

## Fallen Angels

National Enterprise (NEI)  
John Overzet, Chairman/President  
(905) 470-2445 Toronto  
(214) 669-3868 Dallas

NYSE shell company. John represents a Canadian company that owns over 50% of NEI. Unprofitable real estate operations have been discarded. Maintaining listing while looking for a transaction. Has negative shareholder equity but liabilities can be exchanged for equity. Likes Whitehall. Recently called special board meeting to discuss proposal to create board position for DKM. Meeting went well but thought proposal was too unreasonable and one-sided in our favor. Getting American legal opinion from Dallas attorneys on his responsibilities as a director in case something goes wrong post-transaction.

Plants for Tomorrow, Inc. (PFTI)  
Carl Bates, Chairman/President  
Peter Porath, Vice President (407) 790-4294 hm  
(407)790-1422

Nasdaq shell company. Has an agreement to sell assets, with assumption of liabilities subject to shareholder approval. According to recent press release, following completion of transaction .... "the Board of Directors of Plants will engage in a search for attractive acquisition candidates, not in the same business, to maintain it's NASDAQ listing and to provide shareholder value." Carl liked our concept and timing was right so he put me in touch with Peter to develop a framework to proceed. Prior to sending proposal to create board position for DKM, was in daily contact. Very negative reaction to proposal. Insulted, "not desperate enough to sign that".

Generation 5 Technologies, Inc. (GFIV), Nasdaq  
Charley Hawley, President  
Ed Bartett, Chief Financial Officer  
(303) 427-0055

Ed and Charley are part of new management team that is attempting to change the company's history of losses over past 5 years. Charley is unhappy with the efforts of his investment banking firm's efforts at raising capital and wants to do something to increase share price. He is convinced becoming a smaller part of a bigger whole is in the best interest of the shareholders. Charley has experience with reverse mergers and Ed has recently been educating himself. Ed is aware of some of dynamics of a reverse merger but feels he can not think of every question that should be asked about a transaction prior to signing an agreement with us. They feel the previous management did not fully appreciate all of the companies tangible assets namely its listing. They fully plan to take advantage of their listing but will not limit themselves by giving us exclusive rights to do a deal, especially with a foreign company they know nothing about.

They had an idea about doing this prior to our conversations but since then, Ed has a better understanding of the process and has become convinced this is the way to go and has sold Charley on the idea. Appreciates our information and would like to work with us.

Information Solutions Inc. (ISOL), Nasdaq  
David DeYoung, President  
Charley Burns, CFO  
Robert Weigand, Director (303) 829-1740  
303 694-9180

Would like to merge with a company that compliments what the do in proprietary application software for information management. Frustrated by lack of business opportunities due to there small size. Sent proposal for DKM on board. Wanted us to come to Colorado and then they would come to LA. Robert Wiegand, an attorney and outside director, who is responsible for evaluation of possible merger and acquisitions transactions, contacted me about an inactive shell company.

Brainerd International Inc. (BIRI), Nasdaq  
Gene Snow, Chairman/President (612) 475-1500  
John Baker Welch, Director (Rothschild Securities - Chicago)

Decided not to expand the race track operating company and now has no need to be public. He and the rest of the directors control about 75% of the outstanding shares. John can call a conference call board meeting anytime. Has been approached about reversed mergers before: all domestic, all flakes. Sharp guy. Recent find. Sent everything.

Lancer Orthodontics Inc. (LANZ), Nasdaq  
Doug Miller, President  
Scott Striblen, Vice President  
(619) 438-4112

Have considered strategic mergers in the past. Doug thinks there may be a certain amount of interest in doing a deal that provides shareholders with an exit opportunity among shareholders who are tired of 4 years of losses. Doug thinks a reverse merger with us is an interesting idea. Scott has give a verbal OK to our fee agreement, but says it needs board approval and is waiting to see the document.

Barringer Laboratories Inc. (BALB), Nasdaq  
Stanley Binder, Chief Financial Officer  
(908) 665-8200

One of 2 subsidiaries of Barringer Technologies, controlled by Stanley Binder. The other subsidiary is involved in environmental testing and gold mining testing instruments. Stanley in betting on the instruments subsidiary which is consuming too much of his own capital. Instead of depriving the laboratory subsidiary of needed working capital, he is looking to do a deal. Has a number of concerns: Liquidity in the stock. There are not a lot of holders, but if we can move the stock to the right price, he is sure some of the institutions will be willing to play. Very image conscious. Thinks CTEK's market makers are horrible. Wants to know why we are not using a Big 6 accounting firm for their audits. Thinks we need a credible presents in New York and made overtures to that presence. "If we come with something big and credible, I can move some big names into it."

Fronteer Directory Company Inc., (FDIR), Nasdaq  
Dennis Olson, President  
(701) 258-4970

Dennis was in discussion about a possible with a much larger company at the time I initially contacted him. That deal has fallen through. He was interested in finding a way to liquidate some of the insiders 144 stock as well as a raise the share price. Would like to find a situation where his younger and more vibrant member of his management team can continue to grow the business, but he knows that at present it is too small and boring. "Needs some piazzas".

Micro General Corporation, (MGEN), Nasdaq  
George O'Leary, President  
Steven Birnbaum, Director (Oxford Partners) (310) 459-3610  
(714) 667-0557

George has spent a great deal of his time on M&A work which has been "fruitless". George is still very interested in doing a deal as is Steven, who represents a venture capital fund who was to terminate its interest in 1991 but does not want to sell at this price. Went public in 1981 in a reverse merger and travels to Hong Kong frequently. They think we are being overly complicated. Reminded me they are not going out of business, but if they saw something they liked, they could move quickly. Have had discussions about introducing Whitehall at board meeting.

Solitron Devices Inc. (SOD), Nasdaq  
Saraf Shevach, President  
(407) 848-4311

Emerged from bankruptcy August 30. Secured creditors got an 80% stake. 10 years of losses and negative equity were wiped out. Reversed stock 1 for 10, now 488k out.

Site Based Media Inc. (SITE), Nasdaq  
Eugene Detroyer, President  
(212) 697-7580

Holding company with an interest in a JV that sell TV ads in supermarkets for products sold in the store. No business operating activity. Wants to do a deal but does not want to shock shareholders. Wants a transaction that is somewhat related, even in the broadest sense.

COM TEK Resources Inc. (CTKR)  
John Ellerton, President  
(303) 595-8555

Has no problem with a loss of control of his company or transaction structure, but get calls all the time about reverse merges because of multiple listing Nasdaq and UK). Wants to see specifics.

Intercim Corporation (ITCM), Nasdaq  
Michael Viola, President  
Jim McGuire, Chairman of the Board (612) 831-7777  
(612) 894-9010

Actively looking for a transaction through multiple sources, (including Jim's venture capital fund) so they are not intercede in engaging anyone that would limit their opportunities to talk with others. In no hurry.

Thermwood Corporation (THM), AMS  
Kenneth Susnjara, President  
(812) 937-4476

Looked at possible mergers in the past, had some close calls. Looking for business in same industry, computer controlled industrial systems.

Shells

Intersearch Group Inc.  
Michael Gales  
Paul Hickey  
Pat Giordano, Brooklyn Capitol (718) 256-0570

Has about \$25k in liabilities. Gales is majority owner and is willing to give up control to us and let us clean it up for a transaction. Pat is a broker who owns a piece. Pat helped put in touch with Paul, who represent a client who holds a \$300k note. Paul has coordinated effort to round up all paperwork. Pat got very motivated after he found out about CTEK. Wants in and on other deal. Rich Bolton says they are serious traders.

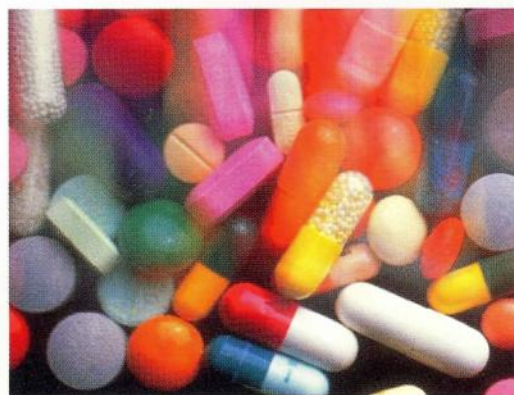
CBLX  
Richard Salpeter  
(305) 865-5050

Not a fallen angel, but Richard has a clean shell that has never been used, no transactions. Was involved in a deal with DKM before. No details, but "everyone was able to walk away and no one really got hurt". "DKM always has a lot of style".

Jim HJELM  
Joe Murphy, CEO  
(212) 764-6960

Not a fallen angel, but Joe has a clean shell. Spoke with previously, through Jehu about identifying fallen angels when doing preliminary research.





**1994**  
***Annual Report***

**CHINA INDUSTRIAL GROUP, INC.**  
**AND SUBSIDIARIES**  
**NOTES TO**  
**FINANCIAL STATEMENTS**

Years ended December 31, 1994 and 1993

**NOTE 1. BUSINESS AND ORGANIZATION OF THE COMPANY:**

**Business of the Company:** The Company's operations consist of distribution and manufacturing activities performed by its operating subsidiaries. Distribution activities primarily involve the purchase of wool products for sale within the Peoples Republic of China (China) and the purchase of chemicals and pharmaceuticals within China for export and sale outside of China. Manufacturing activities primarily involve the manufacture and sale of woolen products through two joint venture companies in China. The Company's subsidiaries are:

<i>name of subsidiary</i>	<i>percent ownership</i>	<i>place of incorporation</i>	<i>principal activities</i>
Nova Industrial Holdings Limited	100%	British Virgin Islands	Holding company
Eyemouth Limited	100%	British Virgin Islands	Marketing and distribution
M.S. Enterprise Company Limited	100%	Hong Kong	Marketing and distribution
Eastern Assets Management Limited	100%	British Virgin Islands	Holding company
M.S. (Ping Yuan) Industry Development Company Limited (Joint venture)	70% by M.S. Enterprise	China	Manufacturing
Suzhou Nimrod Woolen Textile Company Limited (joint venture)	55% by Eastern Assets	China	Manufacturing

**Reverse acquisition:** On January 28, 1994, Nova Industrial Holdings Limited (Nova) and its sole shareholder entered into an agreement and plan of reorganization with Generation 5 Technology, Inc. (Gen 5). Gen 5 acquired all of the outstanding common stock of Nova from its sole shareholder in exchange for 10,000,000 shares of common stock and 24,375 shares of Series A preferred stock. Each share of the preferred stock is convertible into 1,000 shares of common stock. For accounting purposes, the exchange has been treated as an acquisition of Gen 5 by Nova and as a recapitalization of Nova. The historical financial statements prior to January 28, 1994 are those of Nova. Subsequent to the exchange, the name of the Company was changed to China Industrial Group, Inc. (the "Company" or the "Group").

Prior to December 31, 1993, Gen 5 had been in the business of developing and marketing computer software. However, at the time of the transaction with Nova, Gen 5 had discontinued all of its operations and was in the process of selling the remaining assets of the computer software business to an unrelated third party in exchange for the assumption of all related liabilities by the third party. This sale was completed in May 1994.

In connection with the reverse acquisition, 2,000,000 shares of common stock were issued to an unrelated party for investment banking services and 2,000,000 shares of common stock were issued to former officers of Gen 5 for services related to the disposition of the former business of Gen 5 and for their agreement to indemnify the Company for any losses resulting from the former business of Gen 5.

## **Generation 5 Technology Inc.**

# Nova Industrial Holdings Of Hong Kong Is Acquired

Nova Industrial Holdings Ltd. of Hong Kong, a leading importer of wool into China, was acquired by a tiny Colorado software concern for stock valued at \$62.4 million.

Though **Generation 5 Technology Inc.** is technically the acquiring company, it is being swallowed up by the much-larger Nova, which will account for most of the operations of the combined company.

In addition to importing wool into China, Nova exports industrial chemicals and other goods from China to elsewhere in Asia and to Africa, said Charles Hawley, chief executive officer of Westminster-based Generation 5. He said Nova also plans to start making mopeds in China, for sale there.

In 1993, Nova had unaudited earnings of \$10.2 million on sales of \$137 million, Generation 5 said. In the third quarter of 1993, Generation 5 posted a loss of \$379,900, or 24 cents a share, on revenue of \$411,513.

*Wall Street Journal*  
*Feb 3, 1994*