

PARADIGM ENERGY CORPORATION

1463 S. W. Troon Circle, Palm City, Florida 34990 561-283-2489 FAX 561-283-9705 rec@gate.net

EXECUTIVE SUMMARY

THE COMPANY. Paradigm Energy Corporation ("the Company") was incorporated under the laws of the State of Florida on July 30, 1999, in order to acquire proprietary technology and patent applications involving the commercial application of fusion as an energy source.

CAPITAL. The initial capital for the enterprise was provided by loans totaling \$1.2 million, represented by interest bearing notes, which together with accrued interest of \$0.8 million was exchanged for 0.4 million shares of stock at the rate of \$5 per share.

STOCK. The Company is authorized to issue 5 million shares of voting common stock, par value ten cents. It has issued 3.4 million shares to its Founders, and 0.4 million shares to the Noteholders. From the remaining 1.2 million authorized, unissued shares, it now offers 0.2 million shares as a private placement, to a maximum of 20 "accredited investors" who shall subscribe before September 30, 1999. The offering price is \$15 per share. If the tranche is fully subscribed, a total of 4 million shares shall be issued and outstanding. The capitalization of the company will then be \$5 million, with the current tranche representing 5% of the issued corporate stock.

Commencing October 1, 1999, the Company proposes to make an initial public offering ("IPO"), via the internet, of 80,000 shares at \$25. The offering shall be limited to 125 accredited investors subscribing to round lots of 500 shares, prior to year end 1999. When the IPO is fully subscribed the total capitalization of the Company will be \$7 million, with the current tranche representing approximately 3% of the issued corporate stock.

PREFERENCE. Current shareholders have a preferential right to subscribe to all offerings on a pro-rata basis so as to avoid dilution of their interest.

PRIVATE PLACEMENT - LETTER STOCK. A Small Company Offering Registration ("SCOR") is in preparation and shall be filed with the U.S. Securities and Exchange Commission ("SEC"), and the State of Florida. The Company is exempt from filing under the Securities Act of 1933, pursuant to Regulation "A".

ESCROW. Any and all funds received pursuant to this private placement offer shall be placed in a restricted account, to be held in that account for fourteen calendar days after the subscriber's receipt of delivery of a filed copy of the SCOR. Any subscriber, upon written request, shall have an absolute right to immediate refund of his or her full subscription amount during that period.

RISK. Purchasing the stock of the company entails substantial investment risk. The investment is suitable only for persons who have such knowledge or experience in financial and business matters and are capable of evaluating the risk and merits of such an investment. Neither the SEC nor any state authority has passed upon, nor endorsed, the merits of this offering or the accuracy or adequacy of the technology. Any representation to the contrary is a criminal offense.

EXHIBIT

PARADIGM ENERGY CORPORATION

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Overview

More than a decade ago, in March of 1989, two respected electrochemists at the University of Utah, Professors Stanley Pons and Martin Fleischmann, shocked the world and the physics community by claiming that they had produced cold fusion energy from a simple benchtop apparatus. "Cold fusion" is a generic description of electrically-activated reactions that produce more output energy, in the form of excess heat, than the energy input to initiate or drive the reactions. Although subsequently confirmed to actually be *nuclear* in nature, these cold fusion reactions are completely different from the dangerous nuclear *fission* reactions utilized in current nuclear powerplant technology.

In November of 1995, a partnership ("Partnership"), was formed between entrepreneur David Cappelletti and a noted Italian scientist who at that time already possessed five decades of research expertise in the energy field -- the last fifteen years of which had been dedicated specifically to solid-state warm nuclear *fusion*.

"Solid-state warm nuclear fusion" has been the unique proprietary technological key to the Partnership's success. It is an electrically-activated process different than either cold (room temperature) fusion or "hot" (200 million degrees centigrade) thermonuclear fusion, and more efficient than either. It utilizes deuterium, a heavy isotope of hydrogen, as its primary fuel. Deuterium is present in water everywhere: just one cubic mile of seawater contains enough deuterium, on a nuclear fusion scale, to equal the energy content of all global oil reserves.

This warm nuclear fusion process allows the tapping of the power held within the nucleus, similar to that which occurs in the nuclear fission process, but without nuclear fission's accompanying capital expenditure and environmental concerns. Further, this warm nuclear fusion process is scalable, compatible with existing utility infrastructure, and also capable of stand-alone power generation. According to initial results from experimentation and evolving theoretical calculations, second generation research promises to derive electrical power *directly* from the fusion process itself, thereby eliminating the need for thermally-derived power generation (heat → steam → turbine → electricity).

On July 30, 1999, the Partnership evolved into Paradigm Energy Corporation ("PEC"), based in the State of Florida, with Mr. Cappelletti as its President and Chief Executive Officer. After the global extension of its patent, PEC anticipates forming strategic alliances with larger entities that can assist, on an international scale, with PEC's capitalization, product development and marketing. PEC will, as its principal business, license its technology to selected, qualified parties, but will retain proprietary manufacturing, sales and implementation rights. PEC's initial licensees will include numerous medium- and large-sized utilities, Fortune 500 multinational companies and various governments. Further revenues will be derived from PEC's sale of know-how, research devices and proprietary materials on a continuing basis.

Overview (continued)

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Eventually, PEC's warm fusion derived technologies will be incorporated into a full gamut of power products and energy applications, ranging from:

- regional power stations to home power plants,
- tritium production for hydrogen fuel generation to fusion-powered vehicles
- transmutation for radioactive decontamination and scarce-element generation to neutron and gamma-ray sourcing for medical diagnostic imaging, and,
- isotope-shifting for materials analysis.

Keen global competition exists in the race for fusion power. Several thousand highly qualified scientists have produced a compelling body of evidence in a field of research now dubbed "CANR" (chemically assisted nuclear reactions) or "LENR" (low-energy nuclear reactions). However, extensive interaction between PEC management and these scientists has revealed that no entity possesses PEC's patent-pending warm nuclear fusion process, its long-established nuclear know-how, or its second generation fusion technology program.

The aforementioned second generation process will promote PEC's evolving technology in the genesis of more efficient and powerful energy production. When perfected, this technology could replace most present energy sources. Fossil fuels are an untenable energy source; other, non-nuclear, alternative power sources (solar-, hydro-, wind-, wave-, etc.) are incapable of replacing fossil fuel energy generation. Conventional nuclear fission presents unacceptable safety risks and contamination and disposal problems.

Accordingly, target market contacts reveal an intense interest in licensing PEC's technology. Market analysis further indicates that PEC's sales price to a customer for a single license could initially be in the low eight figure range. Eventual worldwide license revenue -- alone -- for this technology has the potential to exceed several billion dollars.

The worldwide market for PEC's current technology is enormous. With the inevitable paradigm shift to environmentally-friendly fusion power, PEC believes that its technology is singularly positioned to capture, within three years of its introduction, at least 1% of the \$5 trillion yearly global energy market. Industry marketing models predict that market share thereafter could not only be market-driven, but could become, in an enormously elastic global market, quasi-exponential.

Deal Statement

The Partnership and PEC have experienced solid, but limited, funding since 1995. All funding, \$1.2 million to date, has been furnished by two general partners and a very small group of dedicated investors, without bank debt financing of any kind.

PEC is now seeking second stage equity financing in the amount of \$5 million, in the form of a \$3 million limited private placement, followed by a \$2 million internet initial public offering (IPO). This financing will be used to support PEC's second generation prototype research, as well as its world-wide patent prosecution plans.

PEC is prepared to give up 25% of its entity equity via these and similar offerings, and will consider additional methods of financing. PEC's Executive Summary provides the details of these current plans.

*Overview (continued)**Page 3 of 3*

Use of Proceeds

The proceeds from this offer will be used as follows:

Sources of Funds

Limited private placement	\$3,000,000
Internet IPO	<u>2,000,000</u>
Total	\$5,000,000

Use of Proceeds

Equipment/materials	\$2,100,000
Prototype production	1,300,000
Patent prosecution	600,000
Working capital	700,000
Joint venture/licensing agreements	<u>300,000</u>
Total	\$5,000,000

Future Financing Plans

As discussed, PEC is intending to advance its warm fusion process by the expansion of its second generation research. Concurrent with this expansion, PEC intends to implement its first generation process via technology licensing.

Management is of the opinion that within twelve to eighteen months from the reception of this current second stage financing, it will be prepared to undertake an additional third stage of equity financing. This third stage financing will be to support the next level of expansion, which is anticipated to carry PEC to a state of technological readiness that will allow it to be in a position to globalize its technology. Such globalization is anticipated within thirty-six to forty-eight months of this current financial proposal. Management is pleased to entertain further discussions with serious investors concerning its expansion plans.



PARADIGM ENERGY CORPORATION
SUBSCRIPTION AGREEMENT

1. AGREEMENT TO PURCHASE, The undersigned Subscriber hereby agrees to purchase Shares (the "Shares") to be issued by Paradigm Energy Corporation ("PEC"). The undersigned agrees to purchase 10,000 Shares, each with a par value of ten cents (\$.10) and hereby tenders to PEC \$150,000.00 [Minimum purchase: ten thousand (10,000) Shares, except as otherwise approved by PEC]. Checks should be made payable to "Paradigm Energy Corporation".

2. Representations. The Subscriber hereby makes the following representations:

- (a) The Subscriber has received a copy of PEC's Executive Summary dated August 5, 1999 ("Summary"), is familiar with its terms, and hereby confirms that he/she has not relied on any representation of PEC in making the purchase decision, whether made by PEC (except pursuant to 2.b. below), its agents and affiliates, or any representative or third party, other than those contained in the Summary;
- (b) The Subscriber has requested, received and reviewed all other documents from PEC which the Subscriber believes may be relevant in deciding whether to make a purchase;
- (c) The Subscriber has knowledge and experience in financial and business matters and is therefore capable of evaluating the merits and risks of his/her purchase;
- (d) The Subscriber understands that the assignability and transferability of the Shares is governed by the terms and conditions set forth on the obverse of each share, certificate, in the Summary and inapplicable law;
- (e) The Subscriber has adequate means of providing for his current needs and personal contingencies and has limited need for liquidity with respect to this Share Purchase and is able to bear the economic risk of his/her purchase and the possible impairment of his principal;
- (f) The Subscriber meets the suitability standards set forth in the Summary for his/her state of residence and has reached the age of majority in his/her state of residence;
- (g) The Subscriber is purchasing the Shares for his/her own account and not with a view to resell or otherwise participate in a public distribution of the Shares;
- (h) If the Subscriber is acting in representative capacity for a corporation, partnership, trust or other entity or as agent for any person or entity, the Subscriber represents and warrants that the Subscriber has full authority to enter into this agreement in such capacity;
- (i) If the Subscriber is purchasing the Shares in a fiduciary capacity, the representations and warranties therein shall be deemed to have been on behalf of the person or persons for whom the Subscriber is acting in a fiduciary capacity;
- (j) Under penalties of perjury, the Subscriber certifies that (1) the taxpayer identification number provided herein is correct; and (2) the Subscriber is not subject to backup withholding either because the Subscriber has not been notified that he/she is subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified that he/she is no longer subject to backup withholding;
- (k) The Subscriber is either (please check the appropriate box):
 - (i) an "Accredited Investor" as defined by the Securities and Exchange Commission as set forth in the "Terms of the Offering" section of the Summary; or
 - (ii) an individual who has net worth of at least five (5) times [ten (10) times for Michigan and Texas residents] the amount of Shares to be purchased. Net worth is defined to mean all assets of the Subscriber and his/her spouse (excluding therefrom the family residence, furniture, furnishings and automobiles) less all liabilities of such person and his/her spouse (excluding liabilities relating to the family residence, furniture, furnishings and automobiles).

3. PURCHASE INFORMATION. The Subscription Agreement shall be signed by the purchaser regardless of whether the purchase is being made through a trust company or similar institution. Name(s) and address(es) shall be recorded exactly as printed below.

Name GLADYS A. MALLOYE + MITCHEL N. MALLOYE
Address PO BOX 3418
City CONCORD State NH Zip Code 03302-3418
Purchaser Phone Number (603) 224-7060 Purchaser Work Number (603) 228-4516

- Check box if you are a resident alien.
 - Check box if you are a U.S. citizen residing outside the U.S. Enter your taxpayer identification number on the appropriate line.
- Shares: if the account is in more than one name, the taxpayer identification number should be that of the first person listed. Taxpayer Identification # _____ or Social Security # 048-20-0419

4. LEGAL FORM OF OWNERSHIP (Check One)

- Single Ownership
- Joint Tenants with Rights of Survivorship
- Husband and Wife as Community Property
- Tenants in Common
- Tenants in Entirety
- IRA Trust Date _____
- Trust/Pension/Profit Sharing _____
- Custodian _____
- Custodian For _____
- Under Uniform Gift to Minors Act of _____
- Corporation
- Partnership
- Keogh Plan
- Non Profit
- Other

The Shares have *not* been registered under Securities Act of 1933, as amended, and may not be sold or otherwise transferred in the absence of such registration or an exemption therefrom under such Act or state securities laws. Furthermore, these shares may be sold or otherwise transferred only in compliance with the conditions specified in the Summary, a complete and correct copy of which is available for inspection at the office of PEC and shall be furnished without charge to the holder of these Promissory Shares upon written request.
IN WITNESS WHEREOF, THE PARTIES AGREE TO THE ABOVE.

Executed this 3RD day of SEPTEMBER, 1999.

Gladys A. Malloye
(Signature of Subscriber)

Mitchel N. Malloye
(Signature of Spouse or other Subscriber if purchase is being made jointly)

GLADYS A. MALLOYE
(Name of Subscriber - Please Print)

MITCHEL N. MALLOYE