

## Appendix I

### STATEMENT OF RISK FACTORS

*An investment in the Units (and the Constituent Securities) is speculative and involves a high degree of risk. The Subscriber must carefully consider such risks, including, without limitation, the risks described below. The following risks, if they occur, could materially harm the Company's business, financial condition, results of operations and prospects. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties may also adversely impair its plans and business operations. If any of the risks actually occur, the Company may not be able to commence operation or, if it commences operating, the Company's financial condition or results of operations would likely suffer significantly. Further, the value of the Company's securities would likely decline and the Subscriber could lose all or part of his, her or its investment.*

#### **The Company has no operating history or financial statements and is a start-up company.**

While the principals of the Company have been formulating plans for the operation of the Company prior to its incorporation, the Company was only formed on March 31, 2009. The Company is a start-up entity, has no prior business history, has only nominal assets and does not yet have any material operations. Therefore, the Company will face all the risks inherent in a new venture. To date, the Company has been devoting its efforts to various organizational and start-up activities. As a result, the Company has no operating history that can be used to evaluate it. The Company and its proposed business need to be considered in light of the risks, expenses, and problems frequently encountered by companies in the initial stage of development. The Company plans to use the proceeds of the Offering to purchase the business and assets of an affiliated entity, to develop its infrastructure, to hire personnel and to implement its business plans. Most probably it will be required to raise additional funds to enable it to implement its business plans unless it is able to generate sufficient net revenues from its early operations to provide the necessary funds for such purpose. Even if the Company commences operations, there is no assurance that any profitability will be achieved by the Company, or if achieved, will be sustained or that any return will be provided to the Subscriber or other investors.

#### **The Company plans to develop a business that has not yet been attempted and that has not been demonstrated to have any commercial viability.**

The Company's basic business model as follows:

- to establish a geographically broad-based source of qualified physicians who will provide patients with laser assisted lipoysis, who will subscribe to become members of the Company's list of physicians to whom the Company will refer and recommend prospective patients and who will pay the Company a licensing fee or other fee for such membership (physicians who become members of the Company's list of physicians to whom the Company will refer and recommend prospective patients are hereinafter sometimes referred to as "**Physician Members**")
- through the use of infomercials and other marketing plans, to generate interest in laser assisted lipoysis provided by such member physicians and thereby attract prospective

patients who will call or otherwise contact the Company for a referral to qualified physicians who will provide the appropriate medical services or procedures.

To the Company's knowledge, no one has previously attempted to develop a business with the Company's planned purpose or concept (although similar business plans have been used by other companies to provide other services, including medical treatments, such as hair transplants and mini face lifts). The concepts behind the Company are sufficiently unique and novel that its success cannot be guaranteed, particularly since no existing company is fully comparable to it. More particularly, (although, upon completion of the purchase of the business and assets of an affiliated entity as described below, the Company believes it will have sufficient Physician Members to commence marketing its services in limited geographic areas) no assurance can be given that the Company will be able to attract as members sufficient qualified physicians to enable the Company to have a sufficient pool of qualified physicians to whom it can refer potential patients or that its infomercials or other marketing efforts will generate sufficient referrals of potential patients that would justify or support the payment of applicable fees for membership in the Company's group of recommended physicians. Accordingly, no assurance can be given that the products and services that the Company intends to offer will have any market or public appeal or will provide a basis for a commercially successful enterprise.

In the event the Company is unable to achieve success with its initial efforts, it is expected that management will seek to modify its initial business model or adopt a different business model. However, there can be no assurance that the Company will be able to do so or otherwise achieve any success.

Further, if the Company is successful, competitive businesses may gain acceptance and prevail in the marketplace to such an extent that the Company cannot achieve or sustain profitability.

**No assurance can be given that there will be adequate sources of revenues for the Company.**

The Company plans on obtaining revenues from membership, licensing or similar fees paid by physicians who are members of the Company's group of recommended physicians. However, there can be no assurance that any such revenues will be forthcoming or that, even if forthcoming, will be sufficient to fund the Company's development, marketing and operations.

**The Offering may not yield sufficient funding to permit the Company to implement any of its business plans.**

The Offering is being made by the Company as "an any-or-none" offering. Accordingly, there is no requirement on the Company's part to sell a minimum number of Units or receive minimum proceeds. Even if the Offering is fully subscribed for and sold, the Company may be unable to implement any portion of its business plans or to otherwise proceed, and if the Company sells only a limited number of Units as part of the Offering, the risks of the Company being unable to implement any portion of its business plans will be increased.

**The initial \$1 million raised in the Offering will be paid to an entity affiliated with the founder for certain business and assets of such entity.**

To date, expenses related to the initial stages of the Company's business plan have been funded through Victor Products, Inc. ("VPI"), a separate corporation formed and controlled by Steven A. Victor, M.D., the Company's founder, and certain of his affiliates. As soon as at least

\$1,000,000 has been raised through the Offering, \$1,000,000 of proceeds from the Offering will be used to purchase certain business and assets (including the assignment of certain contracts) from VPI that were developed by VPI in anticipation of initiating the Company's business plan (if less than \$1,000,000 is raised in the Offering, half of the amount raised will be paid to VPI as a partial payment of the \$1,000,000 purchase price for the business and assets to be purchased from VPI, with the balance of such purchase price to be paid over time from future funding or from any net revenues the Company generates). The business and assets of VPI that are to be acquired by the Company include a completed infomercial (for which VPI expended approximately \$625,000), a finished website and established back office operations (for which VPI expended approximately \$300,000) and the assignment of license and similar agreements with physicians who have already signed up to join the Company's group of member physicians and pursuant to which agreements such physicians have committed to pay licensing or similar fees in an aggregate amount of in excess of \$650,000.

The price to be paid by the Company to VPI for such business and assets has not been established based upon any objective criteria or independent appraisal or on an arm's-length basis, and no assurance can be given that the price to be paid by the Company to VPI for such business and assets is a fair or market price. Additionally, no assurance can be given that the contracts that are intended to be acquired by the Company as part of the business and assets being transferred from VPI will be assignable to the Company – if they are not assignable, the Company may not be able to receive any benefits from those contracts.

**The Company has limited capital for operations and expects to need to raise more money to continue develop and operate its business.**

Even if the Offering is fully subscribed and all of the Units offered hereby are sold, the Company may need more capital in order to fund the launching and marketing of its products and services and otherwise to implement its business plans. No assurance can be given that the Company will be able to raise more capital, on terms favorable to the Company or at all. If the Company does not raise the required capital to commence or continue its operations, it would not likely have any business. In any event, the Subscriber and other investors in the Offering are likely to be totally dependent upon the ability of the Company to raise additional funds to the extent the Company is not able to generate revenues sufficient to fund its operations and growth.

**The Subscriber and other current investors are likely to suffer immediate dilution in their ownership in the Company.**

The Company has no significant assets, and upon investment by an investor, the book value of any Underlying Shares that would be issued to such investor upon such investor's conversion or exercise of his Constituent Securities would be substantially less than their purchase price. Investors in the Company may face substantial additional dilution resulting from future equity offerings or in connection with acquisitions. In connection with future financings, the Company may offer shares of Common Stock or other securities at an effective price less than the conversion price provided in the Debentures or the exercise price provided for in the Warrants and/or on terms that are otherwise more favorable than those available in the Offering (including, without limitation, the issuance of convertible preferred stock that would have a conversion rate higher than that provided for under the Debentures, that would have a higher dividend rate than the interest rate provided for in the Debenture, that would be granted priority over shares of Common Stock as to dividends and/or upon liquidation and that would have superior voting

rights to holders of shares of Common Stock). Additionally, it is anticipated that the Company, pursuant to a stock option or other incentive plan or otherwise, may issue or grant stock and/or stock options to directors, officers, employees and others. The Company has already set aside 2,800,000 shares of its Common Stock to be issued pursuant to such a plan and may set aside additional shares in the future. The issuance of options or shares of Common Stock pursuant to any such plan would likely have a dilutive effect upon any investor's equity holdings in the Company.

**The securities being offered by the Company are likely to be an illiquid investment, as least for the foreseeable future.**

Neither the offer nor sale of any of the Units, the Constituent Securities and the Underlying Shares has been registered under the Securities Act or the securities laws of any jurisdiction in reliance on exemptions from registration. The Units, the Constituent Securities and the Underlying Shares may not be resold unless the resale is subsequently registered under the Securities Act and the applicable state securities laws or, in the opinion of counsel to the Company, an exemption from registration is available. Moreover, there is no market for the any of the Units, the Constituent Securities and the Underlying Shares or any of the Company's other securities, and there is no assurance that any such market will develop in the future. As a result, an investor must be prepared to continue to bear the economic risk of an investment in the Units and Constituent Securities (and, to the extent acquired, any Underlying Shares) for an indefinite period of time. If a market for any of such securities does not develop, it will be very difficult, if not impossible, for an investor to resell any such securities.

**The offering price for the Units (as well as the terms of the Offering, including the characteristics, terms and conditions of the Constituent Securities) has been determined solely and arbitrarily by the Company.**

The offering price for the Units bears no relationship to the Company's book value, results of operations, net asset value or projected earnings or any other objective criteria of value. The offering price should not be regarded as an indication of the value of the Company or the value of the Units or Constituent Securities or of the value of any Underlying Shares that may be acquired upon the conversion or exercise of the Constituent Securities.

**The Company is, and is likely to remain, subject to control by its founder, Steven A. Victor, M.D.**

Prior to the Offering, Steven A. Victor, M.D., has owned or controlled all of the Company's outstanding capital stock and, accordingly, has controlled the election of all members to the Company's Board of Directors. Upon consummation of the Offering, Dr. Victor (directly or through affiliates) will own [14,000,000] shares of the Company's outstanding Common Stock. Even assuming the Offering is fully subscribed and investors were to acquire all of the Underlying Shares issuable to them upon the conversion of the Debentures and the exercise of the Warrants issued in the Offering, investors in the Offering would own only [4,500,000] shares of the Company's outstanding Common Stock. Accordingly, it should be anticipated that, at least for the foreseeable future, Dr. Victor (directly or through affiliates) will continue to control the election of all members to the Company's Board of Directors and thus control the business and

operations of the Company. That control will include whether the Company (including shares of capital stock in the Company) is to be sold or merged.

**The Company will have discretion over the use of proceeds from the Offering.**

Subject to the Company's commitment to use the first \$1 million of offering proceeding to purchase certain business and assets from VPI (as described above), the Company intends to use any balance of proceeds from the Offering for working capital and general business purposes. The use of such proceeds will be subject to the discretion of the Company, and neither the Subscriber nor any other investor will be able to direct or control the use of any of such proceeds.

**The Company will be heavily dependent upon management, particularly in its early stages of development.**

The Company will be dependent on the services of its founder, Steven A. Victor, M.D., as well as on other members of any management team employed by the Company. If the services of Dr. Victor or other key management personnel are not available, the Company would be severely and adversely affected.

**The Company may not be able to employ or retain qualified personnel.**

There is no assurance that the Company will be able to hire or retain qualified personnel to implement its business plans or to operate and develop the Company's business. Because of its early stage of development and uncertain future, the Company may have more difficulty in attracting and keeping qualified personnel.

**If the Company is successful, it may face stiff competition.**

If the Company succeeds with the development of its business plans, others would likely be encouraged to try to establish competing businesses. It is uncertain as to whether there will be any meaningful barriers to establishing competing business, and the establishment of competing businesses could adversely affect the financial results and prospects of the Company. Further, to the extent a competing business is established by a competitor with greater financial and other resources, the adverse affect could be substantial.

**The Company may not be able to protect any technology, concepts or other intellectual property needed for the development of its business.**

Although the Company anticipates that it will develop or otherwise acquire or own certain proprietary information and other intellectual property (including that anticipated to be acquired from VPI pursuant to the transaction with VPI referred to above) in connection with the development of its business, there can be no assurance that any of such intellectual property will be subject to patent, copyright, trademark or similar protections or that the Company will otherwise be able to protect or preserve such intellectual property. If the Company is not able to protect any technology, concepts or other intellectual property that is essential to its operations or development, the loss of such technology, concepts or other intellectual property (or loss of the exclusive right to such technology, concepts or other intellectual property) could have a material and adverse affect on the Company and its business, financial condition and prospects.

**The Company's success may depend upon its ability to manage anticipated growth.**

As part of the Company's business strategy, the Company hopes to pursue rapid growth. The Company's ability to achieve its planned growth depends upon a number of factors, including its ability to hire and train management and other employees, the adequacy of its financial resources and its ability to identify new markets in which to successfully compete. In addition, there can be no assurance that the Company will be able to achieve its planned growth or that the Company will be able to manage its operations successfully. Failure to manage growth effectively could adversely affect the financial condition, results of operations and prospects of the Company.

**The Company is anticipated to enter into arrangements with related parties, which arrangements may not be on a arm's-length basis.**

It is anticipated that the Company will utilize Dr. Victor's office facilities, office staff and equipment until such time as the Company determines to lease separate office space and engage separate staff. The Company will reimburse Dr. Victor \$10,000 per month for the Company's use of his office facilities, office staff and equipment. The amount of such reimbursement has not been negotiated on an arm's-length basis and will be subject to reasonable revision upward or downward as circumstances and usage may change.

**The Company may be subject to claims or liabilities arising from conduct of Physicians Members.**

It is possible that, as the consequence of malpractice by a Physicians Member or even a patient's dissatisfaction with services provided by a Physician Member, claims and litigation may be asserted and brought against the Company. No assurance can be given that no such claims or litigation will not be successful if asserted or otherwise brought. Further, even if the Company were to be successful in defending against any such claim or litigation, the costs of defending against such claim or litigation could require the expenditure of significant financial and other resources of the Company, adversely affect the Company's reputation and otherwise have a material and adverse affect on the Company and its financial results and prospects. Although the Company intends to obtain and maintain insurance to protect itself from such claims and litigation, there can be no assurance that such insurance can be obtained on commercially reasonable terms or that such insurance will provide the necessary protection for the Company.

**The Company and Physician Members may be subject to extensive regulations – compliance with such regulations may be expensive and failure to comply with such regulations may result in penalties and other adverse consequences.**

The healthcare industry is highly regulated. The Company and any Physician Members may be required to comply with extensive and complex laws and regulations at the federal, state and local government levels. Such laws and regulations relate to, among other things:

- licensure and certification of healthcare facilities;
- professional regulation of physicians;
- patient health and safety;
- disposal of medical waste;
- reimbursement for healthcare services;
- patient referrals; and
- false claims.

If the Company violates any such laws and regulations that are applicable to it, the Company could be subjected to liability, including (1) criminal penalties (such as imprisonment and fines), (2) civil penalties (including monetary penalties and the loss of any licenses or approvals the Company may require for its business) and (3) exclusion, suspension or material restriction from participation in governmental healthcare programs (such as Medicare and Medicaid).

The Company intends to conduct its business in compliance with applicable regulatory requirements. However, the healthcare industry is highly regulated by complex statutory provisions, many of which have not been specifically interpreted by the courts or through detailed governmental regulations. While the Company will attempt to conduct its business in conformity with federal and state law, governmental agencies could challenge some of its business practices under these laws. If the Company's business practices are challenged, the Company may not be able to successfully change the way it operates. Any of these events could cause the Company's revenue to decline.

Physician Members are likewise required to comply with an extensive regulatory scheme. Compliance with regulatory requirements could adversely affect the licensing of a Member Physician and profitability of his or her practice, which in turn could preclude such Member Physician from providing products and services to patients referred by the Company or decline to renew or extend his or her membership in the group of physician to which the Company refers prospective patients.

**A decrease in the popularity or acceptability of laser assisted lipoysis and similar procedures or services intended to be marketed by the Company would likely have a material and adverse affect on the Company.**

Laser assisted lipoysis and similar medical treatments have received increased criticism in the media over the last several years. If, as a consequence of such criticism, an increase in acceptance of alternative medical procedures or other factors, the advisability or popularity of laser assisted lipoysis and similar medical treatments decreases, there will likely be less need or demand for the referral services intended to be provided by the Company. And any decrease in the advisability or popularity of laser assisted lipoysis and similar medical treatments will likely have an adverse affect on the prospects for the Company and its business.

**The Company's ability to attract potential patients to be referred to Member Physician is likely to be affected by the willingness of insurance companies and government programs to pay for, or to reimburse patients for, the medical treatments provided.**

A potential patient's willingness to contact the Company for a referral and to engage a Member Physician to provide laser assisted lipoysis or other medical treatment is likely to be affected by the cost of such medical treatment and, perhaps more importantly, the amount of such cost such potential patient will be required to personally bear. Accordingly, to the extent insurers fails to provide medical coverage for laser assisted lipoysis or other medical treatments marketed by the Company or Medicare, Medicaid and other government payment arrangements decline to provide reimbursement for laser assisted lipoysis or such other medical treatments, it should be anticipated that there will be less need for the services proposed to be offered by the Company.

That, in turn, would likely make membership in the Company's group of recommended physicians less valuable to physicians, which would likely decrease the amount of fees paid to the Company for providing its referral services.

**A continuing economic slowdown may adversely affect the demand for the Company's services and thereby adversely affect the Company and its prospects.**

The Company believes that, for most potential patients for laser assisted lipoysis or similar medical treatments, the decision as to whether and when to have such treatment is elective by such potential patients. The Company also believes that, in the current economic environment, a sizable portion of the populous has decided to at least defer any discretionary spending and also concluded not to take any time off from work if that might jeopardize their job security. Accordingly, the Company anticipates that, for so long as the current economic slowdown continues, individuals who would otherwise be potential patients to use the Company's referral services will decline to avail themselves of such services until they have greater confidence that they can bear any related costs and that any time they would have to be out of work to undergo such treatment would not affect their job security.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL OF THE RISKS INVOLVED IN THE OFFERING. POTENTIAL INVESTORS SHOULD CAREFULLY CONSIDER ALL POTENTIAL RISKS BEFORE DETERMINING WHETHER TO SUBSCRIBE FOR ANY SECURITIES IN THE COMPANY.**