplements found in our VitaCube® and their product description:

Name of Supplement	Product Description/Intended Benefits
M32+® (Multi System Formula)	32 vitamins and minerals multivitamins
Cal/Mag+	Calcium and Magnesium support bones and muscles
Absorbit	Digestive Enzymes & Aminogen® aid digestion of nutrients
CP Complex®	Vitamin C and Potassium aid metabolic function
AO Elite®	L-Arginine and L-Ornithine aid circulation and muscle repair
ZMA Pro	Zinc and Magnesium Aspartate support muscle function and muscle recovery from exercise
WNB	Women's Natural Balance support for women's health
GC Elite®	L-Glutamine and L-Carnitine amino acids facilitate muscle recovery and fat metabolism
Ultra EFA	Essential Fatty Acids with Vitamin E support cardiovascular health (essential fatty acids) and cellular functions (Vitamin E)
AlphaNac®*	Alpha Lipoic Acid & N-Acetyl-L-Cysteine antioxidants help neutralize effects of muscle stress associated with exercise
JSH® (Joint Support Health)*	Glucosamine and Chondroitin support joint flexibility and mobility
Q-Zyme®*	CoEnzyme Q10 support energy metabolism in the heart

*

Also sold separately from our VitaCube®

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Products sold individually:

Name of Supplement	Product Description/Intended Benefits
Complex SPP®	Saw Palmetto support prostate health in men over 30
Visual Eyes®	Lutein and Vitamin A support eye health
Enduro Max	B Vitamins and 5 Types of Ginsengs support endurance and stamina
Pure Heat®	Cayenne, Boswellia, & Turmeric support soft tissue health

Quality in Our Products

In seeking quality in our products, we require that before a product is brought to market, all:

supplements are supported with publicly available scientific research and references;

our manufacturers carry applicable manufacturing licenses;

ingredients are combined so that their effectiveness is not impaired;

ingredients are in dosage levels that fall within tolerable upper intake levels established for healthy people by the Institute of Medicine of the National Academies;

products do not contain adulterated ingredients such as ephedra, creatine, androstenedione, aspartame, steroids or human growth hormones;

formulations have a two year shelf life;

products are 100% free of lead and the typical allergens of wheat, corn and yeast; and

tablets, capsules and soft gels are designed to readily dissolve in the body to facilitate absorption.

Product Development and Advisory Boards

In February of 2001, we retained the services of William E. Wheeler, PhD., ACSM, to act as our Director of Science and Technology. Dr. Wheeler has over 25 years of experience in the nutritional industry with over 260 senior author scientific publications as well as three Presidential Awards for Excellence in Research. Dr. Wheeler also served as staff nutritionist to the President of the United States (1976-1981) and served as staff nutritionist to the 1996 U.S. Olympic Decathlon Team. We employed Dr. Wheeler from February 2001 until April 2002. During this time, Dr. Wheeler headed a team of manufacturers and third party experts to research, formulate and test our products, the proprietary rights to which are solely ours. Dr. Wheeler currently consults with us as an independent consultant, where he advises on product formulations and updates on nutritional science.

Over the past two years, we have assembled a Scientific Review and Medical Advisory Board and a Professional Athletic Advisory Board. Our Scientific Review and Medical Advisory Board is composed of Dr. Wheeler (chairman), Herbert Jacobs, M.D., FACS, FACOG, and Paul Dragul, M.D. These health and medical professionals emphasize nutrition and nutritional supplement in their practices. They advise us on potential products, ingredients and formulations, and they review our existing products for potential enhancements to improve effectiveness and marketability.

Due to the number of professional athletes using our products, we created a Professional Athletic Advisory Board made up of strength coaches and trainers from various professional sports. Members of our Professional