

PROSPECTUS

4,500,000 Shares
WIND BARON
CORPORATION
Common Stock

**THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK
AND IMMEDIATE SUBSTANTIAL DILUTION.
(SEE RISK FACTORS AND DILUTION.)**

Prior to this offering there has been no market for the Company's Common Stock and there is no assurance that a market will develop after this offering. The offering price was arbitrarily determined by the Company and John Muir & Co., as Underwriter. (See UNDERWRITING.) Based upon the public offering price, the 6,999,993 shares of Common Stock outstanding prior to the offering would be valued at \$6,999,993. (See DILUTION.) However, that valuation bears no relationship to the Company's assets, earnings, book value or other generally accepted criteria of value.

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

	Price to Public	Underwriting Commissions(1)	Proceeds to Company(2)
Per share.....	\$1.00	\$.10	\$.90
Total(3):			
Minimum	\$4,500,000	\$450,000	\$4,050,000
Maximum	\$4,950,000	\$495,000	\$4,455,000

(1) Does not include additional compensation to be received by the Underwriter in the form of (a) a non-accountable expense allowance of \$95,000 (\$.02 per share), (b) warrants to purchase 450,000 shares of Common Stock, (c) a three-year consulting agreement at \$36,000 per year, plus expenses, and (d) a five-year right of first refusal for future financings. The Company has also agreed to indemnify the Underwriter against certain civil liabilities, including liabilities under the Securities Act of 1933, and to use its best efforts to cause a nominee selected by the Underwriter to be elected to the Company's Board of Directors. (See UNDERWRITING.)

(2) Before deducting expenses estimated at \$350,000 (\$.08 per share) payable by the Company, including the non-accountable expense allowance of \$95,000 payable to the Underwriter.

(3) For the purpose of covering over-allotments, if any, the Company has granted the Underwriter an option, exercisable within 30 days after the date of this Prospectus, to purchase up to 450,000 additional shares of Common Stock upon the same terms and conditions as the shares offered hereby. The minimum amounts shown are based upon the assumption that such option will not be exercised; the maximum amounts on the assumption that such option will be exercised in full.

The shares of Common Stock are offered on a firm commitment basis by the Underwriter, subject to its receipt and acceptance of the shares, subject to the approval of certain legal matters by its counsel and subject to prior sale. The Underwriter reserves the right to reject orders in whole or in part. It is expected that delivery of certificates for the shares of Common Stock offered hereby will be made against payment therefor at the office of John Muir & Co., 61 Broadway, New York, New York 10006, on or about July 7, 1981.

John Muir & Co.

The date of this Prospectus is June 23, 1981



A WIND BARON™ WATER PUMPING WIND MACHINE SYSTEM SHOWING UPPER TOWER, WINDMILL HEAD AND COUNTER-BALANCE ARMS. THIS UNIT IS INSTALLED AT THE COMPANY'S NAVAJO NATION MASTER TEST SITE IN WINDOW ROCK, ARIZONA.

PROSPECTUS SUMMARY

The following summary briefly describes certain information contained in this Prospectus and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere herein.

THE COMPANY

Since its incorporation in January 1978, the Company has engaged principally in the design, testing and prototype production of a patented wind machine system, developed initially for water pumping applications in areas of low wind speed, and similar in appearance to a standard American farm-type windmill. (See BUSINESS — The Wind Baron System.) The Company is in the development stage. Its present financial resources are insufficient to enable it to commence full-scale operations. During 1981 the Company intends to commence full-scale production of wind machine units and to expand its marketing activities. (See USE OF PROCEEDS and BUSINESS.)

USE OF PROCEEDS

The Company intends to use the net cash proceeds of approximately \$3,700,000 from the offering (i) to construct and equip a new facility for assembling the Company's wind machines, (ii) to produce approximately 100 wind machine units through an unaffiliated contractor, (iii) to fund additional research, development and alternative application projects, (iv) to employ additional personnel, (v) to pay patent and trademark application and maintenance fees for United States and foreign filings, (vi) to repay short-term working capital advances, (vii) to pay accrued salary and unreimbursed business expenses to the Company's chief executive officer, and (viii) to increase working capital. (See USE OF PROCEEDS.)

THE OFFERING

Securities Offered.....	4,500,000 shares of Common Stock(1)
Public Offering Price	\$1.00 per share; \$4,500,000 in the aggregate(1)
Shares Outstanding Prior to the Offering	6,999,993 shares
Shares to be Outstanding After the Offering	11,499,993 shares(1)(2)

(1) Excludes a maximum of 450,000 shares which the Underwriter may purchase upon exercise of its over-allotment option.

(2) Excludes (i) 450,000 shares issuable upon exercise of the Underwriter's Warrants, and (ii) 150,000 shares issuable upon exercise of options which may be granted under the Company's Stock Option Plan.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

RISK FACTORS

The purchase of the shares of Common Stock offered hereby involves many risks. (See RISK FACTORS.)

DILUTION

This offering involves immediate substantial dilution in the amount of 69.1¢ per share from the public offering price of \$1.00 per share. (See DILUTION.)

SELECTED FINANCIAL INFORMATION

Operating Results

	Year Ended December 31,			Three Months Ended March 31,	
	1978 (Unaudited)	1979	1980	1980 (Unaudited)	1981
Net loss	\$(119,145)	\$(212,456)	\$(422,063)	\$(63,669)	\$(101,721)
Net loss per share*	(5.5¢)	(7.3¢)	(10.2¢)	(1.8¢)	(1.4¢)
Weighted average number of shares outstanding*	2,174,008	2,909,232	4,126,819	3,482,229	6,999,999

* All share and per share amounts through December 31, 1980 have been adjusted to give effect to a 10-for-1 stock split and a stock distribution of approximately 11.58-for-1 in November 1980. See Notes A and D of Notes to Financial Statements.

Balance Sheet Information

	December 31,		March 31,
	1979	1980	1981 (Unaudited)
Total assets	\$ 106,234	\$ 481,766	\$ 465,728
Long-term debt	—0—	—0—	—0—
Current liabilities	267,598	478,870	549,551
Stockholders' equity (deficiency)	(161,364)	2,896	(83,823)
Working capital deficit	(215,334)	(179,873)	(359,131)

THE COMPANY

Wind is a clean, replenishable energy source. Although wind is intermittent and usually lacks the concentrated power generated by fossil and nuclear fuels, it is a significant, virtually untapped energy resource.

Machines designed to extract energy from the wind have been used for over 2,000 years to pump ground water. The American farm-type water pumping windmill has been used for over a century in the Midwest and western United States and throughout the world to provide water for livestock and household uses in remote or rural areas.

The Company was incorporated under Delaware law on January 11, 1978 under the name Richard K. Sutz Associates, Inc. In March 1978 the Company obtained an exclusive license to produce and market a patented counter-balance device designed to be retrofitted to standard American farm-type windmills. When the licensor failed to provide assistance in correcting certain mechanical deficiencies in that device, the Company began independent wind energy research and developed its own wind machine system.

The Company changed its name to Wind Baron Corporation in July 1978 and since that time has engaged primarily in the design, testing and prototype production of a small-scale, multi-blade wind machine system called the Wind Baron System. The Wind Baron System is derived from the technology used in the standard American farm-type windmill, but incorporates counter-balancing and wind-tracking features which are designed to substantially increase its mechanical efficiency. The Company received a United States patent on the Wind Baron System in July 1980.

The Company has concentrated initial development of the Wind Baron System on water pumping applications, and plans to begin full-scale production of units adapted to that application during 1981. Management believes that the market potential for the Wind Baron System is greatest in semi-arid areas of the American Southwest and in lesser developed nations which have been unable to exploit their subsurface water resources because of lack of reliable, cost-effective pumping systems.

The Company's executive offices are located at 3883 West Lower Buckeye Road, Phoenix, Arizona 85009. Its telephone number is (602) 269-6900.

RISK FACTORS

The shares of Common Stock offered by this Prospectus involve a high degree of risk. Factors which prospective purchasers of the Company's Common Stock should consider carefully include the following:

1. *Development Stage Company.* Since its inception, the Company has engaged primarily in research and development activities and has not commenced active production or distribution of Wind Baron System units. The Company is still in the development stage and its operations are subject to substantially all the risks of a new business venture. (See BUSINESS.) Langway & Company, P.C., independent certified public accountants, has qualified its report on the Company's financial statements by stating that the Company is a development stage company, and that its ability to function as a going concern is dependent upon its obtaining public financing as contemplated by this Prospectus.

2. *Losses Since Inception.* The Company has incurred losses each year since its inception. During 1979 and 1980 the Company sustained losses of \$212,456 and \$422,063, respectively. During the three months ended March 31, 1980 and March 31, 1981 the Company sustained losses of \$63,669 and \$101,721, respectively. An unaffiliated contractor has agreed to produce 100 Wind Baron System units

for the Company prior to March 1982. The Company estimates that production costs for all 100 units will average approximately \$10,000 each, assuming the realization of certain production efficiencies during the course of the contract's performance. However, the Company estimates that the first five units will cost approximately \$25,000 each and that the next 25 units will cost from \$13,000 to \$14,000 each. Consequently, the cost of producing the 12 Wind Baron System units which the Company is now committed to deliver in 1981 will substantially exceed the contract sale price of \$12,500 each for those units, so that the sales of these 12 units will result in losses. Furthermore, the Company is contingently obligated to deliver 10 additional units by the end of January 1982 for a sale price of \$8,000 each. If the Company is required to deliver these 10 units and the average production cost of the units delivered exceeds \$8,000 each, the Company will also sustain a loss on the sale of these 10 units. There can be no assurance that the Company will be able to secure contracts for the additional units it plans to produce in 1981 at prices above its average per unit production cost. (See BUSINESS — Pending Contracts and Production Plans.) As a result, management anticipates that the Company will incur a loss for 1981. Until the Company completes the tooling, jigs and fixtures and other production engineering techniques necessary to produce units on a cost-effective basis, and obtains contracts for substantial quantities of Wind Baron System units at prices in excess of its production costs, the Company will continue to incur operating losses.

3. **Working Capital Deficit.** At March 31, 1981 the Company had a working capital deficit of \$359,181. To date the Company has not generated significant operating revenues and is still dependent upon equity financing and short-term working capital borrowings to meet its current obligations. (See USE OF PROCEEDS and MANAGEMENT — Interest in Certain Transactions.)

4. **Limited Backlog.** The Company has a firm order to deliver 12 Wind Baron System units prior to September 1981 and a verbal commitment for 12 units for delivery during the first quarter of 1982. (See BUSINESS — Pending Contracts.) There is no assurance that the Company will be able to obtain additional orders or that the number of additional orders obtained will be sufficient to enable the Company to operate profitably. (See BUSINESS — Marketing.)

5. **Contingent Liability.** In 1980 the Company granted a Canadian corporation a license to manufacture and market Wind Baron System units in Canada. The licensee paid the Company \$120,000 in license and advance royalty fees and \$80,000 as the purchase price for 10 Wind Baron System units. In April 1981 the license agreement was amended to extend the delivery date for the 10 units from December 31, 1981 to January 31, 1982 and to require the Company to furnish the licensee a comprehensive production/marketing plan in February 1982. The amendment also provides that if the Company fails to provide the plan on schedule or if, within 30 days after receiving the plan, the licensee for any reason decides not to continue the arrangement, the Company must pay the licensee \$140,000 and the license will terminate. (See BUSINESS — Marketing.) If the licensee does not elect to terminate, and the Company is required to deliver the 10 units, it may sustain a loss on the contract equal to the difference between the \$80,000 price for those units and their actual production cost. (See BUSINESS — Production Plans.) If the license agreement is terminated, there is no assurance that the Company will have funds readily available to pay the \$140,000 termination fee. However, the agreement gives the Company the option of issuing such number of shares of its Common Stock as is equal to \$140,000 divided by 90% of the then current market value of the Common Stock in lieu of paying the \$140,000 in cash.

6. **Bias Against Small-Scale Wind Machines.** Since 1929 technological research in wind energy systems has been concentrated predominately on large-scale machines designed to generate electricity. Standard American farm-type windmills currently produced for water pumping applications are based

on technology developed, for the most part, prior to 1900. Principally because of the historical lag in the development of small-scale, multi-blade wind machine technology and public awareness of the standard windmill's functional limitations, the Company encountered significant skepticism concerning the System's capabilities during its initial marketing efforts, and management anticipates similar resistance in the future. There is no assurance the Company can overcome the existing bias against small-scale, multi-blade wind machines among prospective customers.

7. **Customer Dependence on Government and Quasi-Government Funding.** Management believes that the market potential for the Wind Baron System is greatest in semi-arid areas of the American Southwest, much of which is populated by American Indians, and in lesser developed nations. (See BUSINESS.) The Company's ability to obtain firm contracts in those areas will depend heavily on the amount and timing of funds allocated to domestic water resource development by Congress and the Federal Bureaus of Land Management and Indian Affairs, and to foreign water resource development by the United Nations, the World Bank and other international funding agencies. There can be no assurance that water resource development will become or persist as a funding priority, or that funds allocated to water resource development will be used to acquire Wind Baron System units.

8. **Limited Foreign Patent Protection.** The Company holds patents on the Wind Baron System in the United States and 14 foreign countries and has patent applications pending in 62 other countries. (See BUSINESS — Patents and Trademarks.) The Company's proposed marketing strategy contemplates the formation of co-ventures with the governments of, or business interests in, certain lesser developed nations. (See BUSINESS — Marketing.) The patent laws of certain foreign countries provide substantially less protection than those of the United States, and conditions prevailing in some lesser developed nations indicate political instability. Consequently, there is a risk that the Company's patent rights and co-venture investments might be subject to appropriation without compensation in certain areas of the world. Protection of the Company's domestic and international patent rights against infringement or misappropriation may involve substantial expenditures, and there is no assurance that the Company will be able to bear the costs of any protracted litigation.

9. **Dependence on Chief Executive Officer.** Richard K. Sutz co-founded the Company and has served as its chief executive officer since its inception. (See MANAGEMENT.) Mr. Sutz designed and developed the patent for the Wind Baron System, functions as head of the Company's research and development departments and is principally responsible for production, sales and negotiating key contracts on behalf of the Company. Were Mr. Sutz to resign, die or become disabled within the foreseeable future, there is no assurance that the Company could survive.

10. **Personal Benefits of Offering to Chief Executive Officer.** Richard K. Sutz, chief executive officer, Chairman of the Board and a principal stockholder of the Company, will receive substantial personal benefits from this offering. The Company will use approximately \$107,000 (2.9%) of the net proceeds from this offering to pay Mr. Sutz accrued salary of \$58,500 and unreimbursed business expenses of \$48,500. Mr. Sutz also owns 1,729,130 shares of the Company's Common Stock for which he contributed property in January 1978 valued at \$1,375. At the public offering price of \$1.00 per share, these shares would be valued at \$1,729,130. In addition, a family trust in which Mr. Sutz holds a 20% beneficial interest, and of which Mr. Sutz is the voting trustee, owns 200,095 shares of the Company's Common Stock for which it paid \$55,000 in January 1980. (See MANAGEMENT and BENEFICIAL OWNERSHIP OF SECURITIES.)

11. **Limited Number of Personnel.** The Company now employs nine full-time employees, of whom eight are executive, professional or technical personnel. (See BUSINESS — Employees and MANAGEMENT.) The Company's production and marketing plans entail a substantial expansion of the Company's work force, including qualified, experienced individuals to fill key engineering, production management and sales positions. (See USE OF PROCEEDS.) There is no assurance the Company will be able to locate, attract or retain qualified personnel to fill these key positions.

12. **Dependence on Production Contractor.** Prototypes of the Wind Baron System unit were fabricated by an unaffiliated contractor in Phoenix, Arizona, who has agreed, subject to price negotiation at certain fixed stages, to produce 100 units for the Company prior to March 1982. (See USE OF PROCEEDS and BUSINESS — Production Plans.) Wind Baron System units are built with low technology components which are readily available from various suppliers, and many machine shops are capable of producing completed units. However, in view of the present contractor's familiarity with the units' specifications and assembly procedures, if that contractor were to experience a casualty or other business disruption before the Company's proposed assembly facility becomes operational, there is no assurance that the Company would be able to make alternative production arrangements in time to fulfill its delivery commitments. (See BUSINESS — Pending Contracts.)

13. **Competition.** To the Company's knowledge, there are three American companies and several foreign companies actively engaged in the manufacture and distribution of standard farm-type windmills. All are established enterprises with substantially greater financial resources and management depth than the Company. (See BUSINESS — Competition.) Although management believes that the Company's patent on the Wind Baron System will provide the Company with a significant competitive advantage, competitor reaction to the Company's entry into the market cannot be predicted. (See BUSINESS — Patents and Trademarks.) In addition, management believes that vigorous competition will eventually develop from numerous companies engaged in developing wind machines designed to generate electricity. The Company's ability to maintain its anticipated competitive advantage will depend on its financial strength and its ability to protect its patent rights.

14. **Apparent Conflicts of Interest.** The legality of the shares of Common Stock offered by this Prospectus is being passed upon for the Company by the law firm of Steinberg & Meer. Lawrence L. Steinberg, a member of that firm, is a director, President and beneficial owner of 23.5% of the outstanding capital stock of Texas American Resources, Inc. which, in turn, owns 1,393,000 shares (19.9%) of the Company's outstanding Common Stock. (See BENEFICIAL OWNERSHIP OF SECURITIES and LEGAL OPINIONS.) Certain information in this Prospectus concerning tests conducted at the Company's Window Rock, Arizona, test site has been excerpted from a joint report of Dr. Peter F. Jenkins and Richard W. Whitsitt dated February 26, 1981. Mr. Whitsitt became a paid consultant to the Company in April 1981. (See BUSINESS — Navajo Nation Master Test and EXPERTS.)

15. **Lack of Public Market.** Prior to this offering there has been no public market for the Company's Common Stock and there is no assurance that a market for the Common Stock will develop following this offering. Purchasers of shares of Common Stock in this offering may therefore experience difficulty in selling their shares should they decide to do so.

16. **Negotiated Offering Price.** The public offering price of \$1.00 per share has been arbitrarily determined by negotiations between the Company and the Underwriter, and bears no relationship to the Company's assets, earnings, book value or other generally accepted criteria of value. The factors considered in determining the public offering price included estimates of the Company's long-range

business potential, the general condition of the securities market at the time of the offering and investor demand for securities of similar companies. Present stockholders of the Company have acquired 6,999,993 shares of Common Stock for an aggregate purchase price of \$787,698, or an average purchase price of approximately 11¢ per share. At the public offering price of \$1.00 per share, these shares would be valued at \$6,999,993. (See UNDERWRITING.)

17. **Registration Rights.** In connection with this offering, the Company has agreed to issue Warrants to the Underwriter to purchase up to 450,000 shares of the Company's Common Stock at a purchase price of \$1.20 per share. The Company has agreed to register the shares of Common Stock issuable upon exercise of the Warrants for sale under the Securities Act of 1933 under certain circumstances. Registration of those shares may result in substantial expense to the Company at a time when it may be unable to afford such expense. In addition, the holders of the Warrants may exercise them at a time when the Company would be able to obtain additional equity capital on terms more favorable than those provided for by the Warrants. (See UNDERWRITING — Underwriter's Warrants.)

In connection with a private placement in November 1980 the Company agreed, upon request received after November 1981, to register 1,393,000 shares of Common Stock purchased by Texas American Resources, Inc. for sale under the Securities Act of 1933, and to pay one half of the expenses of such registration other than underwriting commissions. Texas American may request such registration at a time when the Company may be unable to afford such expense. (See BENEFICIAL OWNERSHIP OF SECURITIES.)

18. **Rule 144 Sales.** All 6,999,993 shares of the Company's Common Stock which are currently outstanding are "restricted securities" as that term is defined in Rule 144 of the regulations under the Securities Act of 1933 and, in the future, may be sold in compliance with Rule 144. Generally, under Rule 144, a person holding restricted securities for a period of two years may, every three months, sell in ordinary brokerage transactions an amount equal to 1% of the Company's then outstanding Common Stock. Sales under Rule 144 may, in the future, have a depressive effect on the market price of the Company's Common Stock should a public market develop for its shares. However, affiliates of the Company have agreed with the Underwriter not to sell any shares owned by them for a period of six months from the date of this Prospectus.

19. **Dilution.** This offering involves immediate and substantial dilution of 69.1¢ per share in the net tangible book value of the Common Stock from the public offering price of \$1.00 per share. (See DILUTION.)

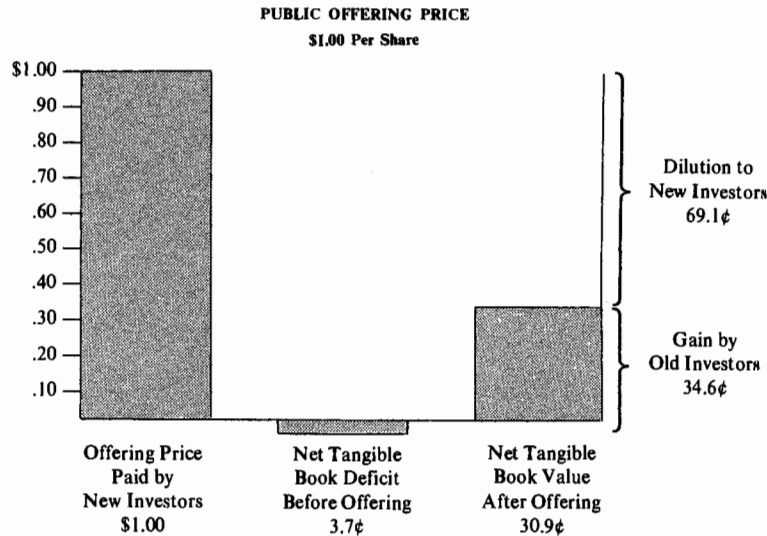
20. **Lack of Dividend Payments.** The Company has never paid any cash dividends on its Common Stock and does not anticipate paying any such dividends in the foreseeable future. (See DIVIDEND POLICY.)

DILUTION

At March 31, 1981 the Company's Common Stock had a net tangible book deficit of 3.7¢ per share. Assuming that the Underwriter's over-allotment option is not exercised, after the sale of the 4,500,000 shares of Common Stock offered by this Prospectus at a price of \$1.00 per share and subtracting from the proceeds underwriting commissions and other expenses incurred in connection with this offering, the Company will receive net proceeds of approximately \$3,700,000. The pro forma effect of the sale of the 4,500,000 shares and the receipt of the estimated net proceeds would be to change the net tangible book deficit to a positive net tangible book value of 30.9¢ per share, resulting in an immediate dilution of 69.1¢ per share from the \$1.00 public offering price. This increase in net tangible book value per share will substantially benefit the Company's present stockholders.

Dilution per share represents the difference between the public offering price per share and the net tangible book value per share after giving effect to the receipt of the net proceeds from the offering. Net tangible book value excludes the book value of patents and other intangible assets and to that extent may not be indicative of the actual value of the Company's assets.

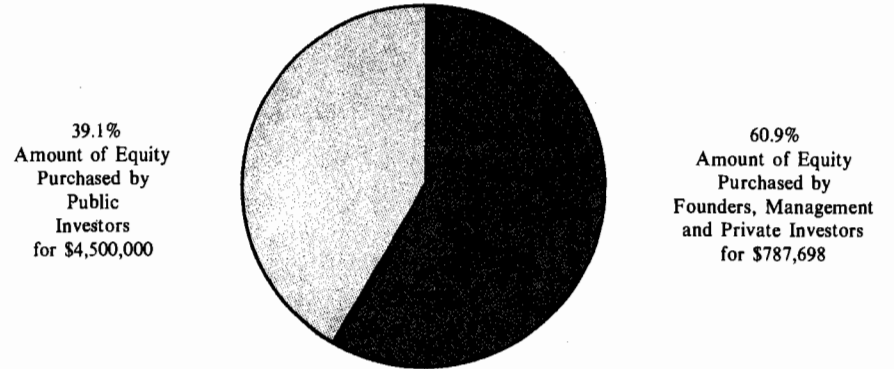
The following graph illustrates the dilution from the public offering price to be absorbed by public investors and the increase in the net tangible book value per share benefiting the present stockholders of the Company:



COMPARATIVE DATA

The following table and chart compare the offering price of \$1.00 to be paid by public investors for each share of Common Stock offered by this Prospectus and the percentage of the Company's Common Stock to be owned by all public investors after giving effect to this offering, with the cash consideration paid and the percentage of the Company's Common Stock to be owned by the Company's present stockholders, including its founders, management and certain private investors, assuming that the Underwriter does not exercise its over-allotment option:

	Shares Purchased	Percentage of Shares	Average Price per Share	Total Consideration Paid	Percentage of Consideration Paid
Shares to be Purchased by Public Investors.....	4,500,000	39.1%	\$1.00	4,500,000	85.1%
Shares Purchased by Founders, Management and Private Investors.....	6,999,993	60.9%	11¢	787,698	14.9%



Upon completion of this offering the Company will also issue Warrants to the Underwriter to purchase 450,000 shares of Common Stock. (See UNDERWRITING — Underwriter's Warrants.) To the extent the Warrants are exercised, there may be a further dilution in the net tangible book value of the shares held by public investors.

USE OF PROCEEDS

The net proceeds to the Company from this offering will be approximately \$3,700,000, after deducting underwriting commissions of \$450,000 and other expenses of the offering estimated at approximately \$350,000. The Company plans to use the net proceeds during the next 12 months approximately as follows:

Constructing a new assembly facility.....	\$ 250,000(a)(c)
Equipping the new assembly facility.....	365,000(b)(c)
Production of 100 Wind Baron System units by an unaffiliated contractor.....	1,000,000(d)
Research and development.....	250,000(e)
Salaries and employment costs of 10 to 15 new employees.....	328,000(f)
Patent and trademark filing and maintenance fees.....	275,000(g)
Repayment of short-term working capital advances, including accrued interest.....	240,000(h)
Payment of accrued salary and unreimbursed business expenses to chief executive officer.....	107,000
Working capital.....	885,000(i)
	<u>\$3,700,000</u>

(a) The estimated cost of acquiring land for and constructing a new facility in Phoenix, Arizona, is approximately \$800,000, and the allocation of net proceeds in the above table assumes that the Company will obtain mortgage financing for approximately \$550,000 of that amount. The facility would be of prefabricated metal construction and contain approximately 22,000 square feet of machine shop and assembly space and approximately 3,000 square feet of office space. Management estimates that after the proposed facility becomes fully operational, its production capacity will be approximately 100 units per month. Management is also considering the alternatives of leasing an existing facility, of entering into a build-to-suit lease for a new facility, or of acquiring the facility of the present unaffiliated contractor, as described in footnote (c) to this table. If the Company pursues either of the first two alternatives, the amount of the net proceeds allocated to constructing a new facility will be added to working capital.

(b) The equipment intended to be acquired includes a press brake, boring mills, lathes, milling and welding machines and other items, all of which are available from a variety of sources.

(c) The Company is considering the possibility of acquiring the present unaffiliated contractor's business as a means of obtaining a permanent assembly facility. (See BUSINESS — Production Plans.) Acquisition terms have not been formulated or discussed, but a possibility exists that the Company might propose the issuance of Common Stock or a long-term note in addition to or in lieu of cash. If such an acquisition materializes, the amount of the net proceeds allocated to construct and equip the new assembly facility will instead be used for the acquisition of this facility or added to working capital.

(d) Production began in February 1981. (See BUSINESS — Production Plans.)

(e) Research and development activities will include the installation of a test facility at Phoenix, Arizona, including a test well, a small wind tunnel and related instrumentation, the refinement of the tooling and fixtures used in the production/assembly process and further durability testing and mechanical refinement of the Wind Baron System. (See BUSINESS — Research, Development and Alternative Applications.)

(f) A portion of these funds will be used to pay executive employment agency fees and employee relocation expenses.

(g) Certain modifications of the counter-balance and gear mechanisms incorporated in the Wind Baron System were developed in 1980. During 1981 the Company intends to file two new patent applications in the United States and numerous foreign countries covering these modifications. Approximately \$200,000 of the net proceeds from this offering will be used to pay filing fees and maintenance costs for those patent applications. The Company has also filed an application with the United States Patent and Trademark Office to register the Wind Baron name as a trademark and intends to file similar applications in numerous foreign countries. Approximately \$75,000 of the net proceeds from this offering will be used to pay the filing fees for such applications. (See BUSINESS — Patents and Trademarks.) The amounts allocated for such purposes are based upon estimates furnished by the Company's patent and trademark counsel.

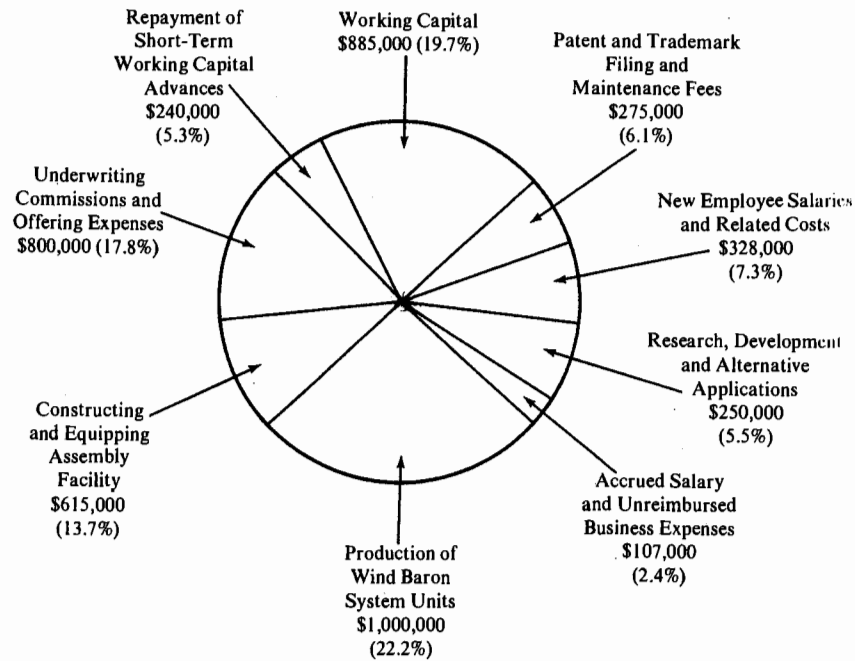
(h) In March 1981 Hamilton F. Richardson, a director and principal stockholder of the Company, agreed to provide the Company up to \$250,000 in interim working capital advances to be repaid from the net proceeds of this offering. Since March 1981 the Company has borrowed \$233,000 under that agreement, but does not expect to borrow additional funds from Mr. Richardson prior to the completion of this offering. The Company's indebtedness to Mr. Richardson bears interest at the rate of 2% over the prime rate charged by a major New York City bank, which is the same rate Mr. Richardson is paying to obtain funds for the advances. The \$240,000 included in the table on the preceding page includes principal and estimated interest which will be payable to Mr. Richardson.

(i) The Company expects to use a substantial portion of the net proceeds allocated to working capital to pay (a) travel expenses for on-site consultations with prospective international customers, (b) consulting fees and other expenses related to developing water resource development and project funding proposals for The Navajo Nation and certain lesser development nations, (c) creative and production costs for advertising and promotional materials, and (d) general corporate overhead expenses. (See BUSINESS.) To the extent, if any, that the Underwriter exercises its over-allotment option, the additional net proceeds will be added to working capital.

Management believes that, under present circumstances, the net proceeds from this offering, together with anticipated operating revenues and the possible financings described in the footnotes to the Use of Proceeds table, will be sufficient to satisfy the Company's cash requirements for at least 12 months following the date of this Prospectus, and that the Company will not need to borrow or otherwise raise additional funds to finance anticipated expenditures during that period. If, however, demand for Wind Baron System units develops more rapidly than management now anticipates, the Company may, within the next 12 months, seek debt or equity financing to purchase additional equipment and to expand its assembly facility.

Pending their use for the purposes indicated above, the net proceeds from this offering will be temporarily invested in certificates of deposit, government securities, short-term commercial paper, money market certificates or savings accounts. The Company does not intend to register under the Investment Company Act of 1940 and, accordingly, will be limited in the type of investments it may temporarily make with the proceeds.

The following chart depicts the intended application of the proceeds from this offering:



DIVIDEND POLICY

The Company has never paid any cash dividends on its Common Stock and does not anticipate paying any such dividends in the foreseeable future. Management intends to reinvest any revenues from operations in the Company's business.

CAPITALIZATION

The following table shows the capitalization of the Company at March 31, 1981 and as adjusted to give effect to the sale of the Common Stock offered hereby and the application of the estimated net proceeds therefrom:

	Amount Outstanding at March 31, 1981	As Adjusted
Short-term working capital advances*	\$ 78,000	\$ —0—
Long-term debt	\$ —0—	\$ —0—
Stockholders' equity:		
Common Stock, 1¢ par value, 6,999,993 shares outstanding and 11,499,993 shares to be outstanding	\$ 69,999	\$ 114,999
Additional paid-in capital	701,561	4,356,561
Deficit accumulated during development stage	(855,385)	(855,385)
Total stockholders' equity	\$ (83,825)	\$3,616,175

*In March 1981 Hamilton F. Richardson, a director and principal stockholder of the Company, advanced \$78,000 to the Company. The advance bears interest at the rate of 2% over the prime rate of a major New York City bank and, together with any additional amounts advanced prior to the conclusion of this offering, is payable from the net proceeds of this offering. (See USE OF PROCEEDS and MANAGEMENT — Interest in Certain Transactions.)

For information concerning the Company's obligations under non-cancellable leases at March 31, 1981, see "Lease Commitment" in Note A of Notes to Financial Statements.

BUSINESS

General

Since 1978, the Company has engaged principally in the design, testing and limited production of a small-scale, multi-blade wind machine system called the Wind Baron System. The Company holds patents on the System in the United States and 14 foreign countries and has patent applications pending in 62 other countries.

Prior to February 1981 production of Wind Baron System units ("Wind Baron Machines") was limited to prototype, demonstration and test units. Only the Wind Baron Machine in operation at the Company's Window Rock, Arizona, test facility has actually been installed.

In February 1981 the Company entered into a contract with an unaffiliated contractor in Phoenix, Arizona, pursuant to which that contractor agreed to produce 100 Wind Baron Machines for the Company prior to March 1982. Production will not be fully automated until after the first 30 Machines are completed, and initial tooling, labor and materials costs will result in the Company's incurring substantial losses on the sale of at least the first five Machines. (See "Pending Contracts" and "Production Plans" under this caption.) However, management believes that production and materials procurement efficiencies expected to be achieved during the course of the contract's performance will result in substantial production cost reductions by the time the Company commences full-scale production.

The Company intends to use approximately \$1,000,000 of the net proceeds from this offering to finance production of Wind Baron Machines by the unaffiliated contractor and to apply approximately \$615,000 of such proceeds toward the cost of constructing and equipping a new assembly facility in Phoenix, Arizona. (See USE OF PROCEEDS.)

Controlled tests of the relative water pumping capabilities of a Wind Baron Machine and a standard American farm-type windmill have been underway at the Company's test facility in Window Rock, Arizona, since May 1980. Based on the test results, The Navajo Nation has confirmed an order to purchase Wind Baron Machines for 12 water wells located on the Navajo reservation and has indicated to the Company that it is contemplating the purchase of additional Machines. In June 1981 the Company also received a verbal commitment for the purchase of 12 Wind Baron Machines by an American company for delivery to its Nigerian affiliate during 1982.

Management believes that the market potential for the Wind Baron System is greatest in semi-arid areas of the American Southwest and in lesser developed nations. Government representatives from the People's Republic of China and Sudan and business representatives from Israel, Canada and Australia have visited the test site and production facility in Window Rock and Phoenix, and several developing nations have expressed an interest in the System. However, there is no assurance that any of these overtures will result in purchase orders.

Prior to developing the Wind Baron System the Company obtained an exclusive license to produce and market a patented counter-balance device designed to be retrofitted to standard American farm-type windmills which was developed by Mr. John L. Berggren. The Company acquired the license in March 1978 from Gate Tight, Inc. ("GTI"), a Montana corporation formed by Mr. Berggren. The Berggren device proved mechanically deficient in certain respects and, when GTI failed to provide the Company assistance in correcting those deficiencies, the Company decided to pursue the research which culminated in the development of the Wind Baron System. Disputes concerning the GTI license resulted in the Company's filing suit against GTI and its officers and directors in July 1979. The Company dismissed that suit in March 1981. (See LEGAL PROCEEDINGS.)

Past and Present Demand for Windmills

Between 1890 and 1929 over 5,000,000 standard American farm-type windmills were manufactured and sold, predominately to farmers and ranchers in rural and remote areas of the western half of the United States. Demand for the standard windmill peaked in 1929. Nearly 100 manufacturers competed for industry-wide sales which totaled approximately \$10,000,000 in 1929.

Domestic demand for standard windmills declined rapidly after 1929 in part because of the nation's economic depression but principally because, with the advent of the Rural Electrification Administration, farmers and ranchers were able to obtain water more efficiently and conveniently through use of submersible pumps powered by relatively inexpensive electricity.

Industry sources indicate that around 1960 world-wide demand for standard American farm-type windmills stabilized at approximately 25,000 units per year, with the United States accounting for approximately 20% of total demand. Industry sources also indicate that of the units sold in the United States since 1960, over 97% were equipped with fans measuring 12 feet or less in diameter. Such units are designed to pump water from depths of less than 300 feet, an indication that the domestic market for standard farm-type windmills has been restricted almost exclusively to shallow-well users.

The technology incorporated in the standard farm-type windmills currently being produced was developed, for the most part, prior to 1900. For reasons explained elsewhere in this Prospectus, even standard windmills equipped with fans measuring 16 feet in diameter are incapable of pumping effectively at depths in excess of 300 feet unless located in areas which experience average wind speeds of at least 15 miles per hour. For this reason, pumping of subsurface water from below 300 feet has either been impossible or severely hampered in low wind areas of the world which lack either electric service or the capability to provide regular maintenance for pumps powered by gasoline engines. The Company anticipates that the greatest demand for Wind Baron Machines will develop in those areas of the world.

In view of the dramatic increases in gasoline and electric energy prices since 1973, it is also possible that a market for Wind Baron Machines will develop among current users of gasoline-powered pump jacks, standard windmills augmented by gasoline-powered pump jacks and submersible electric pumps. However, there is no assurance that such a market will develop or become significant to the Company.

The Wind Baron System

Wind machines operate by harnessing the force which the wind exerts against a fan, propeller or other rotary-motion device to drive a gear mechanism. The amount of energy a wind machine derives from the wind depends not only on wind speed, but also on air density, of which altitude is an important variable.

The data presented herein is based on tests conducted at 6,500 feet above sea level at the Company's Window Rock, Arizona, test facility. Since air density is usually greatest near sea level, a wind machine can be expected to perform significantly better in lower altitudes.

A Wind Baron Machine is similar in appearance to an American farm-type windmill. It is equipped with a multi-blade fan measuring 16 feet in diameter and is designed to be fitted atop a standard water well tower. The Wind Baron System is derived from the technology used in the standard windmill, but incorporates counter-balancing and wind-tracking features which are designed to substantially increase its mechanical efficiency.

The operation of a water pumping windmill involves conversion of the fan's rotary (circular) motion into the reciprocating (up-and-down) motion required to operate a "sucker rod" which extends the depth of

the well and is attached to a pump in the well's bottom. To initiate pumping action, a windmill must generate sufficient energy to lift the combined weights of the sucker rod, the pump and the column of water being pumped. In a 400-foot well equipped with a metal sucker rod and a 1 1/4-inch well cylinder, these weights total 812 pounds. In an 800-foot well, similarly equipped, these weights total 1,625 pounds.

The standard windmill transmits energy to the sucker rod only during the up or lift stroke of the reciprocating cycle; during the down stroke the sucker rod descends by gravitational action. Because it uses the wind's energy only during the lift stroke and does not counter-balance any of the weight it must manage, a standard windmill equipped with a 16-foot fan requires wind speeds in excess of 15 miles per hour to initiate pumping action on an 812 pound load, and sustained winds of approximately 15 miles per hour to pump continuously.

To initiate pumping action on a 1,625 pound load, a standard windmill requires wind speeds of approximately 27 miles per hour. As a result of the improvements described below, a Wind Baron Machine is capable of initiating pumping action on 1,625 pounds in wind speeds as low as 6 miles per hour.

According to worldwide wind velocity studies summarized in *Wind Machines*, a 1975 National Science Foundation publication, and in the 1980 edition of McGraw-Hill's *Encyclopedia of Energy*, wind speeds of 15 miles per hour or more occur less than 25% of the time over only 25% of the earth's surface. By contrast, wind speeds of 5 miles per hour occur approximately 90% of the time over 90% of the earth's surface. Moreover, semi-arid areas tend to experience lower winds. For example, the average wind speed over a 12-month period in Window Rock, Arizona, is 8 miles per hour.

The Wind Baron System is based on the same rotary-reciprocal motion principles as the standard windmill. However, the Wind Baron System includes a counter-balancing mechanism which is designed to significantly enhance the machine's use of the wind's energy. During the machine's down stroke, the energy generated by the fan is transferred to the counter-balance device, causing it to pivot upwards. As the machine moves into the up or lift stroke, the device pivots downward, assisting the machine to lift the weight of the sucker rod and water column.

The counter-balancing mechanism's action effectively compensates for the sucker rod's weight and approximately half the weight of the water column. The counter-balance device can be adjusted to compensate for increased loads. Consequently, a Wind Baron Machine can be calibrated to operate at varying well depths and in conjunction with well cylinders of various sizes.

To operate most efficiently, a wind machine's fan must face directly into the wind. A windmill "tracks" or adjusts its position relative to the wind in response to wind pressure on its tail vane. A Wind Baron Machine tracks more efficiently than a standard windmill because of the addition of friction-reducing bearings at strategic points and aerodynamic modifications of its tail vane.

As a result of the efficiencies produced by its counter-balancing mechanism and its improved tracking features, management believes that the Wind Baron System is capable of pumping water from depths exceeding 1,500 feet in wind speeds as low as 2 1/2 miles per hour at altitudes of 2,000 feet or less. According to the 1975 National Science Foundation publication previously referred to, wind speeds greater than 2 1/2 per hour occur approximately 94% of the time over approximately 90% of the earth's surface.

Navajo Nation Master Test

In July 1979 The Navajo Nation entered into a contract to purchase 12 Wind Baron Machines from the Company, subject to satisfactory completion of a six-month test of the System's performance. To insure the test results' scientific validity, The Navajo Nation designated a site on its reservation in Window Rock, Arizona, and spent a substantial amount to construct and equip a test facility.

The test facility contains two water wells located approximately 75 feet apart, midway between which a wind velocity measuring device called an anemometer is positioned. Both wells extend to a depth of 1,300 feet and are identically equipped with a special sealed casing which permits the test coordinator to set the depth from which water is being pumped.

The wells are equipped with towers of the same height and identical sucker rods and well cylinders, so that the volume of water in both wells is identical. They are positioned so that the prevailing wind flows equally to both. A Wind Baron Machine has been installed on one tower and a standard windmill on the other. Both machines are equipped with 16-foot multi-blade fans. The anemometer is connected to a digital recording device which records the average wind speed measured by the anemometer during the preceding five minutes and the number of pumping cycles performed by the Wind Baron Machine and the standard windmill, respectively, during that five-minute period.

Testing began at the facility on May 9, 1980. The graphs appearing on the following pages show the water production of both units in wind speeds below and at or above 10 miles per hour at the depths indicated. In January 1981 the test conditions and results were analyzed jointly by Dr. Peter E. Jenkins, Director of Turbomachinery Laboratories at Texas A & M University, and Richard W. Whitsitt, an energy development and conservation consultant who has held senior positions with, among other organizations, the United States Department of Energy and its predecessor agencies. In April 1981 Mr. Whitsitt was retained by the Company for a period of one year to provide consulting services related to project funding and water resource development proposals. (See EXPERTS.)

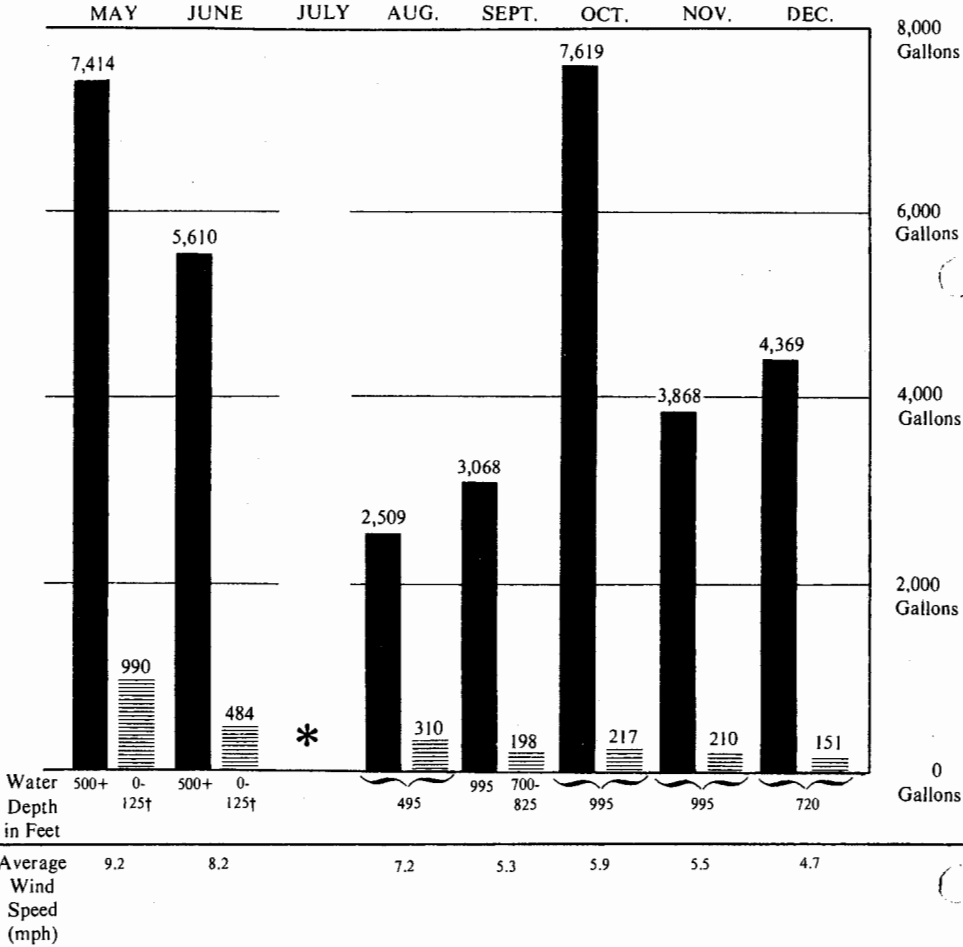
In their report dated February 26, 1981 Dr. Jenkins and Mr. Whitsitt expressed their opinions that the test procedures used by the Company were scientifically valid and that the performance results summarized in the graphs appearing on the following pages are accurate. A copy of the report of Dr. Jenkins and Mr. Whitsitt has been filed as an exhibit to the registration statement of which this Prospectus is a part. (See ADDITIONAL INFORMATION.)

NAVAJO NATION MASTER TEST RESULTS

COMPARATIVE PERFORMANCE IN WIND SPEEDS
BELOW 10 MILES PER HOUR

May Through December 1980

Key: Solid bars = Wind Baron Machine
Hatched bars = Standard windmill

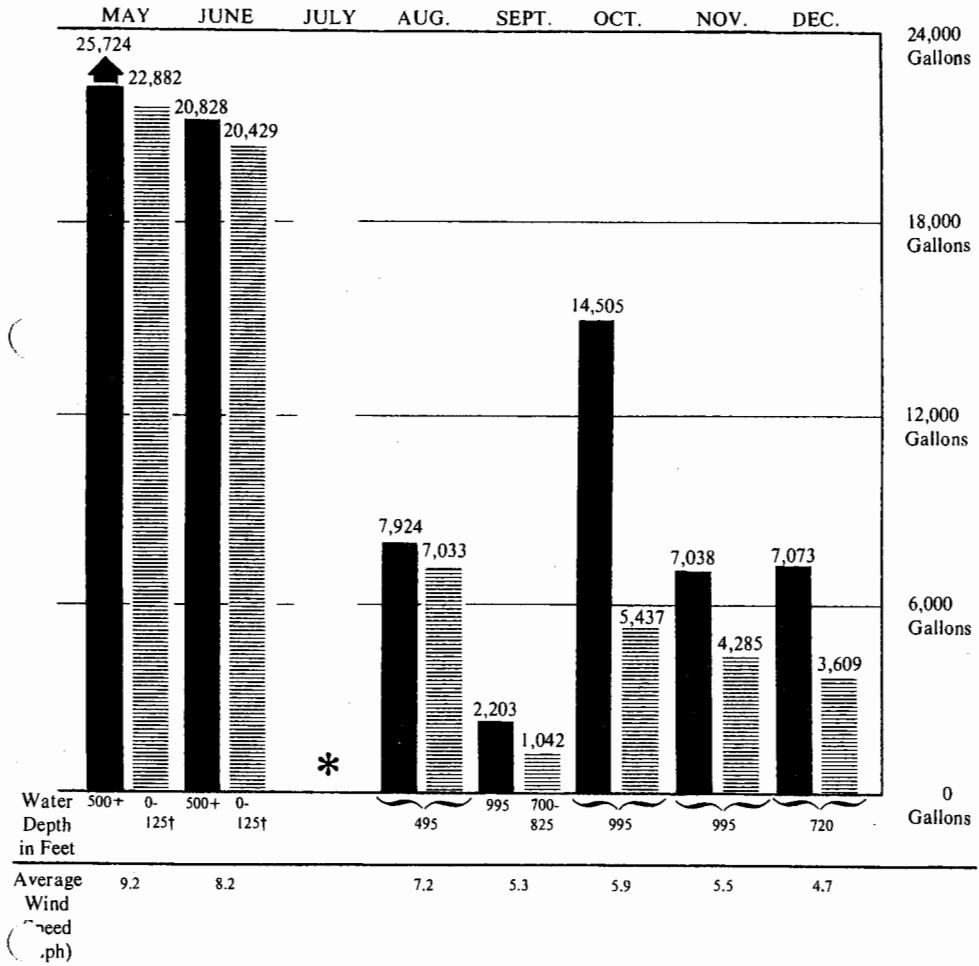


*Tests were suspended in July to permit a change of casings in both wells.

†A leak in the standard windmill's casing seal interfered with precise depth settings during May and June.

COMPARATIVE PERFORMANCE IN WIND SPEEDS AT OR ABOVE 10 MILES PER HOUR

May Through December 1980



*Tests were suspended in July to permit a change of casings in both wells.

†A leak in the standard windmill's casing seal interfered with precise depth settings during May and June.

Performance Summary

The following table summarizes the information presented in the graphs appearing on the preceding pages.

	May Through December 1980			
	Wind Baron Machine	Standard Windmill	Difference	Performance Ratio
Gallons of water produced below 10 mph.....	34,457	2,560	31,897	13.46 to 1
Gallons of water produced at or above 10 mph	85,295	64,717	20,578	1.32 to 1
Total.....	<u>119,752</u>	<u>67,277</u>	<u>52,475</u>	1.78 to 1

The results summarized above reflect a significant differential in the performance of the tested Wind Baron Machine, as compared to the standard windmill, at wind speeds of less than 10 miles per hour. According to the report of Dr. Jenkins and Mr. Whitsitt previously referred to under this caption, wind velocities of less than 10 miles per hour generally prevail over more than 90% of the earth's surface, and are particularly prevalent in semi-arid areas of the world. For these reasons, management believes that the Wind Baron Machine is particularly suitable for use in semi-arid areas such as the southwestern United States, southern Asia, Africa and Central and South America.

Pending Contracts

On November 30, 1980 The Navajo Nation accepted the results of the tests conducted at the Window Rock test site and confirmed an order for 12 Wind Baron Machines which are to be delivered prior to September 1981. The first two Machines have been completed and are ready for delivery to the Navajo reservation upon the Company's receipt of shipping instructions. The contract price for the 12 Machines is \$150,000, of which the Company has already received \$75,000. The Company intends to use a portion of the net proceeds from this offering to fund production of those units. (See USE OF PROCEEDS.) As indicated below under "Production Plans," the cost of producing these 12 Machines will substantially exceed the contract sale price.

On June 19, 1981 Sinclair Manufacturing International, Inc. ("Sinclair") verbally committed to purchase a minimum of 12 Wind Baron Machines for delivery to Sinclair's affiliate in Lagos, Nigeria, during the first quarter of 1982. The commitment, which is subject to written confirmation, contemplates that Sinclair will pay the Company \$15,000 per Machine, plus insurance and shipping costs to Nigeria, and an expense allowance of \$15,000 for travel and miscellaneous expenses, up to a maximum of \$250,000. Depending on actual insurance and shipping costs, the Company may furnish a thirteenth Machine under the Sinclair agreement. Sinclair has tentatively agreed to provide the Company a \$250,000 irrevocable sight-draft letter of credit from an American bank to secure its purchase obligations. The Company will be entitled to draw on that letter of credit to fund substantially all of its production costs.

The Company is also contingently obligated to deliver 10 Wind Baron Machines to its Canadian licensee prior to February 1982. An April 1981 amendment to the license agreement permits the licensee to terminate the license in 1982, as explained in "Marketing" under this caption. The contract price for the 10 units is \$80,000, all of which the Company received in 1980. If the licensee elects to continue the arrangement and the actual cost to produce the 10 units exceeds \$8,000 each, the Company will sustain a loss on these units. (See "Production Plans" below.)

Production Plans

To date, Wind Baron Machines have been fabricated by an unaffiliated production contractor in Phoenix, Arizona. In February 1981 the Company entered into a contract pursuant to which that contractor

agreed to produce 100 Wind Baron Machines for the Company prior to March 1982. The contract provides for a three-phase production schedule. The first phase, in progress since February 1981, covers the production of five units at a price based on time and materials costs and provides for the development of specifications for the machinery, tooling and procedures required to produce Wind Baron Machines on an automated basis. The second phase covers the production of 25 units at a price to be negotiated at the end of phase one. Prior to the third phase the Company will assume responsibility for purchasing all materials and components and, during the third phase, the contractor will assemble 70 units on a subcontract basis.

Based on production experience to date, the Company and the contractor estimate that the five Machines produced during the first phase of the contract will cost the Company an average of approximately \$25,000 each. Management believes, however, that if anticipated production and materials procurement efficiencies are achieved, the average cost of all 100 Machines should not exceed approximately \$10,000 each. All five of the Machines produced during the first phase and seven of those to be produced during the second phase will be delivered pursuant to the Company's contract with The Navajo Nation. That contract provides for a price of \$12,500 per Machine. Consequently, the Company will sustain a loss of approximately \$12,500 on each of the first five Machines delivered under that contract and estimates that it will sustain a loss of approximately \$1,500 on each of the remaining seven. (See "Pending Contracts" under this caption.)

The Company intends to use approximately \$1,000,000 of the net proceeds from this offering to fund purchase orders for the 100 Machines to be produced under the contract with the independent contractor. (See USE OF PROCEEDS.) Management believes that the production schedule contemplated by this contract will enable the Company to satisfy its pending delivery commitments, as well as to fill additional orders received prior to completion of the assembly facility described below.

The Company intends to apply approximately \$615,000 of the net proceeds from this offering toward the costs of constructing and equipping a new assembly facility in Phoenix, Arizona. (See USE OF PROCEEDS.) The Company has not selected a site for the facility or made any commitments concerning its construction or financing. However, as part of the production contract described above, the production contractor has agreed to assist the Company in developing detailed plans for the facility, including plant configuration, machine specifications and staffing requirements.

The Company is considering the possibility of acquiring the production contractor's business as a means of obtaining a permanent assembly facility, but an acquisition proposal has not been formulated or discussed with the contractor. (See USE OF PROCEEDS.)

Production of Wind Baron Machines does not involve either high technology or sophisticated equipment. The components are stock items which are readily available from various suppliers, and the equipment required to fabricate the counter-balance mechanism and to assemble the units is standard machine shop equipment.

Marketing

In its initial application the Wind Baron System is designed to provide a high performance, minimum maintenance method of pumping water, primarily for household use, crop irrigation and livestock watering.

Because The Navajo Nation is the world's largest user of windmills, and because the topographic, climatic and socio-economic conditions prevailing on its reservation are similar to those in many lesser developed nations, the Company chose to direct its initial marketing efforts predominately toward The Navajo Nation, and intends to continue those efforts in the future. In addition to its direct sales effort, the

Company has provided The Navajo Nation with consulting services on irrigation techniques and water resource development and is assisting The Navajo Nation in developing a government funding proposal for additional Wind Baron Machines. The Company has also submitted a proposal to joint venture a Wind Baron Machine production facility in Gallup, New Mexico, with The Navajo Nation, and is assisting in the development of a government funding proposal for such a facility.

Preliminary contacts with government representatives of certain lesser developed nations indicate that such nations lack not only water pumping capability, but the technology and expertise to develop effective water distribution and irrigation systems. Management believes that, in many instances, international sales of Wind Baron Machines will depend upon the client nation's also receiving assistance in making effective use of the water which the Wind Baron Machines are capable of providing.

As a result, the Company's proposed marketing strategy contemplates that, in certain instances, its direct sales of Wind Baron Machines will be coupled with programs to devise and supervise implementation of integrated irrigation and water storage, distribution and disposal systems suitable for particular regions. The Company initially intends to develop and offer such programs in cooperation with other companies which are experienced in various technical areas, either on a joint venture or subcontract basis. The Company might also be called upon to supervise construction of local Wind Baron Machine production facilities, train native workers to fabricate, install and maintain those Machines and provide initial management consulting services. Those projects, if requested, would also be undertaken on a joint venture or subcontract basis. Plant, equipment and materials costs would be borne by the host nation and the Company would receive consulting fees and royalties for the use of the Company's patent rights and other technical information.

Delegations from the People's Republic of China have toured the production contractor's Phoenix, Arizona, facility and the Company's Window Rock, Arizona, test site on two occasions and in June 1981 the Company's President was invited to Peking, China, to discuss the formation of an international joint venture to provide Wind Baron Machines for mainland China. A government representative from Sudan has also visited the Phoenix production facility and business representatives from Israel, Canada and Australia have visited the Window Rock test facility. In addition, government representatives of several developing nations, including India, Saudi Arabia, Nigeria and Burma, and a senior representative of the United Nations have expressed interest in the Wind Baron System. Except for the Canadian license agreement described in the next paragraph, none of these contacts has resulted in contract negotiations, and there is no assurance that the Company's joint venture approach will prove feasible.

In 1980 the Company granted to Rocket Resources, Ltd., a Canadian corporation, an exclusive license to manufacture and market Wind Baron Machines in Canada for a period of 20 years. The license agreement obligates the licensee to pay the Company royalties equal to 10% of its gross sales of Wind Baron Machines, payable quarterly. During 1980 the Canadian licensee paid the Company \$120,000 in license fees, \$60,000 of which will be credited toward its royalty obligations from 1987 through 1989. The licensee also paid the Company \$80,000 as the purchase price for 10 Wind Baron Machines to be delivered prior to January 1982. In April 1981 the license agreement was amended to extend the delivery date for the 10 units to January 31, 1982 and to require the Company to furnish the licensee a comprehensive production/marketing plan in February 1982. The amendment also provides that if the Company fails to provide the plan on schedule or if, within 30 days after receiving the plan, the licensee for any reason decides not to continue the arrangement, the Company must pay the licensee \$140,000 and the license will terminate. If the license agreement is

terminated, there is no assurance that the Company will have funds readily available to pay the \$140,000 termination fee. However, the agreement gives the Company the option of issuing such number of shares of its Common Stock as is equal to \$140,000 divided by 90% of the then current market value of the Common Stock in lieu of paying the \$140,000 in cash.

To date, the licensee has not commenced manufacturing or marketing activities. Richard K. Sutz, the Company's founder and chief executive officer, owns approximately 3.4% of the licensee's capital stock. (See **MANAGEMENT — Interest in Certain Transactions.**)

To complement its sales of Wind Baron Machines, the Company plans eventually to produce and distribute a line of smaller windmills designed for shallow-well use and to offer a line of windmill accessories and replacement parts.

Research, Development and Alternative Applications

The company has concentrated initial development of the Wind Baron System on water pumping applications and intends to pursue additional research and testing of the System in order to achieve further refinements of the system hardware and to generate additional systems reliability and durability data. During 1979 and 1980 the Company spent approximately \$20,000 and \$170,000, respectively, for research and development, and plans to spend approximately \$250,000 of the net proceeds from this offering for research and development during the next 12 months. (See **USE OF PROCEEDS.**)

Management believes that the technology incorporated in the Wind Baron System can be readily adapted to applications other than water pumping. Possible alternative applications include oil pumping, water desalinization and purification, space heating and cooling, hydrogen generation and electricity generation. In March 1980 the Company acquired a non-exclusive license to develop, produce and distribute a patented windmill fan blade designed primarily for electricity generating purposes, but has not begun testing the fan's compatibility with the Wind Baron System. The Company expects to begin adapting the System to an oil pumping application in the latter part of 1982. However, management has not yet determined when or in which order the Company will pursue adaptation of the Wind Baron System to alternative applications other than oil pumping, nor has it developed a definitive research and development budget for periods beyond the first half of 1982.

Patents and Trademarks

In July 1980 the United States Patent and Trademark Office issued a patent to the Company which covers the Wind Baron System as an integrated mechanical system. The Company has also received patents on the Wind Baron System in 14 foreign countries and has patent applications pending in 62 other countries, including Australia, India and substantially all the Western European, African, South American and Eastern Bloc nations. However, the patent laws of certain foreign countries provide substantially less protection than those of the United States. (See **RISK FACTORS.**)

Certain modifications of the counter-balance and gear mechanisms incorporated in the Wind Baron System were developed during 1980, and the Company intends to file two new patent applications covering those modifications during 1981. Applications will be filed both in the United States and in numerous foreign countries. The Company intends to use approximately \$200,000 of the net proceeds from this offering to pay the filing fees and maintenance costs for those patent applications. (See **USE OF PROCEEDS.**)

In February 1981 the Company filed an application with the United States Patent and Trademark Office to register the Wind Baron name in the stylized form appearing on the cover page of this Prospectus as a trademark. The Company also intends to file applications to register its name and trademark in numerous foreign countries and intends to use approximately \$75,000 of the net proceeds from this offering to pay the filing fees for its domestic and foreign applications. (See USE OF PROCEEDS.)

Competition

To the Company's knowledge, there are three American companies and several foreign companies actively engaged in the manufacture and distribution of standard farm-type windmills. All are established enterprises with substantially greater financial resources and management depth than the Company. In addition, numerous companies presently engaged in developing wind machines primarily to generate electricity may eventually diversify into product lines competitive with Wind Baron Machines.

Management considers product cost, performance and durability and degree of market penetration to be the most significant competitive factors in the wind machine industry. Although management believes that the Wind Baron System patent provides the Company with a significant competitive advantage, competitor reaction to the Company's entry into the market cannot be predicted, and there is no assurance that the Company will be able to achieve or maintain sufficient market penetration to exploit that advantage effectively.

Properties

The Company is currently leasing 1,700 square feet of space in two separate facilities in Phoenix, Arizona at the site of its independent production contractor, which it utilizes for its engineering department and executive offices under leases which expire during the fall of 1981. The aggregate rental payable under these leases is \$840 per month. Upon completion of the assembly facility described above under "Production Plans," the Company intends to relocate its executive offices and engineering department into that facility. (See USE OF PROCEEDS.)

The Company's principal test facility is located on the Navajo reservation in Window Rock, Arizona, on approximately one acre of land owned by the Franciscan Order of the Roman Catholic Church. The Company occupies the site on a rent-free basis under a verbal understanding with the Franciscan Order and has no ownership or leasehold interest in the land. The Company is conducting irrigation experiments for the Franciscan Order on a site adjacent to the test facility, and management considers the relationship between the Company and the Franciscan Order to be excellent. The costs of constructing and equipping the test facility were paid by The Navajo Nation and the Company's investment in the facility is nominal. In management's opinion, termination of the verbal arrangement by the Franciscan Order would not have a material adverse effect on the Company's operations because the principal purpose for which the Window Rock test facility was constructed was satisfied when The Navajo Nation accepted the results of the six-month test and confirmed its order for 12 Wind Baron Machines.

Employees

The Company currently employs nine full-time employees and one part-time employee. Eight of the full-time employees are executive, professional or technical personnel. The Company plans to expand its staff substantially during 1981. (See USE OF PROCEEDS.)

MANAGEMENT

Directors and Executive Officers

The following table contains information concerning the Company's directors and executive officers.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Position Held Since</u>
Richard K. Sutz	48	Chairman of the Board, President and Director	January 1978
Eugene E. Brott	47	Vice President, Secretary and Director	January 1980
Peter J. Coniglio	51	Director	July 1979
Hamilton F. Richardson	47	Director	November 1980
Ernest G. de la Ossa	65	Director	February 1981
Roger W. Richardson	75	Director	February 1981
Lawrence E. Steinberg	45	Director	February 1981
Andrew Young	49	Director	June 1981
Stanley A. Anderson	55	Vice President	June 1979
Floyd C. Sutz	24	Vice President and Treasurer	February 1981
Louis J. Grunwald	69	Vice President	March 1981

None of the individuals named in the table other than Richard K. Sutz and Stanley A. Anderson holds any position with the Company pursuant to any special arrangement or understanding. Messrs. Sutz and Anderson are employed as executive officers of the Company under written employment agreements. (See "Remuneration" under this caption.) The Company has agreed to cause an individual to be designated by the Underwriter to be elected to the Company's Board of Directors. (See UNDERWRITING.)

Richard K. Sutz, Eugene E. Brott and Hamilton F. Richardson comprise the Executive Committee of the Board of Directors. The Board has no audit, compensation or nominating committees.

Richard K. Sutz and Eugene E. Brott are brothers-in-law, and Floyd C. Sutz is their nephew. Roger W. Richardson is Hamilton F. Richardson's father. There is no family relationship between any of the other named individuals.

Richard K. Sutz co-founded the Company in January 1978 and has served as its chief executive officer since that time. For approximately 2½ years prior to founding the Company, Mr. Sutz was employed by the United States Department of Energy as Chief of Energy-Related Inventions. In that capacity, Mr. Sutz developed and administered a program providing management consulting and research and development funding to individual inventors and small businesses involved in the commercialization of energy-related inventions. Prior to his service with the Department of Energy, Mr. Sutz was Assistant Director of the Arizona Energy Office. In that position he had primary responsibility for establishing and implementing

Arizona's research and development program for energy-related technology and alternative energy forms. In February 1981 Mr. Sutz was appointed to the United States Department of Agriculture's Joint Agricultural Consultative Committee for Nigeria. He holds degrees in engineering and international business and finance, and has patented more than 30 inventions.

On March 30, 1981 Mr. Sutz received a subpoena from the United States Department of Justice to produce certain personal and Company records in connection with an investigation of possible violations of certain Federal criminal statutes pertaining to government employee involvement in personal conflicts of interest and misappropriation of government property. Department of Justice attorneys have advised Mr. Sutz's counsel that the investigation, which was requested by the Department of Energy, will focus on the relationship between Mr. Sutz and Mr. John L. Berggren during Mr. Sutz's employment by the Department of Energy and on the disposition of a government-funded study by a private-sector research firm of Mr. Berggren's counter-balance device, but that neither Mr. Sutz nor the Company are at present formal targets of the investigation. (See LEGAL PROCEEDINGS.)

Eugene E. Brott was elected a director of the Company in January 1980 and was appointed a Vice President and Secretary in May 1980. He coordinates the Company's internal administration and serves as its corporate counsel. Mr. Brott has engaged in the practice of law for more than 15 years and, in addition to his positions with the Company, maintains a limited legal practice in Oakland, California. He is currently expected to devote approximately 85% of his professional time to the Company's affairs.

Peter J. Coniglio has been a member of the Monterey, California, law firm of Hudson Martin Ferrante & Street for more than 20 years.

Hamilton F. Richardson has engaged in various phases of the securities industry since 1960. From June 1977 to January 1981 he was affiliated with John Muir & Co., the Underwriter in this offering, as director of that firm's tax sheltered investment program. From August 1975 to January 1977 he was employed in a sales capacity with Personal Economics Securities in New York City, and from January to June 1977 was an independent financial consultant in New York City. Mr. Richardson now manages several oil and gas drilling programs and is Chairman of the Board, Vice President and a principal shareholder of Texas American Resources, Inc., a corporation engaged in oil and gas exploration. (See BENEFICIAL OWNERSHIP OF SECURITIES.) He is also a director of Republic Resources, Inc. and Sentinel Resources Corporation.

Ernest G. de la Ossa is an independent consultant to international businesses which deal with lesser developed nations. For approximately 16 years prior to his retirement in December 1980, Mr. de la Ossa was employed by Foremost-McKesson, Inc. and served as Vice President of Government and International Relations since 1974. He is actively involved in numerous international trade and economic development organizations and currently serves on the Board of Directors of American Microsystems, Inc., Sonoma International, Inc. and Polymetrics, Inc.

Roger W. Richardson, a chemical engineer, has been an independent engineering and economic consultant to energy and chemical companies in Baton Rouge, Louisiana, since 1978. From 1965 to 1976 he was Dean of Louisiana State University's College of Engineering, and from 1977 to 1978 was a Director of Energy for the Louisiana Association of Business and Energy. For more than 30 years prior to 1965 Dr. Richardson was employed by Exxon Corporation in various research, engineering and executive capacities. He is a director of Nuclear Systems, Inc. and Baton Rouge Bank & Trust Company.

Lawrence E. Steinberg has engaged in the private practice of law in Dallas, Texas since 1960 and is a member of the firm of Steinberg & Meer, counsel to the Company in this offering. Mr. Steinberg is also a

director of Republic Resources, Inc. and is President, a director and a principal shareholder of Texas American Resources, Inc. (See BENEFICIAL OWNERSHIP OF SECURITIES.)

Andrew Young achieved recognition as a leader in the American Civil Rights Movement during the 1960's when he served on the staff of the Southern Christian Leadership Conference. He was elected to the United States House of Representatives in 1972 and was reelected in 1974 and 1976. He was appointed by President Carter as United States Ambassador to the United Nations and served in that capacity from January 1977 until September 1979. During his tenure as Ambassador Mr. Young was also a member of the President's Cabinet and of the National Security Council. Since leaving government service he has been President of Young Ideas, Inc., a non-profit organization concerned with domestic and international public policy issues. Mr. Young also writes a syndicated newspaper column and is a candidate for mayor of Atlanta, Georgia.

Stanley A. Anderson joined the Company as a Vice President in June 1979. He directs the Company's test facility in Window Rock, Arizona, and coordinates the Company's domestic marketing program. For more than 30 years prior to joining the Company, Mr. Anderson was employed by Aermotor Company, the world's largest producer of standard windmills, in various sales, production and administrative capacities. He has established windmill technology courses, and continues to serve as a guest lecturer, at several universities in the western United States.

Floyd C. Sutz, a certified public accountant, joined the Company as its Controller in November 1980 and was promoted to Vice President and Treasurer in February 1981. He received his accounting degree in June 1979 and from that time until November 1980 was employed as a staff auditor with the accounting firm of Price Waterhouse & Co. in Chicago, Illinois.

Louis J. Grunwald joined the Company as Director of Engineering in August 1979, ending a period of retirement which began in 1976, and was appointed as Vice President in charge of the Company's engineering department in March 1981. Mr. Grunwald is a mechanical engineer who, for more than 20 years prior to his retirement, held supervisory and plant management positions with companies engaged in the production of heavy trucking equipment, railway cars, nuclear weapons and various steel and sheet metal products. His previous employers include Hesse Corporation, Bendix Corporation and Black Sivalls Bryson Co. Since 1978 Mr. Grunwald has also served as a volunteer engineering consultant with the International Executive Corps, a government-sponsored organization which provides executive consulting services to lesser developed nations. In that capacity he has completed assignments in India, Mexico, Thailand and the Philippines.

Remuneration

The following table shows, on an accrual basis, all remuneration paid by the Company during the year ended December 31, 1980 to each officer or director of the Company whose aggregate remuneration exceeded \$50,000 and to all directors and officers of the Company as a group:

<u>Name of Individual or Identity of Group</u>	<u>Capacity in Which Received</u>	<u>Amount of Aggregate Remuneration</u>
Richard K. Sutz	Chairman of the Board and President	\$ 62,500
All directors and officers as a group (4 persons)		\$144,708

As the result of earlier management decisions to commit substantially all the Company's financial resources to research and development, Richard K. Sutz agreed to defer substantial portions of his salary during 1978 and 1979. He also paid certain business expenses on behalf of the Company for which he has not been reimbursed. At December 31, 1980 the Company owed Mr. Sutz accrued salary of \$58,500 and unreimbursed business expenses of approximately \$48,500. The Company intends to pay those amounts to Mr. Sutz from the proceeds of this offering. (See USE OF PROCEEDS.)

Since January 1, 1981 Mr. Sutz has been employed by the Company as its President and chief executive officer under an employment agreement which expires on December 31, 1985. The agreement provides for an annual salary of \$75,000 in 1981 and for annual salary increases of 15% in each of the next four years. The agreement also provides for Mr. Sutz to receive annual cash bonuses equal to 3% of the Company's pre-tax operating profits from 1981 through 1985, subject to a prescribed limit on the amount of any bonus, and for the Company to carry a \$500,000 term insurance policy on Mr. Sutz's life, the proceeds of which will be payable to his designated beneficiaries. The agreement requires Mr. Sutz to assign to the Company any inventions or discoveries he develops during the term of his employment and prohibits his competing with the Company for two years after his employment terminates.

Since June 1979 Stanley A. Anderson has been employed by the Company as a Vice President under an employment agreement which expires in April 1984. The agreement provides for a minimum annual salary of \$25,000, subject to annual merit review by the Company's Board of Directors. In January 1981 Mr. Anderson's salary was increased to \$40,000 per year.

The Company has no pension, profit sharing or similar employee benefit plans other than the stock option plan described below.

Stock Option Plan

In February 1981 the Company's Board of Directors adopted a stock option plan under which options to purchase a maximum of 150,000 shares of the Company's Common Stock may be issued to key employees and non-employee directors. The plan is subject to approval by the Company's stockholders at the 1982 Annual Meeting and, if approved, will expire in February 1991.

The plan was adopted to enable the Company to attract new key employees and directors and to provide existing key individuals with an incentive to remain with the Company. Only key employees and directors, as identified from time to time by the Company's Board of Directors, are eligible to receive options granted under the plan, and employees and directors who are beneficial owners of 5% or more of the Company's outstanding Common Stock are not entitled to participate. The plan does not limit the maximum number of shares which may be optioned to any participant.

The exercise price of options granted under the plan may not be less than the fair market value of the Company's Common Stock on the date of grant. Options are exercisable in four cumulative annual installments of 25% each, commencing one year after the date of grant, and expire on the fifth anniversary of their grant to the extent not exercised.

At the date of this Prospectus no options had been granted under the plan. Options granted prior to the 1982 Annual Meeting of the Company's stockholders may not be exercised until the plan is approved by the stockholders.

Interest in Certain Transactions

Richard K. Sutz is a co-founder, the chief executive officer and a principal stockholder of the Company. From time to time since its organization, Mr. Sutz has made interest-free working capital advances to the Company and has incurred unreimbursed business expenses on its behalf. At the date of this Prospectus, the Company was not indebted to Mr. Sutz for working capital advances, but owed him approximately \$48,500 on account of unreimbursed business expenses, representing the highest amount of advances and unreimbursed expenses outstanding at any time. The Company intends to reimburse the amount due to Mr. Sutz from the proceeds of this offering. (See USE OF PROCEEDS.)

Between December 1978 and May 1981 the Company rented approximately 800 square feet in Mr. Sutz's residence for use as office space. The Company rented the space on a month-to-month basis at \$750 per month. In management's opinion, the rental was comparable to that which the Company would have been required to pay an unaffiliated party for similar facilities.

In January 1980 a family trust in which Mr. Sutz owns a 20% beneficial interest and with respect to which he is voting trustee purchased 1,591.15 shares of the Company's Common Stock for \$55,000 cash. As the result of a stock split and a stock dividend in November 1980, the trust's original 1,591.15 shares were increased to 200,095 shares.

Mr. Sutz owns approximately 3.4% of the outstanding capital stock of the Company's Canadian licensee. (See BUSINESS — Marketing.) He is neither an officer or director nor a controlling stockholder of this licensee.

Thomas G. Schwenke co-founded the Company and formerly served as a director and Executive Vice President of the Company. (See "Company Founders" under this caption.) From time to time during 1978 and 1979 Mr. Schwenke made working capital loans to the Company, incurred unreimbursed business expenses on its behalf and voluntarily deferred a portion of his salary and fees for services rendered to the Company by his law firm. As a result, at September 30, 1980 the Company owed Mr. Schwenke a total of \$98,356. In October 1980 Mr. Schwenke entered into an agreement with the Company and Richard K. Sutz pursuant to which Mr. Schwenke received \$41,323 from the Company in settlement of the amounts due him. Mr. Schwenke also sold approximately 59% of his shares of the Company's Common Stock to Hamilton F. Richardson in November 1980 for \$25,000.

From June 1977 to January 1981 Hamilton F. Richardson was affiliated with John Muir & Co., the Underwriter in this offering, as director of that firm's tax sheltered investment program. Mr. Richardson resigned his position in January 1981.

In November 1980 Mr. Richardson and certain of his family members and business associates, including Roger W. Richardson and Texas American Resources, Inc., purchased a total of 26,718.62 shares of the Company's Common Stock for an aggregate of \$461,323 cash. As the result of a stock split and a stock dividend in November 1980, these original 26,718.62 shares were increased to a total of 3,360,000 shares.

In March 1981 Mr. Richardson agreed to provide the Company up to \$250,000 in interim working capital advances to be repaid from the net proceeds of this offering. Since March 1981 the Company has borrowed \$233,000 under that agreement, but does not expect to borrow additional funds from Mr. Richardson prior to the completion of this offering. The Company's indebtedness to Mr. Richardson bears

interest at the rate of 2% over the prime rate charged by a major New York City bank, which is the same rate Mr. Richardson is paying to obtain funds for the advances.

Lawrence E. Steinberg is a member of the law firm of Steinberg & Meer, counsel to the Company in this offering. The legality of the shares of Common Stock offered hereby is being passed upon for the Company by that firm. (See LEGAL OPINIONS.)

Company Founders

Richard K. Sutz and Thomas G. Schwenke co-founded the Company and may be considered "promoters" under the rules and regulations of the Securities and Exchange Commission. In January 1978 Mr. Sutz purchased 13,750 shares of the Company's Common Stock in exchange for office furniture and equipment valued by the Board of Directors at \$1,375. As the result of a stock split and a stock dividend in November 1980, Mr. Sutz's original 13,750 shares were increased to 1,729,130 shares, constituting approximately 24.7% of the Common Stock outstanding on the date of this Prospectus. A family trust in which Mr. Sutz holds a 20% beneficial interest owns 200,095 shares (approximately 2.9%) of the Company's outstanding Common Stock for which it paid \$55,000 in January 1980. Mr. Sutz is the voting trustee of these 200,095 shares and of an additional 127,333 shares in which he holds no ownership interest.

Mr. Schwenke, an attorney, initially served as a director, Vice President and Secretary of the Company. From July 1978 through December 1979 he was employed as the Company's Executive Vice President and continued to serve as a director until his term expired in September 1980. At the date of this Prospectus Mr. Schwenke owns 350,000 shares (5%) of the Company's outstanding Common Stock, but is not otherwise affiliated with the Company. (See "Interest in Certain Transactions" under this caption.)

BENEFICIAL OWNERSHIP OF SECURITIES

The following table contains information concerning beneficial ownership of the Company's Common Stock at June 1, 1981 and after giving effect to this offering, by (i) holders of more than 5% of the outstanding Common Stock, (ii) each director of the Company, and (iii) all directors and officers of the Company as a group.

<u>Name and Address of Beneficial Owner or Identity of Group</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class Owned Before the Offering</u>	<u>Percent of Class Owned After the Offering(1)</u>
Richard K. Sutz 12001 N. 67th Street Scottsdale, Arizona	2,056,558 shs.(2)	29.4%	17.9%
Hamilton F. Richardson 920 Park Avenue New York, New York	1,477,000 shs.(3)	21.1%	12.8%
Texas American Resources, Inc. 600 Carillon Tower West 13601 Preston Road Dallas, Texas	1,393,000 shs.(3)	19.9%	12.1%
Eugene E. Brott 12001 N. 67th Street Scottsdale, Arizona	351,380 shs.	5.0%	3.1%
Thomas G. Schwenke 1076 Boston Post Road Rye, New York	350,000 shs.	5.0%	3.0%
Peter J. Coniglio 750 Via Mirada Monterey, California	160,754 shs.	2.3%	1.4%
Roger W. Richardson 1763 Country Club Drive Baton Rouge, Louisiana	70,000 shs.	1.0%	.6%
All directors and officers as a group (10 persons)	5,709,477 shs.	81.6%	49.6%

(1) Assumes that the Underwriter does not exercise its over-allotment option and that 4,500,000 shares of Common Stock are sold.

(2) Includes 327,428 shares held by Mr. Sutz as trustee of a voting trust.

(3) Hamilton F. Richardson and Lawrence E. Steinberg, both of whom are directors of the Company, beneficially own approximately 21.3% and 23.5%, respectively, of the outstanding voting securities of Texas American Resources, Inc. Messrs. Richardson and Steinberg are also directors and executive officers of Texas American, and may be regarded as holding shared voting and investment power with respect to the shares of the Company's Common Stock it owns.

By virtue of their beneficial ownership, directly and indirectly, of an aggregate of 4,926,558 shares of the Company's outstanding Common Stock (constituting 70.4% of the total shares outstanding), Messrs. Sutz and Richardson may together be deemed to be the "parents" of the Company under applicable rules and regulations of the Securities and Exchange Commission.

DESCRIPTION OF CAPITAL STOCK

The Company's authorized capitalization consists of 25,000,000 shares of Common Stock, 1¢ par value. Each share of Common Stock is entitled to vote on a non-cumulative basis for the election of directors and, on the basis of one vote per share, on all other matters on which stockholders are entitled to vote. Holders of Common Stock are entitled to receive dividends to the extent declared by the Board of Directors from legally available funds and to share ratably in any distribution of the Company's assets, after payment of all debts and other liabilities, upon the Company's liquidation. The Common Stock carries no preemptive or other rights to subscribe for additional shares, and is not convertible or redeemable. There are no restrictions on repurchases of Common Stock by the Company. The outstanding shares of Common Stock are, and the shares to be issued by the Company in this offering will be, when issued, fully paid and nonassessable, with no personal liability attaching to their ownership.

The Transfer Agent and Registrar for the Common Stock is Texas American Bank, Dallas, Texas.

The Company intends to furnish its stockholders annual reports, commencing with the fiscal year ending December 31, 1981, containing certified financial statements, and unaudited quarterly reports commencing with the quarter ending September 30, 1981.

UNDERWRITING

The Company has entered into an Underwriting Agreement with John Muir & Co. ("Underwriter") pursuant to which the Underwriter has agreed to purchase 4,500,000 shares of Common Stock from the Company. Such purchase is subject to the terms and conditions of the Underwriting Agreement, a copy of which is filed as an exhibit to the Registration Statement and to which reference is hereby made. The nature of the underwriting commitment is such that if any of the shares offered hereby is purchased, all of them must be purchased.

The Underwriter has advised the Company that it proposes to offer the shares to the public at the public offering price set forth on the cover page of this Prospectus and that it may allow to certain dealers who are members of the National Association of Securities Dealers, Inc., and to certain foreign dealers, concessions of not in excess of \$.06 per share, of which amount a sum not in excess of \$.03 per share may in turn be reallocated by such dealers to other dealers who are members of the National Association of Securities Dealers, Inc. and to certain foreign dealers. After the commencement of the offering, the public offering price, the concessions and the realloances may be changed.

The Company has agreed to indemnify the Underwriter against certain civil liabilities, including liabilities under the Securities Act of 1933. The Company has also agreed to pay the Underwriter a non-accountable expense allowance of \$95,000. The Company will also pay all expenses in connection with qualifying the shares offered hereby for sale under the laws of such states as the Underwriter may designate. In addition, the Underwriter will be sold Warrants to purchase 450,000 shares of Common Stock of the Company. (See "Underwriter's Warrants" under this caption.)

Affiliates of the Company have agreed not to sell any of their shares of Common Stock publicly for a period of six months from the date of this Prospectus.

The Underwriting Agreement provides the Underwriter with a right of first refusal for a period of five years from the date of this Prospectus to participate in any public offering or private placement of securities by the Company or any future subsidiary of the Company.

The Company has agreed that, for a period of five years from the date of this Prospectus, it will cause a nominee selected by the Underwriter and approved by the Company to be elected to the Company's Board of Directors.

The Company and the Underwriter have entered into an agreement pursuant to which, for a period of three years, the Underwriter will render consulting services to the Company for an annual fee of \$36,000, plus expenses.

The public offering price of the shares of Common Stock offered hereby has been arbitrarily determined by negotiations between the Company and the Underwriter and bears no relationship to the Company's assets, earnings, book value or other generally accepted criteria of value. The factors considered in determining the public offering price included (i) the demonstrated capabilities of the Company's wind machine, (ii) the strength of the patent covering that wind machine, (iii) the business background, expertise and domestic and international contacts of certain key members of the Company's management, (iv) the domestic and international market potential of the Company's wind machine, and (v) the Company's potential sales and earnings ability. Also considered was the Underwriter's ability to market the offering in relation to the offering's size and the Company's capital requirements.

Over-Allotment Option

The Company has granted to the Underwriter an option, exercisable during the 30-day period after the date of this Prospectus, to purchase, at the public offering price, less underwriting commissions, up to an aggregate of 450,000 shares of Common Stock for the sole purpose of covering over-allotments, if any. After the commencement of this offering, the Underwriter may confirm sales of Common Stock subject to this over-allotment option. As a result, the Underwriter could have a short position up to the number of shares allowable on exercise of the option. Purchases of shares on exercise of the over-allotment option may result in the realization of additional compensation by the Underwriter.

Underwriter's Warrants

In connection with this offering, the Company has agreed to sell to the Underwriter, for \$450, Warrants to purchase 450,000 shares of Common Stock. The Warrants are exercisable at \$1.20 per share ("Exercise Price") for a period of four years commencing one year from the date of their issuance. The Warrants will be non-transferable for a period of one year, except to the partners or officers of the Underwriter. The Warrants contain anti-dilution provisions providing for adjustment of the Exercise Price upon the occurrence of certain events, including the Company's issuance of any shares of Common Stock or other securities convertible into or exchangeable for Common Stock at a price per share less than the Exercise Price, or in the event of any recapitalization, reclassification, stock dividend, stock split, stock combination or similar transaction. The holders of the Warrants have no voting, dividend or other rights as stockholders of the Company with respect to shares underlying the Warrants until the Warrants have been exercised.

For the life of the Warrants the Warrant holders have been given the opportunity, at nominal cost, to profit from a rise in the market price for the shares of the Company's Common Stock, with a resulting

dilution in the interests of stockholders. During the term of the Warrants the Company may be deprived of favorable opportunities to obtain additional equity capital, if needed, and the Warrant holders may be expected to exercise them at a time when the Company would, in all likelihood, be able to obtain equity capital through a new offering of Common Stock on terms more favorable than those provided by the Warrants.

The Warrants and the underlying shares of Common Stock have been registered in the registration statement filed with the Securities and Exchange Commission of which this Prospectus is a part. One or more post-effective amendments to the registration statement or a new registration statement will be required to be filed and declared effective before distribution to the public of the shares of the Company's Common Stock issuable upon exercise of the Warrants. The Company has agreed to file during the period beginning one year from the date of issuance of the Warrants and ending four years after that date, and at a time when year-end audited financial statements of the Company are available, and to use its best efforts to cause to become effective, a post-effective amendment or amendments to the registration statement and Prospectus, or a new registration statement or prospectus, required to permit the public sale of the shares of Common Stock issued or issuable upon exercise of such Warrants on one occasion at the Company's expense at the request of the holders of a majority of the Warrants and/or underlying Common Stock. In addition, the Company has agreed to give advance notice to holders of the Warrants or shares of Common Stock issued or issuable upon exercise of the Warrants of its intention to file a registration statement and, in that case, holders of the Warrants and/or underlying Common Shares shall have the right to require the Company to include the Common Stock underlying such Warrants in such registration statement at the Company's expense.

The foregoing is a summary of the principal terms of the Underwriting Agreement and the Warrants and does not purport to be complete. Reference is made to a copy of the Underwriting Agreement and the form of Warrant which have been filed as exhibits to the registration statement of which this Prospectus is a part. (See ADDITIONAL INFORMATION.)

LEGAL PROCEEDINGS

Among the projects Richard K. Sutz coordinated while employed by the United States Department of Energy ("DOE") was a study by a private-sector research firm of the commercial potential of a windmill counter-balance device invented by John L. Berggren. Mr. Sutz resigned from DOE at the end of January 1978 and subsequently entered into negotiations with Mr. Berggren, among others, concerning possible business ventures for the Company. In March 1978 the Company obtained from Gate Tight, Inc., a Montana corporation formed by Mr. Berggren ("GTI"), an exclusive license to produce and market the Berggren device.

The license agreement obligated the Company to pay minimum annual royalties of \$50,000 and obligated GTI to provide the technical and engineering assistance required to correct certain design deficiencies in the Berggren device. GTI failed to provide the required assistance and a dispute developed concerning the Company's obligation to commence royalty payments.

In June 1979 GTI served notice on the Company that it was cancelling the license agreement on account of the Company's failure to pay royalties. In July 1979 the Company filed suit in the United States District Court for the District of Montana against GTI and its officers and directors, including Mr. Berggren, seeking to enjoin cancellation of the license agreement and to compel GTI to provide the required

engineering and technical assistance. GTI neither filed an answer to the Company's petition nor asserted a claim for unpaid royalties.

The Wind Baron System is functionally dissimilar to the Berggren device. The patent for the Wind Baron System issued in July 1980 and management determined that the Company had no further interest in maintaining the GTI license. Consequently, in March 1981 the Company dismissed the GTI suit without prejudice and retroactively accepted GTI's cancellation of the license agreement. In management's opinion, the Company has meritorious defenses in the event that GTI should assert a claim for unpaid royalties. Management is also of the opinion that neither GTI nor Mr. Berggren has any legal or equitable interest in the patent for the Wind Baron System.

On March 30, 1981 Richard K. Sutz received a subpoena from the United States Department of Justice ("Justice Department") to produce certain personal and Company records in connection with an investigation of possible violations of Federal criminal statutes pertaining to government employee involvement in personal conflicts of interest and misappropriation of government property. The Justice Department has advised Mr. Sutz's counsel that the investigation was started at the request of DOE and will focus on whether Mr. Sutz formed a business relationship with Mr. Berggren before Mr. Sutz left DOE and on whether Mr. Sutz or the Company made improper use of the private-sector study of Mr. Berggren's counter-balance device. However, the Justice Department has also advised Mr. Sutz's counsel that neither Mr. Sutz nor the Company is now a formal target of the investigation. Mr. Sutz has advised the Justice Department that he will cooperate fully with the investigation. He has furnished the records requested by the Justice Department and has agreed to meet with Justice Department attorneys in late July 1981. He has also assured the Company that he has never engaged in any activities in violation of Federal criminal laws. DOE has not threatened civil action in connection with this matter and, in management's opinion, Mr. Sutz and the Company have no civil liability to DOE.

LEGAL OPINIONS

The legality of the shares of Common Stock offered hereby is being passed upon for the Company by Steinberg & Meer, 600 Carillon Tower West, 13601 Preston Road, Dallas, Texas 75240. Lawrence E. Steinberg, a member of that firm, is a director, President and beneficial owner of 23.5% of the outstanding capital stock of Texas American Resources, Inc. which, in turn, owns 1,393,000 shares (19.9%) of the Company's outstanding Common Stock. (See BENEFICIAL OWNERSHIP OF SECURITIES.) Parker Chapin Flattau & Klimpl, 530 Fifth Avenue, New York, New York 10036, has acted as counsel for the Underwriter in connection with this offering.

EXPERTS

The financial statements of the Company included in this Prospectus, except for the unaudited statements and related notes for the three months ended March 31, 1981 and 1980, have been examined by Langway & Company, P.C., independent certified public accountants, and are included herein in reliance upon the authority of that firm as experts in accounting and auditing.

The opinions of Dr. Peter E. Jenkins and Richard W. Whitsitt concerning the tests conducted at the Company's Window Rock, Arizona, test site have been excerpted from their report dated February 26, 1981 and are included herein in reliance upon their authority as experts in wind energy technology. On April 20, 1981 Mr. Whitsitt was retained by the Company for a period of one year to provide consulting services

related to project funding and water resource development proposals. The Company agreed to pay Mr. Whitsitt an annual consulting fee of \$40,000 and to pay the expenses of relocating his family from Washington, D.C., to Phoenix, Arizona. (See BUSINESS — Navajo Nation Master Test.)

ADDITIONAL INFORMATION

The Company has filed a registration statement on Form S-18 (SEC File No. 2-71262LA) under the Securities Act of 1933 relating to the securities offered hereby with the Securities and Exchange Commission, Los Angeles, California 90024. This Prospectus, filed as part of the registration statement, does not contain certain information set forth in, or annexed as exhibits to, the registration statement. For further information with respect to the Company and the securities offered hereby, reference is made to the registration statement, including the exhibits thereto, which may be inspected without charge at the Los Angeles office of the Securities and Exchange Commission or copies obtained therefrom upon payment of the fee prescribed by the Securities and Exchange Commission. Statements contained in this Prospectus regarding the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of the contract or other document filed as an exhibit to the registration statement, each such statement's being qualified in all respects by such reference.

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Certified Public Accountants.....	41
Balance Sheets.....	42
Statements of Development Stage Operations and Deficit Accumulated During Development Stage ...	44
Statements of Stockholders' Equity (Deficiency).....	45
Statements of Changes in Financial Position.....	46
Notes to Financial Statements.....	47

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
WIND BARON CORPORATION
Phoenix, Arizona

We have examined the balance sheets of Wind Baron Corporation (a Delaware Corporation) as of December 31, 1980 and December 31, 1979, and the related statements of development stage operations and deficit accumulated during the development stage, stockholders' equity (deficiency) and changes in financial position for the periods then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles applicable to a going-concern which contemplate the realization of assets and liquidation of liabilities in the normal course of business. However, successful completion of the Company's development program is dependent upon obtaining public financing as contemplated by this Prospectus. Should this event not occur, the accompanying financial statements would be affected materially.

In our opinion, subject to the uncertainty described in the preceding paragraph, the financial statements referred to above present fairly the financial position of Wind Baron Corporation at December 31, 1980 and December 31, 1979, and the results of its development stage operations and changes in its financial position for the periods indicated, in conformity with generally accepted accounting principles applied on a consistent basis.

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LANGWAY & COMPANY, P.C.

West Orange, New Jersey
February 18, 1981 (except for Note F
as to which the date is June 22, 1981)

WIND BARON CORPORATION
(A Development Stage Company)

BALANCE SHEETS

ASSETS

	March 31,	December 31,	
	1981 (Unaudited)	1980	1979
Current Assets:			
Cash	\$ 37,541	\$ 52,535	\$ 7,089
Short-term investment	—	190,000	—
Notes receivable	23,000	23,000	—
Accounts receivable	—	—	35,175
Insurance recovery receivable	30,000	2,809	—
Materials and work-in-process inventory (Note A)	99,143	25,367	—
Prepaid expenses and other current assets	688	5,286	10,000
Total Current Assets	<u>190,372</u>	<u>298,997</u>	<u>52,264</u>
Property and Equipment (Note A)	114,381	102,297	15,199
Less Accumulated Depreciation	<u>13,693</u>	<u>10,305</u>	<u>1,831</u>
	100,688	91,992	13,368
Patents (Note A)	63,019	62,747	39,325
Organization costs (Note A)	309	347	1,277
Deferred costs of public offering (Note A)	111,340	27,508	—
Security deposit	—	175	—
	<u>\$465,728</u>	<u>\$481,766</u>	<u>\$106,234</u>

The accompanying notes are an integral part of this statement.

WIND BARON CORPORATION
(A Development Stage Company)

BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)

	March 31,	December 31,	
	1981 (Unaudited)	1980	1979
Current Liabilities:			
Notes payable (Note B)	\$ —	\$ 638	\$ 72,330
Loans payable — stockholder (Note B)	78,000	—	—
Accrued salaries	58,500	58,500	61,000
Accrued expenses	195,078	179,933	56,900
Accrued payroll taxes	2,975	24,799	2,468
Unearned revenues (Note C)	215,000	215,000	75,000
Total Current Liabilities	<u>549,553</u>	<u>478,870</u>	<u>267,598</u>
Commitments and Contingent Liabilities (Note E)			
Stockholders' Equity (Deficiency):			
Common stock \$.01 par value (Note D):			
Authorized 25,000,000 shares			
Issued and outstanding 6,999,993 shares at March 31, 1981			
and December 31, 1980, and 3,274,659 shares at			
December 31, 1979	69,999	69,999	32,747
Additional paid-in capital	701,561	701,561	137,490
Less: Receivables for stock purchases	—	(15,000)	—
	771,560	756,560	170,237
Deficit accumulated during the development stage	(855,385)	(753,664)	(331,601)
Total Stockholders' Equity (Deficiency)	<u>(83,825)</u>	<u>2,896</u>	<u>(161,364)</u>
	<u>\$ 465,728</u>	<u>\$ 481,766</u>	<u>\$ 106,234</u>

The accompanying notes are an integral part of this statement.

WIND BARON CORPORATION
(A Development Stage Company)
STATEMENTS OF DEVELOPMENT STAGE OPERATIONS AND
DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE (1)

	Three Months Ended March 31,		From January 11, 1978 (Date of Incorporation) to March 31, 1981	Year Ended December 31,		From January 11, 1978 (Date of Incorporation) to December 31, 1980
	1981	1980	1981	1980	1979	1980
	(Unaudited)	(Unaudited)	(Unaudited)			(Unaudited)
Licensing and marketing expenses.....	\$ 10,313	\$ 9,792	\$ 92,123	\$ 32,409	\$ 21,358	\$ 81,810
Research and development expenses.....	9,778	25,034	239,831	169,728	20,024	230,053
General and administrative expenses.....	90,489	28,843	646,170	311,754	192,809	555,681
Total expenses before other income.....	(110,580)	(63,669)	(978,124)	(513,891)	(234,191)	(867,544)
Other income — net (Note A).....	8,859	—	122,739	91,828	21,735	113,880
Net loss and deficit accumulated during the development stage (Note A and D).....	<u>\$(101,721)</u>	<u>\$(63,669)</u>	<u>\$(855,385)</u>	<u>\$(422,063)</u>	<u>\$(212,456)</u>	<u>\$(753,664)</u>
Net loss per common share (Note A and D).....	<u>\$(.014)</u>	<u>\$(.018)</u>		<u>\$(.102)</u>	<u>\$(.073)</u>	

(1) In the opinion of Management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results of development stage operations and deficit accumulated during the development stage for the unaudited interim periods have been included. These statements should be read in conjunction with the other related unaudited statements and notes thereto.

The accompanying notes are an integral part of this statement.

WIND BARON CORPORATION
(A Development Stage Company)
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
Years Ended December 31, 1979 and 1980 and the Unaudited
Periods from January 11, 1978 (Date of Incorporation) to December 31, 1978
and the Three Months Ended March 31, 1981

	Common Stock		Additional Paid-In Capital	Receivables For Stock Purchases	Deficit Accumulated During the Development Stage	Stockholders' Equity (Deficiency)
	Shares	Par Value				
Balance at January 11, 1978 (Date of Incorporation).....	—	\$ —	\$ —	\$ —	\$ —	\$ —
Common stock issued for:						
Equipment.....	13,750	1,375	—	—	—	1,375
Cash.....	6,250	625	49,375	—	—	50,000
Net loss for the period (unaudited).....	—	—	—	—	(119,145)	(119,145)
Balance at December 31, 1978 (unaudited).....	20,000	\$ 2,000	\$ 49,375	\$ —	\$(119,145)	\$(67,770)
Common stock issued for:						
Cash.....	5,000	500	124,500	—	—	125,000
Less: Expenses of Private Placement Offering.....	—	—	(16,138)	—	—	(16,138)
Settlement of accrued salary.....	1,040	104	9,896	—	—	10,000
Net loss for the period.....	—	—	—	—	(212,456)	(212,456)
Balance at December 31, 1979.....	26,040	\$ 2,604	\$167,633	\$ —	\$(331,601)	\$(161,364)
Common stock issued for:						
Cash.....	28,510.52	2,850	558,473	—	—	561,323
Settlement of accrued salary.....	278.32	28	9,972	—	—	10,000
Cancellation of stockholders' loans.....	417.48	42	14,958	—	—	15,000
Employee receivable.....	417.48	42	14,958	(15,000)	—	—
Net loss for the period.....	—	—	—	—	(422,063)	(422,063)
Totals.....	55,661.80	\$ 5,566	\$765,994	\$(15,000)	\$(753,664)	\$ 2,896
Common stock issued: Stock split (Note D).....	500,974.20	0	0	—	—	—
Common stock issued: Stock distribution (Note D).....	6,443,355	64,433	(64,433)	—	—	—
Balance at December 31, 1980.....	6,999,993	\$69,999	\$701,561	\$(15,000)	\$(753,664)	\$ 2,896
Receipt of employee receivable.....	—	—	—	15,000	—	15,000
Net loss for the period (unaudited).....	—	—	—	—	(101,721)	(101,721)
Balance at March 31, 1981 (unaudited)...	<u>6,999,993</u>	<u>\$69,999</u>	<u>\$701,561</u>	<u>\$ —</u>	<u>\$(855,385)</u>	<u>\$(83,825)</u>

The accompanying notes are an integral part of this statement.

WIND BARON CORPORATION
(A Development Stage Company)

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	From January 11, 1978 (Date of Incorporation to March 31, 1981)		Year Ended December 31,		From January 11, 1978 (Date of Incorporation to December 31, 1980)
	Three Months Ended March 31, 1981	March 31, 1981	1980	1979	1980
	(Unaudited)	(Unaudited)			(Unaudited)
Application of Funds:					
Operations:					
Net loss	\$101,721	\$ 855,385	\$ 422,063	\$212,456	\$ 753,664
Noncash expenses, depreciation and amortization	(3,426)	(14,246)	(10,354)	(1,484)	(10,820)
Funds used in operations	98,295	841,139	411,709	210,972	742,844
Patents	272	63,019	23,422	38,325	62,747
Organization costs	—	347	—	—	347
Property and equipment acquired	12,084	116,021	88,948	11,440	103,937
Deferred costs of public offering	83,832	111,340	27,508	—	27,508
Security deposit	(175)	—	175	—	175
Expenses of private placement offering	—	16,138	—	993	16,138
	<u>194,308</u>	<u>1,148,004</u>	<u>551,762</u>	<u>261,730</u>	<u>953,696</u>
Source of Funds:					
Issuance of common stock	15,000	786,323	586,323	135,000	771,323
Property disposal	—	2,500	900	—	2,500
	<u>15,000</u>	<u>788,823</u>	<u>587,223</u>	<u>135,000</u>	<u>773,823</u>
Noncash Transactions:					
Issuance of common stock in exchange for equipment	—	1,375	—	—	1,375
Acquisition of equipment	—	(1,375)	—	—	(1,375)
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
(Increase) Decrease in Working Capital Components:					
Increase in current assets:					
Cash	\$ 14,994	\$ (37,541)	\$ (45,446)	\$ (4,531)	\$ (52,535)
Short-term investment	190,000	—	(190,000)	—	(190,000)
Notes receivable	—	(23,000)	(23,000)	—	(23,000)
Accounts receivable	—	—	35,175	(35,175)	—
Insurance recovery receivable	(27,191)	(30,000)	(2,809)	—	(2,809)
Materials and work-in-process inventory	(73,776)	(99,143)	(25,367)	6,324	(25,367)
Prepaid expenses and other assets	4,598	(688)	4,714	(9,850)	(5,286)
Increase in current liabilities:					
Notes payable	(638)	—	(71,692)	50,830	638
Loans payable — stockholders	78,000	78,000	—	—	—
Accrued salaries	—	58,500	(2,500)	15,000	58,500
Accrued expenses	15,145	195,078	123,033	35,660	179,933
Accrued payroll taxes	(21,824)	2,975	22,431	2,192	24,799
Unearned revenues	—	215,000	140,000	66,280	215,000
(Increase) Decrease in working capital	<u>\$179,308</u>	<u>\$ 359,181</u>	<u>\$ (35,461)</u>	<u>\$126,730</u>	<u>\$ 179,873</u>

The accompanying notes are an integral part of this statement.

WIND BARON CORPORATION
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

(Including notes applicable to unaudited periods)

A. Summary of Significant Accounting Policies

Nature of Activities

The Company, incorporated in the State of Delaware on January 11, 1978, is in the development stage and has not commenced its planned principal operations. Its present activities consist of: planning proposed manufacture and marketing activities; seeking financing; negotiating for facilities and equipment acquisitions and recruiting personnel. As a result, realization of the Company's assets is dependent upon the completion of the above activities, its ability to obtain adequate financing and the success of future operations.

Fiscal Year

The Company has selected a December 31 fiscal year end.

Organization Costs

Costs related to the organization and formation of the Company are capitalized and amortized on a straight-line basis over a period of sixty months.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed by the straight-line method based upon the estimated useful life of each asset. Included in property and equipment are costs of \$42,716 at March 31, 1981 and December 31, 1980, and \$4,740 at December 31, 1979 which relate to the Wind Baron machine at the test facility on the Navajo Nation. The Company considers this machine to be of future value as a demonstration unit.

Patents

Patent application costs are capitalized and not amortized until the patent is granted. The Company applied for patents in convention and treaty countries worldwide prior to June 28, 1979. On July 8, 1980 the United States Patent Office issued to Richard K. Sutz his U.S. Patent for the Wind Machine System, which had previously been assigned to the Company. Patents have also been issued to the Company in eight foreign countries and patent applications were pending in sixty eight other countries as of December 31, 1980. During the interim period ended March 31, 1981 three of the pending foreign patents were issued.

Revenue Recognition

Sales will be recognized when products are shipped.

During 1979 the Company earned \$25,000 from consulting services rendered to The Navajo Nation with an additional \$25,000 received during 1980. Furthermore, the Company entered into an exclusive manufacturing license agreement dated May 1, 1980 pursuant to which Rocket Resources, Ltd. of Vancouver, the Province of British Columbia, Canada acquired the exclusive license to manufacture the Company's wind machine in Canada and sell said manufactured wind machines anywhere on a non-exclusive basis for which the Company received a \$60,000 license fee.

Also included in the caption Other income net during 1979 and 1980 were interest income and other items that were not material. During 1981 interest income and a gain from an involuntary conversion were included.

WIND BARON CORPORATION
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS (Continued)
(Including notes applicable to unaudited periods)

A. Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are valued at the lower of cost or estimated realizable value.

Lease Commitment

Rental commitments under noncancellable leases in effect as of December 31, 1980, exclusive of any future escalation charges for real estate taxes, are summarized below:

Year Ended December 31:	
1981	<u>\$5,250</u>

Rental commitments under noncancellable leases in effect as of March 31, 1981, exclusive of any future escalation charges for real estate taxes, totalled \$3,750.

Rental expense for the years ended December 31, 1980 and December 31, 1979 approximated \$14,005 and \$10,800, respectively, and for the three months ended March 31, 1981 totalled \$3,810.

Deferred Costs of Public Offering

Professional, communication, travel, and other costs related to the planned public offering to which this Prospectus relates, are shown as deferred costs on the accompanying balance sheet. Upon the successful completion of the public offering, these deferred costs will be charged against the gross proceeds of the offering.

Loss Per Common Share

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

B. Short-Term Debt

At December 31, 1980 the Company was obligated on a short-term bank loan, the proceeds of which were used to purchase a vehicle for use at the Navajo Nation Master Test Site Facility.

At March 31, 1981 the Company was obligated on a short-term loan to a principal stockholder for interim working capital advances in the amount of \$78,000 bearing interest at the rate of 2% over the prime rate charged by a major New York City bank. (See Note F — Subsequent Events.)

C. Unearned Revenues

On July 9, 1979 the contract between the Navajo Nation and the Company was executed. The agreement provides for the manufacture and sale of twelve Wind Baron machines. The total purchase price is \$150,000, with \$75,000 having been paid on execution of the contract, \$37,500 payable upon delivery in six months, and the remaining \$37,500 being payable after six months of successful performance.

WIND BARON CORPORATION
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS (Continued)
(Including notes applicable to unaudited periods)

C. Unearned Revenues (Continued)

The Company installed a Wind Baron machine together with a standard American farm-type windmill to permit the measurement under controlled tests of the relative water pumping capabilities. The first demonstration of the Wind Baron machine compared to the standard windmill was held on May 6, 1980 and proved to be successful.

Under a modification to the agreement dated December 20, 1980, the delivery dates were rescheduled in the following manner, namely: two units by May 30, 1981; three units by June 30, 1981; three units by July 30, 1981 and four units by August 30, 1981. (See Note F — Subsequent Events.)

The Company entered into an exclusive license agreement dated February 1, 1980, as modified on May 1, 1980, between Rocket Resources, Ltd. of Vancouver, the Province of British Columbia, Canada, pursuant to which Rocket Resources, Ltd. acquired the exclusive license to market and sell the wind machine throughout Canada. Under these agreements, the licensee is required to pay the Company 10% of its gross sales of wind machines and further agreed to pay an advance royalty payment in the amount of \$60,000 which will be credited toward its royalty obligation which may become due during the last three years of the agreement from 1987 through 1989. Furthermore, the licensee paid \$80,000, in advance, for the purchase of ten Wind Baron machines to be delivered before January 1, 1982. (See Note F — Subsequent Events.)

D. Common Stock

Stock Split and Stock Distribution

In November 1980 the stockholders approved an amendment to the Certificate of Incorporation to increase the number of authorized shares of common stock from 1,000,000 to 25,000,000 and to change the stock from \$.10 par value to \$.01 par value. In addition, the stockholders authorized a 10 for 1 split of the outstanding common shares as well as a stock distribution of approximately 11.58 for 1 of the outstanding common shares. All share numbers and per share information contained in the accompanying financial statements have been restated to give effect to the increase in the number of authorized shares, the stock split, the change in par value and the stock distribution.

Proposed Public Offering

In November 1980 the Company entered into an agreement with John Muir & Co., a New York investment banking firm, for a proposed offering of 5,000,000 shares of its common stock at \$1 per share, on a firm commitment basis. In connection with this underwriting, the Company will sell to John Muir & Co., at nominal cost, warrants to purchase 10% of the number of shares being underwritten at the exercise price of \$1.20 commencing one year after the offering's completion and for a period of four years thereafter. Furthermore, the Company has agreed to pay all costs incurred in connection with the preparation of one registration statement for the sale of shares issuable upon exercise of the warrants under the Securities Act of 1933. (See Note F — Subsequent Events.)

WIND BARON CORPORATION
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS (Continued)

(Including notes applicable to unaudited periods)

D. Common Stock (Continued)

Loss Carryforwards

The Company had book loss carryforwards of \$753,664 and \$855,385 as of December 31, 1980 and March 31, 1981, respectively.

The principal differences between book loss carryforwards and tax loss carryforwards result from the timing of the recognition for tax purposes of accrued officers' salaries, insurance proceeds and the loss on a capital investment. Investment tax credit carryforwards are not material.

E. Commitments and Contingent Liabilities

(See Note F — Subsequent Events.)

F. Subsequent Events

Purchase Commitment

In February 1981 the Company formalized an agreement with an unaffiliated contractor to purchase five Wind Baron machines on the basis of time and material costs, which were estimated in April 1981 to be \$25,000 per machine. Furthermore the Company has a firm order to deliver a total of twelve Wind Baron machines prior to September 1981 at a contract price of \$12,500 per machine. In addition, the remaining seven machines required to fulfill the contract are estimated to cost \$14,000 per machine, which will result in the Company sustaining a substantial loss under this contract.

Stock Option Plan

In February 1981 the Company adopted a Stock Option Plan under which a maximum of 150,000 shares of the Company's common stock, subject to approval at the annual stockholders meeting to be held in 1982, are available to key employees and directors at an exercise price of not less than fair market value on the date of the grant, providing the individuals are not beneficial owners of 5% or more of the Company's outstanding common stock. The Plan does not limit the number of shares which may be optioned to an eligible individual.

Employment Agreements

In February 1981 the Company entered into an employment agreement with Richard K. Sutz effective January 1981 with an expiration date of December 1985 providing for an initial annual salary of \$75,000 with annual increases of 15% in each of the next four years as well as annual cash bonuses equal to 3% of the Company's pre-tax operating profits subject to a prescribed limit on the amount of any bonus.

In January 1981 the Company's Board of Directors increased Stanley A. Anderson's salary to \$40,000 per year pursuant to an employment agreement entered into by the Company effective May 1979 with an expiration date of April 1984.

WIND BARON CORPORATION
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS (Concluded)

(Including notes applicable to unaudited periods)

F. Subsequent Events (Continued)

Legal Proceedings

The Company was formerly the licensee of a patented counter-balancing mechanism under a license agreement, dated March 23, 1978 with Gate Tight, Inc. No royalties were paid by the Company under this agreement which was terminated by written notices by the licensor. In March 1981 the Company accepted the termination and dismissed a pending legal action against the licensor without prejudice. Should Gate Tight, Inc. initiate a legal action claiming royalties, the Company believes it has meritorious defenses.

In March 1981 Richard K. Sutz, as custodian of the Company's records, received a subpoena from the U.S. Department of Justice relative to an investigation of possible violations of certain Federal criminal statutes initially focusing on his relationship with John Berggren while Mr. Sutz was a government employee and the disposition of a study prepared by a private-sector research firm for Mr. Berggren, the inventor of a patented counter-balancing mechanism referred to in the preceding paragraph.

Unearned Revenues

In April 1981 the exclusive license agreement with Rocket Resources, Ltd. was amended to extend the delivery date for the ten Wind Baron machines to January 31, 1982. In addition, the Company agreed to furnish the licensee with a comprehensive production/marketing plan by February 6, 1982, further providing that if, within thirty days after receiving the plan the licensee decides not to continue the arrangement, the Company must pay the licensee \$140,000 or, at the option of the Company, issue such number of shares of the Company's common stock as is equal to \$140,000 divided by 90% of the then current market value of the common stock in lieu of the \$140,000 payment, which, in either case, will terminate the agreements.

Short-Term Debt

At June 22, 1981 the Company was obligated to a principal stockholder on a short-term loan for working capital advances in the amount of \$233,000 bearing interest at the rate of 2% over the prime rate charged by a major New York City bank.

Proposed Public Offering

In June 1981 the Company modified the November 1980 agreement with John Muir & Co., whereby the proposed public offering was revised to 4,500,000 shares of the Company's common stock at \$1 per share, on a firm commitment basis, with an over-allotment option of up to 450,000 shares. In connection with this modification, the Company will sell to John Muir & Co., at nominal cost, warrants to purchase up to 450,000 shares of the Company's common stock at the exercise price of \$1.20 per share commencing one year after the offering's completion and for a period of four years thereafter. Furthermore, the Company has agreed to pay all costs incurred in connection with the preparation of one registration statement for the sale of shares issuable upon exercise of the warrants under the Securities Act of 1933.

Until September 22, 1981 all dealers who effect transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

TABLE OF CONTENTS

	<u>Page</u>
Prospectus Summary	3
The Company	5
Risk Factors	5
Dilution	10
Comparative Data	11
Use of Proceeds	12
Dividend Policy	14
Capitalization	15
Business	16
Management	27
Beneficial Ownership of Securities	33
Description of Capital Stock	34
Underwriting	34
Legal Proceedings	36
Legal Opinions	37
Experts	37
Additional Information	38
Index to Financial Statements	39

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

4,500,000 Shares

WIND BARON
CORPORATION

Common Stock

PROSPECTUS

John Muir & Co.

Dated June 23, 1981
