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BENTLEY CAPITAL CORP COM INC

Form SB-2

August 25, 2003

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As filed with the Securities and Exchange Commission on August 22, 2003
Registration No. _____

Securities and Exchange Commission
Washington, D.C. 20549

Form SB-2
Registration Statement
Under The Securities Act of 1933

BentleyCapitalCorp.com Inc.
(Exact name of small business issuer in its charter)

Washington	3590	91-2022700
(State or other jurisdiction of incorporation or organization)	(Primary standard industrial code)	(I.R.S. Employer Identification Number)

BentleyCapitalCorp.com Inc.
1150 Marina Village Parkway, Suite 103
Alameda, California 94501
voice: (510) 865-6412
fax: (510) 865-9385
(Address and telephone number of principal executive offices and principal place
of business)

Edward Alexander, Chief Executive Officer and President
1150 Marina Village Parkway, Suite 103
Alameda, California 94501
voice: (510) 865-6412
fax: (510) 865-9385
(Name, address, including zip code, and telephone number, including area code,
of agent for service)

With a Copy to:
Joel Seidner, Esq.
1240 Blalock, Suite 250
Houston, Texas 77055
voice: (713) 461-2627 ext. 210
fax: (713) 461-2633

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

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If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, check the following box and
list the Securities Act Registration Statement number of the earlier effective
Registration Statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act
Registration Statement number of the earlier effective Registration Statement

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for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering. []

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

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock	2,986,000 shares	\$1.00 per share	2,986,000.00	\$250.00 (1)

(1) This fee is calculated pursuant to Rule 457. There is no market for the common stock at this time. The proposed maximum price is based upon our best estimate of how the market will respond when the Selling Stockholders sell their stock.

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

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PART I

INFORMATION REQUIRED IN A PROSPECTUS

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WE HAVE FILED A REGISTRATION STATEMENT RELATING TO THESE SECURITIES WITH THE SECURITIES AND EXCHANGE COMMISSION. WE WILL AMEND AND COMPLETE THE INFORMATION IN THIS PROSPECTUS. THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Subject To Completion August 22, 2003

PROSPECTUS

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BENTLEYCAPITALCORP.COM INC.
1150 Marina Village Parkway, Suite 103
Alameda, California 94501
voice: (510) 865-6412
fax: (510) 865-9385

2,986,000 Shares of Common Stock

This prospectus relates to the sale of up to 2,986,000 shares of our common stock by Selling Stockholders. We will not receive proceeds from the sale of our shares by the Selling Stockholders.

There is no market for the common stock. Our common stock has no trading symbol. We have no market maker.

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CONSIDER CAREFULLY THE RISK FACTORS BEGINNING ON PAGE 7 OF THIS PROSPECTUS BEFORE MAKING A DECISION TO PURCHASE OUR STOCK.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is _____, 2003

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AVAILABLE INFORMATION

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We are currently subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We file periodic reports, proxy materials and other information with the Securities and Exchange Commission (the "Commission"). In addition, we will furnish stockholders with annual reports containing audited financial statements certified by our independent accountants and interim reports containing unaudited financial information as it may be necessary or desirable. We will provide without charge to each person who receives a copy of this prospectus, upon written or oral request, a copy of any information that is incorporated by reference in this prospectus (not including exhibits to the information that is incorporated by reference unless the exhibits are themselves specifically incorporated by reference). Such request should be directed to: Edward Alexander, Chief Executive Officer, BentleyCapitalCorp.com Inc., 1150 Marina Village Parkway, Suite 103, Alameda, California 94501, tel. (510) 865-6412, fax: (510) 865-9385. Our Web site is www.protonlabs.com.

We have filed with the Commission a Registration Statement under the Securities Act of 1933, as amended (the "Securities Act") with respect to the securities offered by this prospectus. This prospectus does not contain all of the information set forth in the Registration Statement, parts of which are omitted in accordance with the rules and regulations of the Commission. For further information with respect to us and this offering, reference is made to the Registration Statement, including the exhibits filed therewith, that may be inspected without charge at the public reference room maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, tel. 1-800-SEC-0330. Copies of such material may also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

The Web site of the Commission is www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the Commission. Visitors to the Commission's Web site may access such information by searching the EDGAR database.

PROSPECTUS SUMMARY

References to us in this prospectus include BentleyCapitalCorp.com Inc. ("Bentley") and our wholly-owned subsidiary, Proton Laboratories, Inc. ("Proton").

Our Board of Directors authorized a common stock dividend in November 2002 whereby each stockholder received an additional four shares for each one share held. This had the same effect as a 5:1 forward stock split. All of the information in this prospectus has been adjusted to reflect the stock dividend.

Bentley was incorporated in the State of Washington on March 14, 2000. In November 2002, we acquired Proton, a distributor of functional water systems. Proton itself commenced business in 2001 and is now our wholly-owned subsidiary. Our Web site is www.protonlabs.com.

We also own a license from a company named Vitamineralherb.com to market and distribute vitamins, minerals, nutritional supplements, and other health and fitness products via direct marketing and the Internet in the Province of British Columbia, Canada. The Web site of Vitamineralherb.com is www.vitamineralherb.com. We have not yet attempted to renew the license. Other than having the license, we have not conducted any business related to Vitamineralherb.com.

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Prior to our November 2002 acquisition of Proton, we were a development stage company. Our acquisition of Proton brought with it material revenues, expenses and losses. Our growth is dependent on attaining profit from our operations and our raising capital through the sale of stock or debt. There is no assurance that we will be able to raise any equity financing or sell any of our products at a profit.

Our functional currency is the U.S. dollar.

Our independent auditors made a going concern qualification in their report dated March 20, 2003, which raises substantial doubt about our ability to continue as a going concern.

RISK FACTORS

You should carefully consider the following risk factors before purchasing our common stock. The risks and uncertainties described below are not the only ones we face. There may be additional risks and uncertainties that are not known to us or that we do not consider to be material at this time. If the events described in these risks occur, our business, financial condition and results of operations would likely suffer. This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. This section discusses the business risk factors that might cause those differences.

OUR PAST LOSSES RAISE DOUBTS ABOUT OUR ABILITY TO OPERATE PROFITABLY OR CONTINUE AS A GOING CONCERN.

We have experienced substantial operating losses. For the year ended December 31, 2002, we had a net loss of \$411,191. For the year ended December 31, 2001, we had a net loss of \$110,939. For the six months ended June 30, 2003 we had a net loss of \$54,455. For the quarter ended June 30, 2003 we had a net loss of \$14,364. Our accumulated deficit at December 31, 2002 was \$522,130. Our accumulated deficit at June 30, 2003 was \$576,585.

We expect to incur significant operating losses until product sales increase. We will also need to raise sufficient funds to finance our activities. We may not be able to achieve or sustain profitability. Our independent auditors made a going concern qualification in their report dated March 20, 2003, which raises substantial doubt about our ability to continue as a going concern. These factors raise substantial doubt about our ability to continue as a going concern.

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OUR EXPECTED FUTURE LOSSES RAISE DOUBTS ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN UNLESS WE CAN RAISE CAPITAL.

Future events, including the problems, delays, expenses and difficulties encountered by us, may lead to increased costs that could make it difficult for us to succeed. To raise additional capital, we may sell additional equity securities, or accept debt financing or obtaining financing through a bank or other entity. There is no limit as to the amount of debt we may incur. Additional financing may not be available to us or may not be available on terms acceptable to us. If additional funds are raised through the issuance of additional stock, there may be a significant dilution in the value of our outstanding common stock.

WE MAY NOT BE ABLE TO RAISE THE REQUIRED CAPITAL TO CONDUCT OUR OPERATIONS.

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We may require additional capital resources in order to conduct our operations. We expect that our available cash and contributions from our President will be sufficient to finance our planned activities through the end of 2003. If we cannot obtain additional funding prior to the end of 2003, we may make reductions in the scope and size of our operations. In order to grow and expand our business, and to introduce our products to the marketplace, we will need to raise additional funds.

LACK OF INDUSTRIAL AND CONSUMER ACCEPTANCE OF FUNCTIONAL WATER WOULD IMPAIR OUR BUSINESS.

We sell equipment that makes functional water. The current market for industrial and consumer functional water equipment is small in the U.S.A. We must increase market acceptance of functional water in order to be successful. We do not know if the products we sell will receive market acceptance at a level that would allow us to operate profitably.

FAILURE OF THIRD PARTIES TO MANUFACTURE FUNCTIONAL WATER EQUIPMENT WOULD IMPAIR OUR SALES ACTIVITIES.

During the year ended December 31, 2002, our purchases from four vendors accounted for 96% of our total purchases. During the year ended December 31, 2001, purchases from one vendor accounted for 29% of our total purchases. We believe that the loss of these vendors would have a negative impact on us. We might not be able to obtain alternate sources of functional water equipment if we could not buy from the four vendors. If any of our four key manufacturers or suppliers fails to supply us with product, then we would not be able to generate revenue from sales of functional water equipment.

GIVEN OUR LIMITED SALES AND MARKETING CAPABILITIES, WE NEED TO DEVELOP COLLABORATIVE RELATIONSHIPS TO SELL, MARKET AND DISTRIBUTE OUR PRODUCTS.

We have a limited ability to conduct sales, marketing and distribution because we only have three employees. We intend to increase our sales and marketing ability through collaborative relationships with other companies with established sales, marketing and distribution capabilities. Our inability to develop and maintain those relationships would limit

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our ability to market, sell and distribute our products. Our inability to enter into successful, long-term relationships could require us to develop alternate arrangements.

IF WE DO NOT KEEP PACE WITH OUR COMPETITORS AND WITH TECHNOLOGICAL AND MARKET CHANGES, OUR PRODUCTS MAY BECOME OBSOLETE AND OUR BUSINESS MAY SUFFER.

The market for our products is competitive and could be subject to rapid technological changes. We believe that there are potentially many competitive approaches being pursued, including some by private companies for which information is difficult to obtain. Many of our competitors have significantly greater resources, more product candidates and have developed product candidates and processes that directly compete with our products. Our competitors may have developed, or could in the future develop, new technologies that compete with our products or even render our products obsolete. To the extent that others develop new technologies that address the applications for functional water, our business will suffer.

THE SHARES AVAILABLE FOR SALE BY THE SELLING STOCKHOLDERS COULD SIGNIFICANTLY REDUCE THE MARKET PRICE OF OUR COMMON STOCK.

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A total of 2,986,000 shares of our common stock are being registered for resale under this prospectus. The market price of our common stock (if a public market exists) could drop if a substantial amount of these shares are sold in the public market. A drop in the market price will reduce the value of your investment.

SELLING STOCKHOLDERS MAY SELL SECURITIES AT ANY PRICE OR TIME WHICH COULD REDUCE THE MARKET PRICE OF OUR COMMON STOCK.

After effectiveness of this prospectus, the Selling Stockholders may offer and sell their shares at a price and time determined by them. The timing of sales and the price at which the shares are sold by the Selling Stockholders could have an adverse effect upon the public market, if any, for our common stock.

SINCE WE HAVE NOT PAID ANY DIVIDENDS ON OUR COMMON STOCK AND DO NOT INTEND TO DO SO IN THE FUTURE, A PURCHASER OF OUR STOCK WILL ONLY REALIZE A GAIN ON HIS INVESTMENT IF THE MARKET PRICE OF OUR COMMON STOCK INCREASES.

We have never paid, and do not intend, to pay any cash dividends on our common stock. Therefore an investor in this offering, in all likelihood, will only realize a profit on his investment if the market price of our common stock increases in value.

BECAUSE SHARES OF OUR COMMON STOCK WILL MOST LIKELY TRADE UNDER \$5.00 PER SHARE, THE APPLICATION OF THE PENNY STOCK REGULATION COULD ADVERSELY AFFECT THE MARKET PRICE OF OUR COMMON STOCK AND MAY AFFECT THE ABILITY OF HOLDERS OF OUR COMMON STOCK TO SELL THEIR SHARES.

Our securities may be considered a penny stock. Penny stocks generally are securities with a price of less than \$5.00 per share other than securities registered on national securities

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exchanges or quoted on the Nasdaq stock market, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. Our securities may be subject to penny stock rules that impose additional sales practice requirements on broker-dealers who sell penny stock securities to persons other than established customers and accredited investors. For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of penny stock securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the penny stock rules require the delivery, prior to the transaction, of a disclosure schedule prescribed by the Commission relating to the penny stock market. The broker-dealer also must disclose the sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Monthly statements must be sent by the broker-dealer disclosing recent price information on the limited market in penny stocks. The penny stock rules may restrict the ability of broker-dealers to sell our securities and may have the effect of reducing the level of trading activity of our common stock in the public market, if any.

THERE HAS BEEN NO PRIOR MARKET FOR OUR SECURITIES AND A PUBLIC MARKET FOR OUR SECURITIES MAY NOT DEVELOP OR BE SUSTAINED.

There is not now, and there has never been a public trading market for our common stock, nor a trading symbol. We have never had a market maker. In 2003, a broker-dealer submitted a Form 211 and an accompanying Form 15c2-11 to the National Association of Securities Dealers ("NASD") Over The Counter Bulletin

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Board ("OTCBB") compliance department in order to become our market maker. However, the NASD informed the broker-dealer that, in the NASD's opinion, our IPO in 2000 might have been deficient in that it could be interpreted as a blank check offering rather than the offering of a development stage company in the consumer nutritional supplement and health products business. Although the NASD told us that the NASD never rejects a Form 211, we believe that the NASD's comments dissuaded the broker-dealer from being our market maker, and the broker-dealer withdrew the Form 211. We disagree with the NASD's analysis about us being a blank check IPO in 2000. It is our position that in 2000 we were a development stage company in the specific business of consumer nutritional supplements and health products. As a result of our conversations with the NASD's OTCBB compliance department, we concluded that we could put the NASD's objections to rest by filing a new Registration Statement covering the same shares that were previously registered in our IPO in 2000. This prospectus includes the same shares as were in our IPO in 2000 and some other shares that we have issued since then in private transactions. However, it is possible that we may not be able to obtain a market maker even after this offering. Without a market maker there can be no public trading market for our stock. If an active public market for our securities is not developed or sustained after this offering, the market price of our securities may fall or may fail to materialize at all. If this happens you may lose part or all of the value of your investment. Without an active public market in our stock, there will be limited liquidity and it may be hard to sell the stock you own.

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WHEN, IF AND AS OUR COMMON STOCK STARTS TRADING IN A PUBLIC MARKET, THE STOCK PRICE MAY NOT INITIALLY, NOR OVER TIME, REFLECT OUR TRUE VALUE.

The market price of our common stock may not accurately reflect the future value of our stock in any market. Our stock price may fluctuate significantly. We do not know what the value of our common shares will be in the future.

EDWARD ALEXANDER OWNS 73.4% OF OUR COMMON STOCK AND HE CONTROL US.

Mr. Alexander is our CEO and President. Mr. Alexander has the ability to control substantially all matters submitted to our stockholders for approval, including the election and removal of directors and any merger, consolidation, takeover or other business combination involving us, and to control our management and affairs. This may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control in an acquisition or takeover.

OUR OFFICERS AND DIRECTORS HAVE LIMITED LIABILITY AND HAVE INDEMNITY RIGHTS.

The State of Washington law, our Article of Incorporation and our By-Laws provide that we may indemnify our officers and directors against losses or liabilities which arise in their corporate capacity. The effect of these provisions could be to dissuade lawsuits against our officers and directors.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus, including, without limitation, statements containing the words "believes," "anticipates," "expects," and other words of similar import, are "forward-looking statements." Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements expressed or implied by forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on forward-looking statements. In addition to the forward-looking statements contained in this prospectus, the

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following forward-looking factors could cause our future results to differ materially from our forward-looking statements: market acceptance of our products and our functional water technology, competition, funding and government compliance.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the common stock by the Selling Stockholders. We will pay for the cost of registering the shares of common stock in this offering.

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DESCRIPTION OF BUSINESS

INTRODUCTION

Our only asset prior to the November 2002 acquisition of Proton was a license from a company named Vitamineralherb.com to market vitamins, minerals, nutritional supplements and other health and fitness products in the Province of British Columbia, Canada, through the licensor's Web site www.vitamineralherb.com. We will continue to attempt to establish a business presence in this market which consists of medical practitioners, alternative health professionals, martial arts studios and instructors, sports and fitness trainers, other health and fitness practitioners, school and other fund raising programs and other similar types of customers. The license was acquired in March 2000 for a term of three years with renewal rights. The annual license fee was \$500 for maintenance of the licensor's Web site. The licensor retains 50% of the profits. The license was written off to operations in fiscal 2000. We have not attempted to renew the license yet. The Web site of Vitamineralherb.com, www.vitamineralherb.com, has recently established an active e-business Web site.

In June 2002, Michael Kirsh ("Kirsh"), our former majority stockholder entered into a Stock Purchase Agreement with Mr. Alexander pursuant to which Mr. Alexander acquired 7,500,000 shares owned by Kirsh. In addition, Mr. Alexander acquired 1,250,000 shares owned by a former minority stockholder, Brian Gruson ("Gruson"). The total consideration paid by Mr. Alexander for the shares was \$170,000. Mr. Alexander borrowed money from the following individuals to purchase the shares from Messrs. Kirsh and Gruson:

Lender Name	Amount Borrowed By Mr. Alexander
Thomas Dizon	\$40,000
A. J. Moraes	\$40,000
Jean Wang	\$90,000

Each of these loans accrues interest at 7% per annum, and the maturity date was extended to December 31, 2003. Mr. Alexander has not paid off any of these loans. The current aggregate balance due on these loans is \$181,900. These loans are personal obligations of Mr. Alexander, and we are not responsible for repaying these loans.

In November 2002, we entered into an Agreement and Plan of Reorganization whereby Proton Laboratories, LLC, a California limited liability company ("Proton") merged with and into VWO I Inc., our wholly owned subsidiary (the "Merger"). As a result of the Merger, Proton's sole owner, Edward Alexander, exchanged 100% of his ownership of Proton for 8,750,000 shares of our common stock, and we cancelled the similar amount of 8,750,000 shares of our common stock that Mr. Alexander had purchased from Michael Kirsh and Brian Gruson in June 2002 (in August 2003, Mr. Alexander, in a personal transaction, paid off a

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personal debt of his by making an in-kind payment of 486,000 of his shares of Bentley to his creditors).

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VWO I Inc. changed its name to Proton Laboratories, Inc. as part of the Merger. Proton itself was incorporated in February 2000 in the State of California. Proton did not begin operations until January 2001 when Mr. Alexander contributed inventory and property and equipment to Proton. Prior to the Merger, Mr. Alexander entered into a Stock Purchase Agreement with Messrs. Kirsh and Gruson.

Under the Stock Purchase Agreement, Mr. Alexander purchased 8,750,000 shares of common stock of Bentley from Kirsh and Gruson for \$170,000. The 8,750,000 shares Mr. Alexander acquired pursuant to the Stock Purchase Agreement were canceled as part of the Merger. Mr. Gruson is no longer a stockholder. Mr. Kirsh owns 12,500 shares of our common stock as of the date of this prospectus. The Merger was accounted for as the reorganization of Proton and the acquisition of Bentley's assets for \$170,000 using the purchase method of accounting. There were no material assets or liabilities of Bentley at the time of the Merger. The \$170,000 paid by Mr. Alexander pursuant to the Stock Purchase Agreement has been reflected as a loss on the acquisition of Bentley in the accompanying financial statements (See page 16 and page F-1). For financial statement purposes Proton is considered the parent corporation but maintains Bentley as its business name. Proton was the accounting acquiror, and Bentley was the legal acquiror.

The consideration exchanged pursuant to the Merger was the result of arms length negotiations between us and Proton. However, no appraisal was done. In evaluating Proton as a candidate for the proposed Merger, we used criteria such as the value of the assets of Proton, Proton's current business operations and anticipated operations, and Proton's business name and reputation. We determined that the consideration for the Merger was reasonable.

Our executive offices are located at: BentleyCapitalCorp.com Inc., 1150 Marina Village Parkway, Suite 103, Alameda, California 94501, tel. (510) 865-6412, fax: (510) 865-9385. Our Web site is www.protonlabs.com.

OUR BUSINESS--THE BACKGROUND OF FUNCTIONAL WATER

We intend to continue the business of Proton, which includes marketing residential and commercial "functional water systems." "Functional water" is water that has been processed through an electrolytic ion separation process or electrolysis process and has a wide array of functional properties due to its unique characteristics. Proton's functional water systems restructure tap water into one type of water that is alkaline in concentration and one type of water that is acidic in concentration. We believe that the functional water systems that we market will have applications in a large variety of industries, such as agriculture, organic agriculture, food processing, medicine and dentistry, heavy industry, mining, environmental clean-up and beverages. We also intend to continue the vitamin distribution business through our Vitamineralherb.com license. We believe that vitamins and functional water are complementary products that might be marketed or used in conjunction with each another.

We are an exclusive importer and master distributor of the functional water systems that are manufactured by Matsushita Electric Corporation of America. We utilize functional water intellectual property under licensing agreements. We supply consumer products related to

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functional water. We consult on projects utilizing functional water. We facilitate knowledge between the manufacturer and industry, and we act as educators about the benefits of functional water. We are a provider of systems that produce functional water (also called "electrolyzed water" or "functional electrolyzed water"). Functional water is water that has been restructured through the process of electrolysis. Electrolysis forces a separation to occur in the electrolytes that are present in the water molecules. Through the process of creating functional water, regular tap water can be restructured into two separate types of water. For instance, tap water can be restructured into one type of water that is alkaline in concentration and one type of water that is acidic in concentration.

We believe that water with these unique properties is desirable for a number of reasons. Water with smaller clusters of molecules has a lower surface tension. With a lower surface tension, water may have improved hydrating, permeating and solubility properties. Collectively, these properties may enhance the overall functional effectiveness of water. The separation of the alkaline and acidic properties found in water provides the water with functional abilities. For example, functional acidic water has disinfecting abilities to meet a wide array of disinfecting requirements in food processing procedures, and functional alkaline water makes an excellent drinking water due to improved hydration.

Functional water may have applications in a variety of industries, including agriculture, organic agriculture, food processing, medicine and dentistry, dermatology, heavy industry, mining, environmental clean-up, product formulations and beverages.

OUR BUSINESS--SYSTEMS AND MARKETS

We market functional water systems to the residential and commercial markets. For the residential market, we market functional water systems that are used to produce a health-beneficial, alkaline-concentrated drinking water. For the commercial market, we market commercial-grade functional water systems that are used in applications ranging from food preparation to hospital disinfection. Other applications of our systems include agriculture, organic agriculture, nutraceutical product formulations and heavy industrial uses. Our goal is to take our functional water technology and market it throughout North America.

Our business model envisions us as: a supplier of technology for functional water applications; a supplier of hardware for functional water systems; a provider of intellectual property for functional water systems under licensing agreements; a supplier of consumer functional water products; consultants to industries requiring functional water; facilitators between Japanese functional water manufacturers and U.S.A. industrial users; and educators of academia, government and industry on the benefits of functional water.

OUR BUSINESS--SCIENCE

"Functional water" is a term that has been assigned to a new category of water. Functional water is water that is processed through an electrolytic ion separation or electrolysis process and has a wide array of functional properties due to its unique characteristics. We believe the uses for this type of water are far reaching, as new applications and uses for

functional water are being identified on an ongoing basis. Functional water has applications in agriculture, organic agriculture food processing, hospitals, dental clinics, dermatological procedures, heavy industry, mining, environmental clean up, product formulations and beverages. Functional water systems are

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capable of producing the following types of functional water:

Ionic-Structured Water. Ionic-structured water is electrolyzed drinking water that is alkaline-concentrated and utilizes smaller molecular clusters than regular water for improved hydration and solubility. Ionic structured water is smooth to the palate.

Electro-Structured Water. Electro-structured water is water that is anti-microbial in nature and may be effective against virus, bacteria, fungus and spores. This water may have a wide array of disinfectant uses.

Derma-Structured Water. Derma-structured water is electrolyzed low pH water that has astringent and disinfecting properties and may have a wide array of cosmetic, dermatological and post-plastic surgery applications that may minimize infections and scarring and expedite healing.

FUNCTIONAL WATER RESEARCH IN ACADEMIA

The process to produce functional water was developed by Scottish inventor Michael Faraday in Boston, Massachusetts in 1834. In 1929, the value of electrolytic water separation to produce water with functional properties was realized in Japan. Japanese researchers have since taken this process, created a wide array of functional waters and have introduced this technology to food processing, hospital disinfection, wound care, agriculture, organic agriculture and food safety in Japan.

During recent years, functional water applications have been studied by universities in the U.S.A. and Canada. For example, in a University of Georgia study published in the Journal of Food Protection in 1999 entitled "Inactivation of Escherichia coli O157:H7 and Listeria monocytogenes on Plastic Kitchen Cutting Boards by Electrolyzed Oxidizing Water," the immersion of plastic kitchen cutting boards in electrolyzed oxidizing water was found to be an effective method for inactivating food-borne pathogens such as E. coli. Other studies at the University of Georgia have looked at the efficacy of electrolyzed oxidizing water for inactivating E. coli, Salmonella and Listeria and have determined that such water may be a useful disinfectant. A University of Georgia study entitled "Antimicrobial effect of electrolyzed water for inactivating Campylobacter jejuni during poultry washing" demonstrated that electrolyzed water was not only effective in reducing the populations of C. jejuni on chicken, but also may be effective in the prevention of cross-contamination of processing environments.

OUR BUSINESS--FUNCTIONAL WATER SYSTEMS

Residential Systems. The residential countertop, functional water systems produce water that scientists believe contains more wellness and health-beneficial properties than regular tap water (see, "Electrolyzed-Reduced Water Scavenges Active Oxygen Species and Protects DNA from Oxidative Damage," Biochemical and Biophysical Research Communications, Vol. 234,

No. 1, pp. 269-274 (1997); and, Hanaoka, K., "Antioxidant Effects Of Reduced Water Produced By Electrolysis Of Sodium Chloride Solutions," 31 Journal of Applied Electrochemistry 1307-1313 (2001)). Generally, the residential countertop system sits next to the kitchen faucet, and through the use of a diverter, allows tap water to be routed through the system. The water is then

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processed through a charcoal filter where chlorine and sediments are removed. The filtered water then proceeds to the electrolysis chamber that is made up of electrodes and membranes. A positive and negative electrical charge is passed through the electrodes. The minerals that are found in the filtered water are attracted to opposite electrodes. For example, the alkaline minerals (minerals with positive (+) properties that include calcium, magnesium, sodium, manganese, iron and potassium) are attracted to the negatively charged (-) electrode. The acidic minerals (minerals with negative (-) properties include nitric acid, sulfuric acid and chlorine) are attracted to the positively-charged (+) electrode. Through this mineral separation process, two separate types of water are formed, which are water with alkaline-concentrated minerals, and water with acidic-concentrated minerals. Each type of water is held in a separate chamber in the residential countertop system. The alkaline-concentrated water may be consumed for drinking and cooking purposes, while the acidic-concentrated water may be used in a topical, astringent medium.

Commercial Systems. We are in preparation to market commercial functional

water systems to the food processing, medical and agricultural industries. The system for the food processing industry includes: (1) a hand disinfectant system for proper hand washing, and (2) an anti-microbial water production system for general sterilization and disinfectant needs. We also intend to market similar systems to the medical industry. For the agricultural industry, we intend to sell functional water systems to organic food growers who desire to use functional water to replace the use of pesticides, fungicides, herbicides and chemical fertilizers. Our commercial functional water systems produce approximately one gallon per minute of electrolyzed alkaline and acidic waters. For the food processing industry, the alkaline water may be used as an effective medium for removing pesticides from agricultural products, while the acidic water may be used as anti-microbial water. For the hospital industry, the alkaline water may be used as an effective medium in removing protein buildup from surfaces, while the acidic water may be used as anti-microbial water. For the organic agricultural industry, the alkaline water may be used for plant growth and as a solid nutrient, while the acidic water may be used as a substitute for fungicides, pesticides, herbicides and sporicides.

OUR BUSINESS--MARKETING STRATEGY

We believe that keys to our success are:

- To create a strong revenue basis through the sale of residential systems. These sales may be made through independent distributors, network marketing, infomercials, mail order, retail sales and direct sales generated through word-of-mouth referrals.
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- To create a strong revenue basis through the sale of disinfectant systems to the food processing industry.
 - To create a strong revenue basis through licensing agreements based upon a wide array of applications for functional water that will be targeted to specific industries. For example, electrolyzed water may be used in the beverage industry to extract flavors from their natural sources, such as extracting tea from tea leaves for use in bottled iced tea. Electrolyzed water may also be used in the formulation of nutraceutical-type dietary supplement products in the health-food and dietary supplement industries.
 - To continue the development of functional water applications for industries that are currently dependent upon chemicals as a processing medium.

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In addition to the food processing, medical and agricultural markets, we intend to develop market-driven applications for functional water, provide the science to these applications, publish the developments in scientific and industrial circulars and perform consulting functions to industries that can benefit from functional water. We intend to hire engineers from Japan to design, engineer and assemble prototypes of functional water systems that are built for specific industrial needs. We believe that by performing these functions ourselves, we will have all of the necessary tools to become a leading provider of functional water technology.

OUR BUSINESS--GOVERNMENT REGULATIONS

Our functional water systems are or may be subject to regulation by a variety of federal, state and local agencies, including the Consumer Product Safety Commission and the Food and Drug Administration ("FDA"). Some of our functional water systems, such as our hand disinfectant water unit, may be subject to pre-market approval by the FDA under Title 21 of the Code of Federal Regulations. Proton expects the approval process to take approximately 30-60 days, although there is no assurance that we will be able to comply.

Prior to submitting the hand disinfectant water unit to the FDA, however, we intend to contract with a company familiar with a modern food safety procedure known as Hazard Analysis and Critical Control Point ("HACCP"). HACCP is a food safety procedure that focuses on identifying and preventing hazards that could cause food-borne illnesses. We believe that complying with the HACCP procedure may assist us in getting FDA approval, since the FDA generally encourages retailers to apply HACCP-based food safety principles, along with other recommended practices.

OUR BUSINESS--MARKETING AND DISTRIBUTION

We intend to develop systems for the following markets:

- Hand disinfection needs for the food processing, fast food, medical, dental, personal care and general health care industries.

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- Residential, countertop electrolysis systems.

Hand Disinfection. After we obtain FDA approvals for the hand disinfection

system, we plan to introduce the device and what we believe to be its operational simplicity, user-friendliness, high efficacy and affordability, through industrial circulars where hand disinfection is of a primary concern. We also intend to arrange with a leasing company to lease the hand disinfectant system to the fast food industry. A large part of our marketing efforts will be directed to educating our target markets about functional water. We plan to write and publish articles through industrial media, disinfection forums, trade shows and documentary-type films that may be aired through CNN, PBS and Voice of America introducing a new and novel method for hand disinfection. We intend to handle all inquiries through a toll-free number.

We plan to hire a public relations company that provides the news media with documentary videos for the purpose of educating the public on the technology, processes and applications that we market. The videos will cover the following subjects:

- Use of functional electrolyzed water for food safety.
- Use of functional electrolyzed water for effective disinfection in

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hospitals and clinical settings.

- Use of functional electrolyzed water for agriculture and organic agriculture.
- Use of functional electrolyzed water as a wellness medium.

Residential Countertop Units. The first step towards the marketing and

distribution of residential countertop units is to develop a national product distribution program through network marketing, mail order catalogs sales, infomercials, independent distributor channels and word of mouth sales. Since we understand that the demographics in these sales channels is predominately composed of females in the age groups of 35-60, we intend to concentrate on this market segment. The second step in the marketing and distribution of residential countertop units is to introduce a simplified, lower price-point system that will be introduced through retail outlets under a series of private labels.

Commercial Systems. In addition to marketing the residential countertop

systems, we plan to develop marketing plans for commercial systems. We may enter into agreements with companies to act as distributors of our functional water systems. We may also grant exclusive rights to companies to use our systems in specific industries for specific applications in exchange for royalties.

OUR BUSINESS--COMPETITION

Our competitors include several entry-level importers of systems from Japan and Korea. We believe that we have several distinctive advantages over entry-level distributors:

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- We and our consultants, who are scientists, business people and advisers, are individuals who have helped pioneer the understanding, documentation, representation and structuring of the technology and its relevance to the U.S.A. during the past nine-year period through various companies and organizations. These consultants are the leaders in the U.S.A. in the knowledge and representation of functional water.
- We have been able to create a strong platform of specialists to advance functional water technology in the U.S.A., which would be difficult for others to replicate due to our high level of focused commitment and dedication.
- We have close working relationships with our Japanese counterparts which have been developed and nurtured over the past ten-year period. These members are highly respected within the Japanese electrolysis community and attend annual conferences as invited speakers.
- We have excellent working relationships with the Japanese manufacturers and we are often relied upon to provide international perspectives to be used in the refinement of their scientific, design and engineering thought processes to create products that will be accepted on a global basis.
- With our knowledge, experience and foresight into the electrolyzed water industry, we are well-positioned to branch out on our own without reliance on Japanese manufacturing, if necessary.
- We have strategically positioned ourselves as the "go to" organization for

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technology, hardware and informational support for the public.

Although the majority of potential competitors are small resellers, the one significant competitor that we have is named Hoshizaki U.S.A., which is an established U.S.A.-based Japanese company that has a substantial market presence in the areas of, and whose primary business is, refrigeration and icemakers. We expect that we may face additional competition from new market entrants and current competitors as they expand their business models, but we do not believe that any real strong competitors are imminent for the foreseeable 3 to 4 year period, other than Hoshizaki U.S.A.

To be competitive, we must assemble a strategic marketing and sales infrastructure. Our success will be dependent on our ability to become a formidable marketing and sales entity based upon the technology we have and our ability to aggressively introduce this technology and its far-reaching benefits through documentary videos and other methods of public relations.

OUR BUSINESS--CUSTOMERS AND VENDORS

Major Customer. During 2002, sales to one customer accounted for 14% of -----
total sales, and during 2001, sales to this customer accounted for 11% of total sales. As of December 31, 2002, the amount due from this customer accounted for 23% of accounts receivable and as of December 31, 2001, the amounts due from this customer accounted for 49% of accounts

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receivable. We believe that the loss of this customer would have a negative impact on us.

Major Vendor. During the year ended December 31, 2002, our purchases from -----
four vendors accounted for 96% of our total purchases. During the year ended December 31, 2001, purchases from one vendor accounted for 29% of our total purchases. As of December 31, 2002, amounts due to the four vendors accounted for 95% of accounts payable. As of December 31, 2001 amounts due to the one vendor accounted for 82% of accounts payable. We believe that the loss of these vendors would have a negative impact on us.

INTELLECTUAL PROPERTY

We plan to file patent applications for various functional water applications or license their use from the patent holders. There can be no assurance that our intellectual property rights, if any, will not be challenged, invalidated or circumvented, or that any rights granted under our intellectual property will provide competitive advantages to us. There can be no assurance that our patent claims allowed on any future patents would be sufficiently broad to protect our products.

EMPLOYEES

We currently have 3 full-time employees, of whom 2 are in management. None of our employees are subject to a collective bargaining agreement. We believe that our employee relations are good.

RECENT DEVELOPMENTS

In June 2003, we acted as a consultant to an industrial company for the purposes of evaluating industrial uses for functional water. We received \$20,000 as a consulting fee for this project.

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DESCRIPTION OF PROPERTY

We lease office space located at 1150 Marina Village Parkway, Suite 103, Alameda, CA 94501, that is approximately 1,000 square feet and we lease storage space, on a lease with monthly payments of approximately \$2,303 per month, which will increase by 4% annually until May 2005. Under this lease, we are required to pay a percentage of the property taxes, insurance and maintenance. We believe that our office and storage space is adequate for our current needs, and that additional space is available to us at a reasonable cost, if needed.

FINANCIAL STATEMENTS

Our financial statements begin on page F-1.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the audited financial statements and accompanying notes and the other financial information appearing elsewhere in this prospectus. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the U.S.A., which contemplate our continuation as a going concern.

Our independent auditors made a going concern qualification in their report dated March 20, 2003, which raises substantial doubt about our ability to continue as a going concern. Our revenue decreased during 2002 and capital contributions were required from our president to fund operations. These conditions raise a substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should we be unable to continue in existence. Our ability to continue as a going concern is dependent upon our ability to generate sufficient cash flows to meet our obligations on a timely basis, to obtain additional financing as may be required, and ultimately to attain profitable operations. However, there is no assurance that profitable operations or sufficient cash flows will occur in the future.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the U.S.A. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions provide a basis for us to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions, and these differences may be material.

We recognize revenue when all four of the following criteria are met: (i) persuasive evidence that an arrangement exists; (ii) delivery of the products and/or services has occurred; (iii) the selling price is both fixed and

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determinable and; (iv) collectibility is reasonably probable. Our revenues are derived from sales of our industrial, environmental and residential systems which alter the properties of water to produce functional water. We believe that this critical accounting policy affects our more significant judgments and estimates used in the preparation of our consolidated financial statements.

During the period from March 14, 2000 through November 15, 2002, prior to our acquisition of Proton November 2002, we did not engage in significant operations other than

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organizational activities, acquisition of the rights to market the products of Vitamineralherb.com, Inc., the preparation for registration of our securities under the Securities Act and capital raising. No revenues were received by us during that period. For the third quarter of 2002, we incurred a loss as a result of expenses associated with setting up a business structure to begin implementing our business plan.

In November 2002, we acquired Proton Laboratories, LLC, which is active in the functional water business. This acquisition was reported in detail on our Form 8-K for the event dated November 15, 2002 as filed with the Commission on November 25, 2002. Proton is now our wholly-owned subsidiary and has been renamed Proton Laboratories, Inc. Since our acquisition of Proton Laboratories in November 2002, our business has been focused on marketing functional water equipment and systems. Alkaline-concentrated functional water may have health-beneficial properties and may be used for drinking and cooking purposes. Acidic-concentrated functional water may be used as a topical, astringent medium. We may become active in marketing Vitamineralherb.com products in the future because Vitamineralherb.com has recently established an active e-business Web site.

Our fiscal year end is December 31. Our functional currency is the U.S. dollar.

RESULTS OF OPERATIONS--YEARS ENDED DECEMBER 31, 2002 AND 2001.

We had revenue of \$303,734 in 2002 and revenue of \$484,393 in 2001. We had net losses of \$411,191 for the year ended December 31, 2002 and net losses of \$110,939 for the year ended December 31, 2001.

Cash used in operations for the year ended December 31, 2002 was \$138,755 and cash used in operations for the year ended December 31, 2001 was \$9,692.

The Merger activity significantly contributed to our net loss in 2002. The \$411,000 loss reported for 2002 includes \$170,000 related to the acquisition of Proton and the Merger, approximately \$80,000 for legal and accounting fees related to the Merger, and \$60,000 for compensation costs for officer services. The merger activity significantly contributed to our net loss in the six months and the quarter ended June 30, 2003.

We are currently seeking funds to expand our marketing efforts. We have spent considerable time in contracting with several major overseas corporations for the co-development of enhanced antioxidant beverages for distribution into the overseas markets. We are working with Canadian business associates to identify institutional businesses to market various disinfection applications based upon functional water, pending government approval. In June 2003, we acted as a consultant to an industrial company for the purposes of evaluating industrial uses for functional water. We received \$20,000 as a consulting fee for this project.

RESULTS OF OPERATIONS—SIX MONTHS ENDED JUNE 30, 2003 AND 2002.

We had revenue of \$127,400 for the six months ended June 30, 2003, compared to revenue of \$157,546 for the six months ended June 30, 2002.

We had a net loss of \$54,455 for the six months ended June 30, 2003, compared to a net loss of \$118,484 for the six months ended June 30, 2002.

Cash provided by operating activities was \$5,669 for the six months ended June 30, 2003, compared to cash used in operating activities \$63,636 for the six months ended June 30, 2002.

RESULTS OF OPERATIONS—QUARTERS ENDED JUNE 30, 2003 AND 2002.

We had revenue of \$63,674 for the quarter ended June 30, 2003, compared to revenue of \$78,020 for the quarter ended June 30, 2002.

We had a net loss of \$14,364 for the quarter ended June 30, 2003, compared to a net loss of \$68,727 for the quarter ended June 30, 2002.

LIQUIDITY

As of December 31, 2002, we had cash on hand of \$1,385. As of June 30, 2003, we had cash on hand of \$7,054. Our growth is dependent on attaining profit from our operations, or our raising additional capital either through the sale of stock or borrowing. There is no assurance that we will be able to raise any equity financing or sell any of our products at a profit.

During the years ended December 31, 2002 and 2001, our President did not receive any amounts related to his salary. We determined that the fair value of his services during 2002 and 2001 were \$60,000 per year. We recorded a salary expense and contributed capital of \$60,000 during the years ended December 31, 2002 and 2001.

During the six months ended June 30, 2003, our President did not receive any amounts related to his salary. During the six months ended June 30, 2003, our President contributed his services and capital contributions to us. We determined that the fair value of our President's services and capital contributions during the six months ended June 30, 2003 was \$30,000. We recorded a salary expense and contributed capital of \$30,000 during the six months ended June 30, 2003.

FUTURE CAPITAL REQUIREMENTS

Our growth is dependent on attaining profit from our operations, or our raising additional capital either through the sale of stock or borrowing. There is no assurance that we will be able to raise any equity financing or sell any of our products at a profit.

Our future capital requirements will depend upon many factors, including the following:

- The cost to acquire equipment to resell.
- The cost of sales and marketing our products.

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- The rate at which we expand our operations.
- The results of our consulting business.
- The response of competitors.

OUR CUSTOMERS AND VENDORS

Major Customer. During 2002, sales to one customer accounted for 14% of -----
total sales, and during 2001, sales to this customer accounted for 11% of total sales. As of December 31, 2002, the amount due from this customer accounted for 23% of accounts receivable and as of December 31, 2001, the amounts due from this customer accounted for 49% of accounts receivable. We believe that the loss of this customer would have a negative impact on us.

Major Vendor. During the year ended December 31, 2002, our purchases from -----
four vendors accounted for 96% of our total purchases. During the year ended December 31, 2001, purchases from one vendor accounted for 29% of our total purchases. As of December 31, 2002, amounts due to the four vendors accounted for 95% of accounts payable. As of December 31, 2001 amounts due to the one vendor accounted for 82% of accounts payable. We believe that the loss of these vendors would have a negative impact on us.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Board of Directors authorized a common stock dividend in November 2002 whereby each stockholder received an additional four shares for each one share held. This had the same effect as a 5:1 forward stock split. All of the information in this prospectus has been adjusted to reflect the stock dividend.

There is not now, and there has never been a public trading market for our common stock, nor a trading symbol. We will use our best efforts to seek an NASD member broker-dealer firm to become our market maker so that our common stock may be traded in a public trading market. In 2003, a broker-dealer submitted a Form 211 and an accompanying Form 15c2-11 to the NASD in order to become our market maker. However, the NASD informed the broker-dealer that, in the NASD's opinion, our IPO in 2000 might have been deficient in that it could be interpreted as a blank check offering rather than the offering of a development stage company in the consumer nutritional supplement and health products business. Although the NASD told us that the NASD never rejects a Form 211, we believe that the NASD's comments dissuaded the broker-dealer from being our market maker, and the broker-dealer withdrew the Form 211. We disagree with the NASD's analysis about us being a blank check IPO in 2000. It

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is our position that in 2000 we were a development stage company in the specific business of consumer nutritional supplements and health products. As a result of our conversations with the NASD's OTCBB compliance department, we concluded that we could put the NASD's objection's to rest by filing a new Registration Statement covering the same shares that were previously registered in our IPO in 2000. This prospectus includes the same 2,500,000 shares as were registered in our IPO in 2000 and 486,000 shares of restricted stock held by three Selling Shareholders. All of these shares are owned by the Selling Stockholders.

In 2002, all of the investors who purchased the 2,500,000 shares of registered common stock in our IPO in the year 2000 (the "Former Shareholders") sold or transferred their registered shares to Other Investors (the "Other

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Investors"). Most of these Other Investors retained their shares and are our Selling Stockholders. A few of the Other Investors sold or transferred their shares in 2003 to additional Other Investors who are also our Selling Stockholders. As a result of these sales and transfers by the Former Shareholders and the Other Investors in 2002 and 2003, and as a result of the Merger, our 104 current shareholders are completely different persons than our year 2000 IPO shareholders, except for one person, our former majority shareholder Michael Kirsh, who presently owns 12,500 shares of our registered common stock (0.1% of our outstanding common stock) that he acquired in 2002 from five Former Shareholders. Mr. Kirsh does not own any other shares. In August 2003, Mr. Alexander, in a personal transaction, paid off in full a personal debt of his by making an in-kind payment of 486,000 of his shares of Bentley to his creditors. These creditors are also Selling Shareholders.

As of August 21, 2003, we had 11,250,000 shares of common stock outstanding held by 104 stockholders of record. We have not paid any cash dividends and we do not expect to declare or pay any cash dividends in the foreseeable future. Payment of any cash dividends will depend upon our future earnings, if any, our financial condition, and other factors as deemed relevant by the Board of Directors. We have no outstanding options, warrants, convertible securities or convertible debt.

Our transfer agent is Holladay Stock Transfer, Inc., 2939 North 67th Place, Scottsdale, Arizona 85251, tel. (480) 481 3940.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS EXECUTIVE OFFICERS AND DIRECTORS

NAME	AGE	POSITION
Edward Alexander	51	Director, Chief Executive Officer, Chief Financial Officer, President and Secretary
Dick Wullaert	66	Director, Vice President and Chief Technical Officer
Michael Fintan Ledwith	61	Director

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Edward Alexander has been the owner and president of Proton Laboratories, LLC since January, 2001. Proton introduced an electrolytic water separation technology that has many uses in industry, product formulations and consumer products. From January 1997 to July 1998, Mr. Alexander served as owner and president of Advanced H2O, LLC. In July 1998, Mr. Alexander formed Advanced H2O, Inc. to specialize in bottled water production. Mr. Alexander continues to serve as a consultant to Advanced H2O, Inc. Prior to 1997, Mr. Alexander served as General Manager, Tomoe Incorporated and held various positions with various divisions of the U.S. Navy Resale System. In February 2002, the Securities and Exchange Commission accepted a settlement offer from Mr. Alexander and imposed a cease and desist order against Mr. Alexander from committing or causing any violation or future violation of Section 10(b) of the Exchange Act and Rule 10b-5. This order was imposed in connection with a press release that Mr. Alexander was persuaded to release about Proton (before Proton was acquired by us) by a business associate whom Mr. Alexander trusted at the time.

Dr. Dick Wullaert is currently President of Bioguard Industries, Inc., a small technical service company specializing in water and materials science research. Dr. Wullaert provides technical services for the production (system design, electrode development), use (disinfection, food processing, beverages, nutraceuticals, agriculture, organic agriculture, etc.) and testing

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(conventional and new) of functional water. He has held this position since 1994. Since 1997, he has also served as President of the Functional Water Society of North America (FWSNA), a non-profit corporation dedicated to promoting the technology and applications of functional water. He has developed an extensive database of functional water technology and applications, organized conferences on functional water in the U.S.A., and participated in Functional Water Foundation Symposiums in Japan. From March 2000 to June 2001, he served as Chief Technology Officer of Advanced H2O, Inc., where he was responsible for research and development programs and the laboratory. From 1991 to 1999, he served as Senior Materials Engineer of SAIC, an NRC program on the technical basis for extending the license for dry cask storage of spent nuclear fuel. He managed several projects on the electrochemical treatment of water, developed new business in water technology and materials degradation, provided technical support to DOE-HQ on materials, structural integrity and life extension issues, and he represented NRC and DOE on national consensus committees. He received his Ph.D. in Materials Science from Stanford in 1969.

Dr. Michael Fintan Ledwith has been retired for the past five years. He was Professor of Systematic Theology at the Pontifical University of Maynooth in Ireland from 1976 to 1994. He was later Dean of the Faculty, Head of Department and Editor of "The Irish Theological Quarterly." He was later appointed as a Consulting Editor of the renowned international review "Communio" and still serves in that capacity. He was appointed Vice-President of the University in 1980, re-appointed in 1983, and was appointed President in 1985. He served as Chairman of the Committee of Heads of the Irish Universities and was a Member of the Governing Bureau of the European University Presidents' Federation (CRE). He retired from his Professorship on September 30, 1996 and has since continued to pursue his interest in research, writing, and lecturing in the field of actualizing human potential. Since November 2001 he has been a partner in World of Star Stuff, which markets whole food products.

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COMMITTEES

We do not have any audit, nominating, or compensation committees of the Board, or committees performing similar functions.

MEETINGS OF THE BOARD OF DIRECTORS

The current Board did not hold any meetings during the year ended December 31, 2002 and through 2003 to date. The board has acted by consent on occasion.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our officers, directors and persons who beneficially own more than 10% of the our common stock to file reports of ownership and changes in ownership with the SEC. These reporting persons also are required to furnish us with copies of all Section 16(a) forms they file. Messrs. Alexander, Wullaert and Ledwith each filed one late Form 3.

EXECUTIVE COMPENSATION

The following table sets forth information as to our highest paid officers and directors for our fiscal year ended December 31, 2002. No other compensation was paid to any such officer or directors other than the compensation set forth below.

SUMMARY COMPENSATION TABLE

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Name and Principal Position	Year	Annual Compensation			Long Term Compensation				
		Salary	Bonus	Other Annual Compen- sation	Awards		Pay-Outs		All Other Compen- sation
					Restricted Stock Award(s)	Securities Under- lying Options/SARs	LTIP Payouts		
\$	\$	\$	\$	#	\$	\$			
Edward	2002	(1)	60,000	-0-	-0-	-0-	-0-	-0-	-0-
Alexander,	2001	(1)	60,000	-0-	-0-	-0-	-0-	-0-	-0-
CEO, CFO	2000	(2)							