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ZAPWORLD COM  
Form SB-2/A  
May 03, 2001

As filed with the Securities and Exchange Commission on May 3, 2001  
Registration No. 333-55478

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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PRE-EFFECTIVE AMENDMENT NUMBER 1 TO FORM SB-2  
REGISTRATION STATEMENT  
Under  
THE SECURITIES ACT OF 1933  
-----

ZAPWORLD.COM  
(Exact name of registrant as specified in its charter)

California  
(State or other jurisdiction of  
incorporation or organization)

94-3210624  
(I.R.S. Employer  
Identification No.)

117 Morris Street  
Sebastopol, California 95472  
(Address of registrant's principal executive offices)

-----

Gary Starr  
Chief Executive Officer  
Zapworld.com  
117 Morris Street  
Sebastopol, California 95472  
(707) 824-4150

(Name, address, including zip code, and telephone number, including area code,  
of agent for service)

-----

With a copy to:  
William D. Evers  
Foley & Lardner  
1 Maritime Plaza, Sixth Floor  
San Francisco, California 94111-3404  
(415) 434-4484

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

If any of the securities being registered on this form are to be  
offered on a delayed or continuous basis pursuant to Rule 415 under the  
Securities Act of 1933, check the following box. [X]

If this Form is filed to register additional securities for an offering  
pursuant to Rule 462(b) under the Securities Act, please 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) of 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(d) of the Securities Act, check the following box and list the Securities

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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	Dollar amount to be registered	Proposed maximum offering price per unit)	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, no par value	\$12,000,000	\$2.50	\$12,000,000	\$3,000

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 which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of Common Stock. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

See the section of this prospectus entitled "RISK FACTORS" for a discussion of certain factors that you should consider before investing in the Common Stock offered in this prospectus.

Certain statements under the captions "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis," and "Description of Business" and elsewhere in this prospectus are forward-looking statements. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in the prospectus that are not historical facts. When used in this prospectus, the words "expects," "anticipates," "intends," "plans," "believes," "seeks" and "estimates" and similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed under the "Risk Factors" section of this document.

All trademarks and trade names appearing in this prospectus are the property of their respective holder.

The information in this prospectus is not complete and may be changed. These shares may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. The prospectus is not an offer to sell these securities and is not a solicitation of offers to buy these

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securities in any state where the offer or sale is not permitted.

[LOGO]

ZAPWORLD.COM(R)

4,800,000 shares of Common Stock

We are offering 4,800,000 shares of Zapworld.com(R) Common Stock at a price of \$2.50 per share. This price may not reflect the market price of our shares after this offering. This is a best-efforts offering. Donner Corp. International, whom we have engaged to sell the shares, is not obligated to purchase any shares at any time. The shares may also be sold through our executive officers who will not receive commissions and who will be registered as sales representatives where required under state securities laws. There are no escrow arrangements pertaining to this offering and there is no minimum amount we are required to raise in this offering before we may have access to funds received from investors.

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ZAPWORLD.COM(R) OFFERING	Per Share	Total
Public Offering Price	\$2.5000	\$12,000,000
Underwriting Discounts and Commissions	\$0.2875	\$1,380,000
Proceeds Before Expenses	\$2.2125	\$10,620,000

The proceeds before expenses are calculated before deducting estimated expenses of \$100,000, including registration fees, legal and accounting fees, and other offering costs.

Our shares are currently traded on the NASDAQ SmallCap Market under the trading symbol "ZAPP." On April 27, 2001, the last reported sale price of our Common Stock was \$2.30 per share.

This offering will terminate on the date 12 months from the effective date, or such earlier date as we may terminate this offering.

Investing in our Common Stock involves risks. You should invest in our Common Stock only if you can afford to lose your entire investment. Consider carefully the "Risk Factors" Section beginning on page 5 of this prospectus.

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 the prospectus. Any representation to the contrary is a criminal offense.

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Donner Corp. International

This prospectus is dated May \_\_, 2001.

NOTICE TO CALIFORNIA INVESTORS ONLY: THE SHARES OF THE COMPANY'S COMMON STOCK IN THIS OFFERING MAY BE PURCHASED IN CALIFORNIA ONLY BY THOSE CALIFORNIA INVESTORS WHO INDICATE IN WRITING THAT SUCH INVESTOR EITHER HAS (i) A LIQUID NET WORTH OF NOT LESS THAN \$75,000 AND A GROSS ANNUAL INCOME OF NOT LESS THAN \$50,000; OR (ii) A LIQUID NET WORTH OF \$150,000, IN BOTH INSTANCES NET WORTH IS CALCULATED EXCLUSIVE OF HOME, HOME FURNISHINGS, AND AUTOMOBILES AND IN EITHER CASE, THE INVESTMENT IN THE SHARES DOES NOT EXCEED 10% OF THE INVESTOR'S NET WORTH. CALIFORNIA INVESTORS WHOSE INVESTMENT IN THE COMPANY'S SHARES IS \$2,500 OR LESS

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ARE NOT SUBJECT TO THE ABOVE SUITABILITY REQUIREMENTS.

CALIFORNIA INVESTORS SUBJECT TO THE SUITABILITY REQUIREMENTS MUST COMPLETE THE SUBSCRIPTION AGREEMENT ATTACHED AS EXHIBIT A TO THIS PROSPECTUS AS A CONDITION TO THEIR INVESTMENT IN THE SHARES.

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PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus and should be read together with the more detailed information regarding our company, the Common Stock being sold in this offering, our financial statements, and the notes to those financial statements appearing elsewhere in this prospectus.

ZAPWORLD.COM(R)

Our company, ZAPWORLD.COM(R) ("Zapworld") was incorporated in California in 1994 under the name "ZAP Power Systems." We design, assemble, manufacture and distribute electric and non-electric scooters, electric bicycle power kits, electric bicycles, electric motorcycles and other personal electric transportation vehicles, including electric wheelchairs and electric aquatic propulsion devices.

We develop proprietary technologies that are important elements of our own brand of personal electric vehicles. Each of these components is marketed under our own brand name. Along with our commitment to develop new electric vehicles, we are also focusing our development efforts on a new generation of microprocessor drive controllers.

Our principal offices are located at 117 Morris Street, Sebastopol, California 95472, our telephone number is (707) 824-4150, and our Internet address is http://www.zapworld.com. The information on our Web site does not constitute part of this prospectus.

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The Offering

Table with 2 columns: Description and Amount/Details. Includes rows for Type of security (Common stock), Common stock registered by company (4,800,000 shares), Common stock offered for sale by our company in this offering (4,800,000 shares), Common stock to be outstanding after this offering (1) (10,931,780 shares), and Use of proceeds (The proceeds shall be used for the purposes of expanding our sales force, increasing our marketing and distribution capacities, expanding our domestic and international business operations, acquisitions, working capital and for general corporate purposes. See page 12 for a more detailed explanation.)

This is a best-efforts offering. Our underwriter is not obligated to purchase any shares at any time. While the underwriter has agreed to use its best efforts to sell on our behalf all of the Common Stock offered there can be no assurance that all of the shares offered will be sold. In addition, the

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shares may also be sold through our executive officers who will not receive commissions and who will be registered as sales representatives where required under state securities laws.

There is no minimum number of shares that must be sold. Funds from this offering will not be placed in an escrow or trust account and will be available for use as the funds are received.

This offering will begin as of the effective date of this prospectus and continue for 12 months or such earlier date as we may terminate this offering.

(1) Assumes no conversion of other outstanding securities that are convertible into the Company's common stock. Assumes that all shares we are offering will be sold.

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### SUMMARY FINANCIAL INFORMATION

The summary financial data for the years ended December 31, 2000 and 1999 have been derived from the Financial Statements and Notes to Financial Statements. The selected financial data should be read in conjunction with the Financial Statements and Notes thereto included elsewhere in this prospectus.

#### Summary Financial Data (in thousands, except per share amounts)

	Year ended December 31,	
	2000	1999
Net Sales	\$12,443	\$6,437
Cost of Goods Sold	7,860	4,446
Gross Profit	4,583	1,991
Operating Expenses	6,727	3,497
Operating Loss	(2,144)	(1,506)
Other Income	269	81
Interest Expense	(21)	(267)
Loss before provision for taxes	(1,896)	(1,692)
Provision for Income taxes	1	1
Net Loss	\$ (1,897)	\$ (1,693)



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Net Loss attributable to Common shares		
Net Loss	\$ (1,897)	\$ (1,693)
Preferred Dividend	\$ (2,649)	-
	-----	-----
	\$ (4,546)	\$ (1,693)
	-----	-----
Net loss per Common share: basic and diluted	\$ (0.85)	\$ (0.43)
	=====	=====

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	December 31	
	-----	
Balance Sheet Data:	2000	1999
	-----	
Working Capital	\$7,054	\$4,450
Total Assets	\$12,827	\$7,727
Long-Term Debt, less current portion	\$126	\$38
Stockholders' Equity	\$11,005	\$6,554

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RISK FACTORS

You should carefully consider the risks described below before making a decision to buy our Common Stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the following risks actually occur, our business could be harmed. In that case, the trading price of our Common Stock could decline, and you might lose all or part of your investment. You should refer to the other information set forth in this prospectus, including our financial statements and the related notes for more information.

Risks Related to Our Business

We have a history of losses, and we might not achieve or maintain profitability.

Since we began operation in 1994, we have not generated a profit from operations during any fiscal year. To date, we have concentrated primarily on increasing our revenues and expanding our market share through acquisitions rather than on maximizing profits. As a result, although we experienced revenue growth from fiscal year 1999 to fiscal year 2000, we incurred net losses of \$1,693,000 and \$1,897,000 for the years ended December 31, 1999 and 2000, respectively. There is no assurance that we will be able to operate profitably

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in the future. Because we will ultimately need to operate profitably or sell our operations, our failure to generate profits from operations could harm our ability to continue operations in the long term.

We may not be able to obtain additional capital to fund our operations when needed.

Since our inception, we have financed our operations primarily through private and public offerings of our equity securities. Our planned expenditures are based primarily on our internal estimates of our future sales and ability to raise additional financing. If revenues or additional financing do not meet our expectations in any given period of time, the adverse impact on our finances will be magnified by our inability to adjust spending quickly enough to compensate for revenue or financing shortfalls. Failure to achieve profitable operations may require us to seek additional financing when none is available or on extremely unfavorable terms.

We face intense competition which could cause us to lose market share.

Some of our competitors are large manufacturers, including Honda, Suzuki, Sanyo and Yamaha, who have significant financial resources, established market positions, longstanding relationships with other customers, and significantly greater name recognition, technical, marketing, sales, manufacturing, distribution and other resources than we do. These factors may make it difficult for us to compete with these businesses in the production and sale of our products.

Many smaller manufacturers sell electric bicycles to key segments of our market in the United States, Europe and Asia. We also compete against the makers of electric scooters as well as non-motorized scooters and bicycles. Although we believe we have a competitive

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advantage from our name recognition in the electric vehicle industry and ownership of fundamental technology, the market for the sale of these products is subject to rapid change and ease of entry by new competitors. We cannot be certain that we will be able to meet changes in the marketplace and remain competitive.

Changes in the market for electric vehicles could cause our products to become obsolete or lose popularity.

The electric vehicle industry is in its infancy and has experienced substantial growth and change in the last few years. Demand for and interest in electric vehicles appears to be increasing. However, growth in the electric vehicle industry may depend on many factors, including:

- o continued development of product technology;
- o the environmental consciousness of customers;
- o the ability of electric vehicles to successfully compete with vehicles powered by internal combustion engines;
- o widespread electricity shortages and the resultant increase in electricity prices, especially in our primary market, California, which could derail our past and present efforts to promote electric vehicles as a practical solution to vehicles which require gasoline; and

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- o future regulation and legislation requiring increased use of nonpolluting vehicles.

We cannot assure you that growth in the electric vehicle industry will continue. Our business may suffer if growth in the electric vehicle industry ceases.

In the last several years there has been a substantial increase in the number of electric vehicles and non-motorized vehicles which are competitive with our products. One of our principal challenges is to continue to develop and market products which keep pace with the rapid changes in the market. If we are unable to introduce new products and maintain our current market share, we will likely be unable to continue to increase revenue or begin to operate profitably.

We may be unable to keep up with changes in electric vehicle technology and, as a result, may suffer a decline in our competitive position.

Our current products are designed for use with, and are dependent upon, existing electric vehicle technology. As technologies change, we plan to upgrade or adapt our products in order to continue to provide products with the latest technology. However, our products may become obsolete or our research and development efforts may not be sufficient to adapt to changes in or create necessary technology. As a result, our potential inability to adapt and develop the necessary technology may harm our competitive position.

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We will need to increase our research and development spending, which could substantially increase our costs and adversely affect our cash flow.

To keep pace with technological changes and developments in the market for electric vehicles, we have substantially increased spending on research and development. Our research and development costs in 2000 were \$699,000, as compared to \$365,000 in 1999, an 92% increase. Because we plan to develop new electric vehicle products and tooling that will broaden our product line in 2001, we expect to incurring increased research and development costs in 2001. Should we be unable to raise sufficient funds in the future to meet our research and development costs, we could suffer a materially adverse effect on our business, results of operations and financial condition.

The failure of certain key suppliers to provide us with components could have a severe and negative impact upon our business.

We rely on a small group of suppliers to provide us with components for our products, some of whom are located outside of the United States. If these suppliers become unwilling or unable to provide components, there are a limited number of alternative suppliers who could provide them. Changes in business conditions, wars, governmental changes and other factors beyond our control or which we do not presently anticipate could affect our ability to receive components from our suppliers. A failure by our major suppliers to provide these components could severely restrict our ability to manufacture our products and prevent us from filling customer orders in a timely fashion.

For example, our Zappy(R) and Kick(TM) products account for approximately 85% of our total sales. We acquire the major components of these products from only one or two suppliers. It could be difficult to find replacement components if our current suppliers fail to provide the parts needed for these products. This would affect our ability to timely fulfill customer orders, which, in turn, could greatly affect our market position.

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Product liability or other claims could have a material adverse effect on our business.

As producers of electric vehicles sold to the general public, we face the risk of product liability claims and unfavorable publicity if the use of our products causes injury or has other adverse effects. Although we have product liability insurance for risks of up to \$10,000,000, that insurance may be inadequate to cover all potential product claims. In addition, we may not be able to maintain this insurance indefinitely or be able to avoid product liability exposure.

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Failure to manage our growth effectively could adversely affect our business.

We plan to increase sales and expand our operations substantially during the next several years through internally generated growth and the acquisition of businesses and products.

To manage our growth, we believe we must continue to implement and improve our operational, manufacturing, and research and development departments. We may not have adequately evaluated the costs and risks associated with this expansion, and our systems, procedures, and controls may not be adequate to support our operations. In addition, our management may not be able to achieve the rapid execution necessary to successfully offer our products and services and implement our business plan on a profitable basis. The success of our future operating activities will also depend upon our ability to expand our support system to meet the demands of our growing business. Any failure by our management to effectively anticipate, implement, and manage changes required to sustain our growth would have a material adverse effect on our business, financial condition, and results of operations. We cannot assure you that we will be able to successfully operate acquired businesses, become profitable in the future or effectively manage any other change. An inability to successfully operate recently acquired businesses and manage existing business would harm our operations.

The loss of certain key personnel could significantly harm our business.

Our performance is substantially dependent on the services of our executive officers and other key employees, as well as on our ability to recruit, retain and motivate other officers and key employees. Competition for qualified personnel is intense and there are a limited number of people with knowledge of and experience in the electric vehicle industry. The loss of the services of any of our officers or key employees, or our inability to hire and retain a sufficient number of qualified employees, will harm our business.

Changes in the law may have a negative impact upon our business.

While our products are subject to substantial regulation under federal, state and local laws, we believe that our products are materially in compliance with all laws governing their manufacture, sale and use. However, to the extent the laws change, or if we introduce new products in the future, some or all of our products may not comply with applicable federal, state or local laws. Further, certain federal, state and local laws and industrial standards currently regulate electrical and electronics equipment. Although standards for electric vehicles are not yet generally available or accepted as industry standards, our products may become subject to federal, state and local regulation in the future. Compliance with this regulation could be burdensome, time consuming, and expensive.

International expansion may cause problems for us.

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We intend to expand our business globally. Assuming we conduct this expansion, we may encounter many of the risks associated with international business expansion. These risks include, but are not limited to language barriers, fluctuations in currency exchange rates, political and economic instability, regulatory compliance difficulties, problems enforcing agreements, and greater exposure of our intellectual property to markets where a high

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probability of unlawful appropriation may occur. A failure to successfully mitigate any of these potential risks could damage our business.

We may not be able to protect our internet address.

We currently hold the internet address <http://www.zapworld.com>. We may not be able to prevent third parties from acquiring internet addresses that are similar to our address, which could adversely affect our business. Governmental agencies and their designees generally regulate the acquisition and maintenance of internet addresses. However, the regulation of internet addresses in the United States and in foreign countries is subject to change. As a result, we may not be able to acquire or maintain relevant internet addresses in all countries where we conduct business.

Our success is heavily dependent on protecting our intellectual property rights.

We rely on a combination of patent, copyright, trademark and trade secret protections to protect our proprietary technology. Our success will, in part, depend on our ability to obtain trademarks and patents and to operate without infringing on the proprietary rights of others. We may not be able to do this successfully, however. We hold several patents registered with the United States Patent and Trademark Office. These registrations include both design patents and utility patents. In addition, we have recently submitted provisional patents which may or may not be afforded the limited protection associated with provisional patents. We have also registered numerous trademarks with the United States Patent and Trademark Office, and have several pending at this time. We cannot assure you that the trademarks and patents issued to us will not be challenged, invalidated or circumvented, or that the rights granted under those registrations will provide competitive advantages to us. For example, at the present time one of our patents, covering various aspects of our electric bicycle, is being reexamined by the United States Patent and Trademark Office to determine if one or more of its claims are invalid. If that proceeding results in an adverse ruling, the patent will be declared invalid. If this occurs, this could severely and adversely affect our ability to prevent competitors from copying and using key elements of our technology in developing and marketing their own products. Additionally, we have recently learned that several companies are attempting to sell an electric scooter in the United States which we believe infringes one or more of our patents and trademarks. We have also discovered that at least one company has unlawfully sampled our copyrighted advertising copy. In this regard, we have already begun to incur legal fees in our attempt to prosecute this matter, and, in addition, we may have to incur substantial legal fees and costs in litigating these matters in the future.

We also rely on trade secrets and new technologies to maintain our competitive position. Although we have entered into confidentiality agreements with our employees and consultants, we cannot be certain that others will not gain access to these trade secrets. Others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets.

We may be exposed to liability for infringing intellectual property rights of other companies.

Although we have conducted searches and are not aware of any patents and trademarks which our products or their use might infringe, we cannot be certain that infringement has not or will not occur. We could incur substantial costs in defending any patent or trademark infringement suits or in asserting any patent or trademark rights, in a suit with another party.

#### Risks Related to this Offering

The market price for our stock is below the offering price, which could render us unable to sell shares in this offering.

We are offering to sell shares at the price on the cover page of this prospectus, whereas the market price for our stock is currently lower than the offering price. Our stock has experienced considerable volatility in price and if the market price continues to be below the offering price, prospective investors will likely choose to purchase shares on the open market rather than directly from us. If this happens, the amount of financing we receive from this offering will be significantly reduced and we may be unable to raise any funds from this offering.

The price of our Common Stock is likely to be volatile and subject to wide fluctuations.

The market price of our Common Stock has been, and will likely continue to be, subject to wide fluctuations. If our revenues do not grow or grow more slowly than we anticipate, or if operating or capital expenditures exceed our expectations and cannot be adjusted accordingly, or some other event adversely affects us, the market price of our Common Stock could decline. In addition, if the stock market in general experiences a loss in investor confidence or otherwise fails, the market price of our Common Stock could fall for reasons unrelated to our business, results of operations and financial condition. Investors might be unable to resell their shares of our Common Stock at or above the offering price. In the past, companies that have experienced volatility in the market price of their stock have been the subjects of securities class action litigation. If we were to become the subject of securities class action litigation, it could result in substantial costs and a diversion of our management's attention and resources.

This is a best-efforts offering, and we may not raise enough capital from the sale of our Common Stock to adequately fund our planned method of growth and expansion.

The underwriter, Donner Corp. International, is not obligated to purchase any number or dollar amount of shares at any time. While the underwriter has agreed to use its best efforts to sell on our behalf all of the Common Stock offered there can be no assurance that all of the shares offered will be sold. Our inability to obtain adequate financing may impede our growth and thus negatively affect the return on your investment in our Common Stock.

Sales of a substantial amount of our Common Stock after this offering could cause our stock price to fall.

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Sales of a substantial number of shares of our Common Stock in this offering and thereafter could cause our stock price to fall. In addition, the sale of shares by our stockholders could impair our ability to raise capital through the sale of additional stock.

Your investment may be substantially diluted if holders of the Series A-1 and Series A-2 Convertible Preferred Stock convert their Shares.

We have issued shares of Series A-1 and Series A-2 Convertible Preferred Stock, both of which are convertible into Common Stock. If those shares are converted, holders of Common Stock could experience substantial dilution of their investment and a possible change in control of Zapworld.com.

### FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All forward-looking statements are inherently uncertain as they are based on current expectations and assumptions concerning future events or our future performance. You are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date of this prospectus. Forward-looking statements usually contain the words "estimate," "anticipate," "believe," "expect," "plan," or similar expressions, and are subject to numerous known and unknown risks and uncertainties. In evaluating these statements, prospective investors should carefully review various risks and uncertainties identified in the Risk Factors section beginning on page 5 of this prospectus, as well as the matters set forth in our annual report on Form 10-KSB for the year ended December 31, 2000 and our other SEC filings. These risks and uncertainties could cause our actual results to differ materially from those indicated in the forward-looking statements. We are under no obligation to update or publicly announce revisions to any forward-looking statements to reflect future events or developments.

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### USE OF PROCEEDS

If the entire offering is sold, the net proceeds from the sale of Common Stock, after deducting possible expenses and underwriting fees, are estimated to be approximately \$10,520,000. We are estimating that the entire offering will be sold using an underwriter at a cost of 11.5% for their fees, or \$1,380,000, plus \$100,000 of other expenses.

The net proceeds have been calculated using an aggregated maximum offering price of \$12,000,000 and then deducting \$1,480,000 in expenses. There is no guarantee that we will receive any proceeds from this offering. The following table presents how we intend to use the proceeds of 100% of the offering, minus expenses and underwriting fees. We expect to use the net proceeds over a 12-month period in approximately the following amounts and percentages:

-----	-----	-----
Net Proceeds:	\$12,000,000	Percentage
-----	-----	-----
Taiwan Factory	\$ 1,000,000	8.33%

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Product Distribution	\$ 2,000,000	16.67%
Product Engineering	\$ 1,000,000	8.33%
Product Marketing	\$ 2,750,000	22.92%
Acquisitions	\$ 2,520,000	21.00%
Working Capital	\$ 1,250,000	10.42%
Expenses:	\$ 1,480,000	12.33%
Underwriting Fees	\$ 1,380,000	11.50%
Legal & Accounting Fees	\$ 90,000	0.75%
Miscellaneous	\$ 10,000	0.08%
-----		
Totals:	\$12,000,000	100%

The above listed use of proceeds represents our best estimate of the allocation of the net proceeds of this offering based upon the current status of our business operations, our current plans and current economic conditions. Future events, including the problems, delays, expenses and complications frequently encountered by emerging companies, as well as changes in regulatory, political and competitive conditions affecting our business and the success or lack thereof of our marketing efforts, may make shifts in the allocation of funds necessary or desirable. The following represent the:

- o Taiwan Factory: The Taiwanese government is currently providing a 30-60% rebate to purchasers of electric scooters. Last year, approximately 800,000 scooters were sold in Taiwan, and approximately 5,000 of these were electric. However, most of the participants in this industry are small businesses. We are currently contracting with factories in Taiwan for the manufacture of bicycle and scooter parts. We anticipate completing agreements to fully manufacture electric scooters and motorcycles in Taiwan to be able to tap into this market and supply low-cost units for international distribution. We estimate required proceeds for the establishment of a factory of our own in Taiwan to be \$1,000,000.

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- o Product Distribution: One of our primary goals is to expand upon and dominate the Electric Vehicle distribution network. Unfortunately, dealers are often hesitant to provide their own financing to contribute to this network. As a solution, we are contemplating a strategy that would allow us to provide financing for our dealers who would like to participate as regional distribution centers for Zapworld.com(R). We anticipate that we will need \$2,000,000 to implement this strategy.
- o Product Engineering: Capital improvement, such as new molds, jigs, and assembly systems, will provide efficiency, improve uniformity, and lower costs. New products, such as an electric wheelchair retrofit, and new models of the Zappy(R) electric scooter, as well as other personal electric vehicles, including water scooters, are being developed. We estimate that the proceeds necessary for these capital improvements and new products to be \$1,000,000.
- o Product Marketing: Our marketing strategy is based on a superior product, consistent quality and the delivery of a unique name and image. However, we also recognize that competition is imminent as the market for Electric Vehicles becomes more mature. Consequently, marketing support, through tradeshows, printed materials, and conventional media support packages, including radio, television, and billboard advertising, need to be implemented to ensure our success in retaining market leadership, promoting our dealer network, and attempting to guarantee that our ZAP(R) products are



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the preeminent Electric Vehicle brand name in the industry. Lobbying efforts are also required to continue our forward-progress in establishing governmental incentives for our Electric Vehicle product line. In addition, we plan to develop and air two infomercials highlighting our products. We estimate the necessary proceeds to implement this marketing campaign to be \$2,750,000.

- o Acquisitions: We anticipate that we will be acquiring other companies that either complement our product line, increase the capability and scope of our distribution networks, or provide us product advantages over our competitors. We anticipate the requisite proceeds to be \$2,520,000.
- o Working Capital: We will require \$1,250,000 for working capital in order to grow our business through infrastructure and management resources called for by our program for expansion.

### DIVIDEND POLICY

We have not declared or paid any cash dividends on our Common Stock and presently intends to retain its future earnings, if any, to fund the development of our business and, therefore does not anticipate paying any cash dividends in the future.

### MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock has been listed in the NASDQ Small Cap stock exchange under the symbol "ZAPP" since May 22, 2000. From March 11, 1998 to May 22, 2000, our

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Common Stock was listed on the NASD OTC Bulletin Board under the symbol "ZAPP". Before this there was no public market for our Common Stock.

As of April 27, 2001, there were 6,131,780 shares of Common Stock outstanding held by 1,910 shareholders. The following table sets forth the high and low prices of the Common Stock as reported on the OTC Bulletin Board through the second quarter of 2000, and the high and low prices per share as reported on the NASDQ Small Cap Stock exchange for the third quarter of 2000 through April 27, 2001.

	2001		2000		1999	
	High	Low	High	Low	High	Low
	----	---	----	---	----	---
	(through 4/27/2001)					
First Quarter	3.06	1.12	\$10.00	\$8.00	\$4.375	\$3.0625
Second Quarter	2.30	1.00	6.00	5.4375	8.75	4.25
Third Quarter	-	-	5.875	5.3125	6.875	5.00
Fourth Quarter	-	-	3.25	2.50	18.25	5.00

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion of our financial condition and results of operations should be read together with the financial statements and related notes that are included later in this prospectus. This discussion contains

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forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the "Risk Factors" section or other parts of this prospectus.

### Overview

We design, assemble, manufacture and distribute electric and non-electric scooters, electric bicycle power kits, electric bicycles, and other personal electric transportation vehicles. We also manufacture several types of electric motor kits and install motor systems to bicycles and scooters at our Sebastopol, California facilities.

We plan to become a profitable light electric transportation company that utilizes our technology and products while improving the environment. Our initial objective is to establish ourselves as the dominant manufacturer and market leader of personal electric and other Zero Air Pollution(R) vehicles. To achieve this objective, we plan to:

- o expand our existing distribution system;
- o strengthen existing marketing efforts;
- o form partnerships with or acquire companies that offer services or products we consider crucial to our success in the electric vehicle industry; and
- o improve our existing products and develop new products by forming manufacturing alliances with offshore partners to assure low cost production.

The achievement of our objectives is highly dependent, on many factors, including:

- o our ability to improve our existing products;
- o our ability to produce attractive new products, either on our own or with companies that we form partnerships with or that we acquire; and
- o our ability to raise the necessary capital to develop and produce new products, as well as strengthen our existing distribution network.

### Distribution

We sell our electric vehicles to retail customers, international distributors, law enforcement agencies, electric utility companies, bicycle dealerships, motorsport dealers, auto dealers, sporting goods stores, specialty dealers and foreign distributors. In addition, we sell our electric vehicles through mail order catalogs and to selected customers on various credit

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terms and on a cash-only delivery basis. We also sell our electric vehicles through the internet.

Part of our growth strategy is to increase net sales by increasing distribution channels through our Web site, <http://www.zapworld.com>, retail organizations, and domestic and overseas wholesale distributors. In addition, we plan to set up Zapworld outlet and specialty stores to assist in the retail sales arena. In July 1999, we created two wholly-owned subsidiaries to oversee acquired and franchise stores, respectively. These subsidiaries are Zapworld Stores, Inc. (acquired stores) and Zapworld Outlets, Inc. (franchise stores).

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One alternative we are presently considering is the creation of a traditional distribution network, with small to medium retail outlets supplied by regional distributors. A second option is to distribute our products through the creation of a series of franchises strategically located in our primary markets. A third method is the expansion of current internet selling and marketing efforts. We are also evaluating the creation of a distribution system similar to that of an automobile dealership.

### Mergers and Acquisitions

In order to satisfy the increasing demand for our products, we implemented a plan to increase production capacity via mergers and acquisitions. Other positive effects resulting from this expansion plan include increased sales support, as well as increased technological resources and manpower to aid in new product development. Our merger and acquisition activities are summarized below.

On October 6, 2000, we completed our purchase of Electric Motorbike, Inc. ("EMB") We issued 140,000 shares of our Common Stock and \$100,000 in cash as the final purchase price.

On June 24, 2000, our shareholders approved our acquisition by merger of Aquatic Propulsion Technology, Inc., a Bahaman corporation which sells electric water scooters. We acquired all of Aquatic Propulsion Technology, Inc.'s technology rights, including 5 patents on electric sea scooters, as well as all of Aquatic Propulsion Technology, Inc.'s assets and current operations in exchange for 120,000 shares of our Common Stock, and the assumption of Aquatic Propulsion Technology, Inc.'s liabilities of approximately \$500,000. The contractual acquisition was completed as of July 1, 2000, and the merger documents were filed with the California Secretary of State as of August 8, 2000.

In order to access new markets, we also acquired two rental/retail operations in 1999: Big Boy Bikes, a bicycle rental business in Key West, Florida, and American Scooter and Rental, a bicycle rental business in San Francisco, California. We created a wholly-owned subsidiary, Zapworld Stores, Inc., to operate these operations. Zapworld Stores accounted for 5%, or \$316,000, of our total revenues during 1999, with a gross profit margin of 34%. The lease for the Key West store expired in February 2000, and at that time all the assets for that store were sold. In October 2000, we ceased operating our store in San Francisco, California.

EmPower, Inc., a design and manufacturing business of proprietary electric scooters, was acquired in December, 1999 to provide new technologies and broaden product lines. We

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acquired Electric Vehicle Systems, Inc., an electric vehicle development business, in February 2000. This acquisition brought us into a new product area, the patented Powerski(R). Finally, ZAP of Santa Cruz, a bicycle rental business in Santa Cruz, California, was acquired in March 2000.

In 1999 and in the early part of 2000, we held discussions with Global Electric MotorCars, LLC, the largest manufacturer of Neighborhood Electric Vehicles, regarding a potential merger between our company and Global Electric MotorCars, LLC. While both companies have mutually agreed to terminate further merger discussions, we did enter into a distribution agreement with Global Electric MotorCars, LLC, to sell its GEM(TM) Neighborhood Electric Vehicle at select Zapworld locations. In addition, we continue to discuss strategic

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alliances with other potential manufacturers of Neighborhood Electric Vehicles.

Our strategy is to transform Zapworld into a light electric transportation company with standards of measurement similar to the auto industry. We will continue to develop products with the goal of being the low cost leader in the industry. Product improvements, new product introductions, and the development of the Zap Electric Vehicle Outlet(R) franchise network continue to fortify our presence in the electric vehicle industry.

### Partnerships or Strategic Alliances

Our growth plan for the future includes strengthening our distribution channels through forming partnerships or strategic alliances with businesses, factories or manufacturers in related industries.

On August 9, 2000, we entered into an agreement with a manufacturer located in the People's Republic of China to work toward establishing production facilities that would allow full assembly of the Zappy(R) in China. Our initial plan is to sell these Zappy(R) products within China, but we may also transport these Zappy(R) products to the United States or other parts of the world for distribution.

In order to have complete assembly of our products in Taiwan, we are working with our trading partner in Taiwan to establish factories there. We presently have an exclusive distribution agreement with our Taiwanese trading partner for distribution of our Kick(TM) scooter exclusively in the United States.

On September 1, 2000, we received an order for approximately 1,500 Zappy(R) scooters from Oxygen SpA of Italy. We are exploring opportunities for Oxygen SpA to serve as our distributor in Italy and other select European countries.

We plan to grow our business by forming exclusive alliances with leading developers of electric vehicle technologies, structuring joint ventures with strong manufacturing partners around the world, creating alliances with governmental and private entities that support the electric vehicle industry, acquiring other electric vehicle companies, setting up various electric vehicle distribution networks through possible franchising and creating additional electric vehicle superstores, otherwise known as Zap Electric Vehicle Outlets(R).

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We are also considering a plan to establish ZAP Financial Services(TM), a finance company for our dealers and retail customers.

At the present time, there are no bankruptcy, receivership or similar proceedings against our company. In addition, we are not presently participating in any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets that is not within the ordinary course of our business.

### Results of Operations

The following table sets forth, as a percentage of net sales, certain items included in our Income Statements for the periods indicated. For further information please see the section of this document entitled "Financial Statements."

Years ended December 31,

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	2000 ----	1999 ----
Statements of Operations Data:		
Net sales.....	100%	100.0%
Cost of Sales.....	63.2	69.1
Gross profit.....	36.8	30.9
Operating expenses.....	54.1	54.3
Loss from operations.....	(17.3)	(23.4)
Other income (expenses)	1.9	(2.9)
Loss before income taxes.....	(15.4)	(26.3)
Provision for income taxes.....	0.0	0.0
Net Loss.....	(15.4)	(26.3)

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Net sales for the year ended December 31, 2000 were \$12.4 million compared to \$6.4 million in the prior year, an increase of \$6 million or 93%. The Company experienced such a dramatic increase due to a vastly expanded customer base with larger retailers and distributors plus the addition of new products in 2000. Fourth quarter sales for 2000 increased \$2.3 million over the fourth quarter in 1999, which can be attributable to exceptionally strong holiday sales. Internet sales were \$602,800 and \$259,100 in 2000 and 1999 respectively. This represented a 133% increase for 2000. A total of \$1.1 million in products was sold to one customer during the year ended December 31, 2000, representing 9% of sales. In the year ended December 31, 1999, \$680,000, or 11% of net sales, was sold to one customer.

Gross profit. Gross profit increased as a percentage of net sales to 37% from 31% during the year ended December 31, 2000. The increase is primarily due to product mix and is also the result of the Company's emphasis to improve product margins through greater cost controls and production efficiencies. It should also be noted that the gross profit percentage in 1999 was

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adversely impacted as the result of a one-time sale to a large distributor at a significant discount in the third quarter of 1999.

Selling. Selling expenses in 2000 were \$2.2 million. This was an increase of \$1 million or 83% from \$1.2 million in 1999. As a percentage of sales, selling expenses remained consistent at 18% for both 2000 and 1999. This increase was due to higher salaries and benefits as a result of expanding sales and marketing personnel and greater expenses for marketing and promotional items.

General and administrative expenses for 2000 were \$3.8 million as compared to \$1.9 million in 1999, which represents an increase of \$1.9 million over 1999. As a percentage of sales, the General and Administrative Expenses remained fairly consistent at 30% of sales for 2000 and 1999. The current year's increase was due to higher salaries and benefits, greater expenses for consulting and temporary labor, higher depreciation and amortization expenses as a result of the current year acquisitions, increased general and liability insurance premiums which are partially calculated on net sales for the year and finally

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due to higher rent expense.

Research and development was \$698,800 in 2000 as compared to \$364,600 in 1999, which represents a \$334,200 or 92% increase. As a percentage of net sales, Research and Development remained consistent at 6% in 2000 and 1999. The overall increase during the year was due to higher salary expense and greater R&D activities.

Other income increased \$188,000 from \$81,000 in 1999 to \$269,000 in 2000. This increase can be attributed to \$121,000 for higher interest earned on a commercial paper money market fund from the proceeds of the issuance of Preferred Stock. Also the Company received a \$67,000 grant during the year from a state agency for a Neighborhood Electric Vehicle demonstration.

Interest Expense was \$20,700 for the year ended 2000, which represents a \$246,300 decrease from \$267,000 in 1999, which is the result of lower outstanding debt in 2000.

### Liquidity And Capital Resources

The Company used cash from operations of \$3.7 million and \$1.5 million during the years ended December 31, 2000 and 1999 respectively. Cash used in operations in 2000 was the result of the net loss incurred for the year of \$1.9 million, offset by net non-cash expenses of \$725,000, and the net change in operating assets and liabilities resulting in a further cash use of \$2.5 million. Cash used in operations in 1999 was the result of the net loss incurred for the year of \$1.7 million, which was offset by net non-cash expenses of \$637,000, and the net change in assets and liabilities resulting in a further use of cash of \$407,000.

Investing activities used cash of \$528,000 during the year ended 2000. Investing activities used cash for the purchase of fixed assets, additional capitalized patent costs, intangibles and the purchase Electric Motorbike, Inc. In the year ended December 31, 1999, investing activities provided cash of \$602,000 which was principally due to proceeds from the emPower acquisition.

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Financing activities provided cash of \$4.5 million and \$3.6 million during the years ended December 31, 2000 and 1999, respectively. In 2000, the Company received \$4.5 million in proceeds from the issuance of \$5 million of Convertible Preferred Stock to a small group of private investors. The Convertible Preferred Stock may be converted into common stock over a three-year period at a specified price, which is contained in the Securities Purchase Agreement between ZAPWORLD.COM and Union Atlantic. A dividend is also attached to the stock at a rate of 6% per annum. The dividend is payable in common stock or cash at the discretion of the Company on June 30 each year or when the preferred stock is converted into common shares. The investors also received warrants that expire in five years to purchase an additional 1.2 million shares of common stock at an exercise price ranging from \$5.43 to \$5.98. In 1999, cash was provided by the sale of common stock in the amount of \$1.8 million. Cash provided by the sale of stock in 1999 was partially used to extinguish notes payable to individuals of \$361,900. At December 31, 2000, the Company had cash of \$3.5 million as compared to \$3.2 million at December 31, 1999. The Company's working capital at December 31, 2000 was \$7.1 million compared to \$4.5 million at December 31, 1999. The increase in cash and working capital is primarily due to financing provided by private placement investments.

The Company believes existing cash and cash equivalents will be sufficient to meet its operating requirements for at least the next twelve months, however the

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Company may sell additional equity or debt securities to further enhance its liquidity position.

### Seasonality and Quarterly Results

The Company's business is subject to seasonality influences. Sales volume in this industry typically slows down during the winter months of November through March in the U.S. However, the Company is marketing worldwide and is not impacted by U.S. seasonality.

### Inflation

The Company's raw materials are sourced from stable cost competitive industries. As such, the Company does not foresee any material inflationary trends for its raw material sources. However, with the low unemployment rate currently seen in Sonoma County, California, the Company expects that current wage rates will be driven up due to competitive pressures from other local manufacturing companies.

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## DESCRIPTION OF BUSINESS

### Generally

We incorporated under the laws of the State of California, on September 23, 1994, as "ZAP Power Systems." We subsequently changed our name to Zapworld.com on May 16, 1999 to reflect our growth and entry into larger markets. We have grown from offering a single product line to providing a full line of electric vehicle products. At our Sebastopol facilities, we design, assemble, manufacture and distribute electric bicycle power kits, electric bicycles and tricycles, electric scooters, electric motorcycles and other personal electric transportation vehicles.

### Principal products or services and their markets

We look to develop and commercialize electric vehicles and electric vehicle power systems that have underlying practical and environmental advantages over available internal combustion modes of transportation. We further aim to develop electric vehicles and electric vehicle power systems that can be produced on an economically-competitive basis. In addition to broadening our electric vehicle product line, we are producing non-electric scooters and looking to expand into the area of microprocessor drive controllers.

Our principal products are described below:

- o Electric Scooters

The Zappy(R) is a stand-up, portable, lightweight scooter featuring a 12-volt battery with a built-in charger and a collapsible frame. Its patented design includes a unique folding mechanism and proprietary circuitry which increases the efficiency and range of the vehicle. Zappy Mobility(TM) is a low-cost electric scooter with a seat designed for the aging baby boomer market. The Zappy(R) accounts for over 70% of our sales. All Zappy(R) scooters are produced at our Sebastopol, California assembly plant. In an attempt to diversify the risk of the production of the Zappy(R), we are working with our foreign partners in Taiwan and China to expand production of the Zappy(R) and other new products. On August 30, 2000 our sourcing engineer moved to Taiwan to assist in establishing a production facility and implementing quality control measures. We presently rely on a

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single supplier to provide 80% of the materials for the Zappy(R).

- o Power Assist Retrofit Kits

This product enables bicyclists to ride their existing bicycles more often by providing additional power to overcome hills or headwinds. We currently offer a number of different power

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assist retrofit kits. These kits include dual or single motors, a sealed maintenance-free battery, a one or two-speed controller and an automatic battery charger.

The ZPS-2 power system is designed for mountain, road and cruiser type bicycles. The ZPS-T is designed for tricycles.

A motor kit may have up to 62 unique parts. The electric motor kit manufacturing, and installation of the motor systems to bicycles and scooters, is done at our Sebastopol, California location.

Since 1994, the electric motors used for the electric motor kit, our Zappy(R) scooter and our electric bicycle products have been produced by an original equipment manufacturer ("OEM") in the automobile and air-conditioning industry. We have recently entered into an agreement with a manufacturer in China to manufacture motors that meet the specifications of our products. We own the proprietary rights to the mold for the motors that will be produced by this manufacturer. Motors produced by this Chinese manufacturer will come at a reduced price and have improved performance over the motors made by the OEM described above. The Chinese manufacturer will serve as a primary source of our motors and the OEM will continue to serve as a proven secondary source for our motors.

We have a contractual relationship with a provider of law enforcement bicycles pursuant to which we agreed to purchase at least 200 bicycles in exchange for specific exclusive distribution and pricing rights. The enforcement bicycle producer has agreed to purchase at least 100 of our power kits in exchange for specific exclusive distribution and pricing rights.

- o The Kick(TM)

The Kick(TM) in-line scooter is manufactured in Taiwan to our specifications. We have an exclusive distribution agreement with our manufacturer in Taiwan to exclusively distribute the Kick(TM) in the United States. This is a push type scooter on in-line skate-type wheels.

- o Bicycles

Our bicycles incorporate the our patented power system technology. The ElectriCruizer(R) is a cruiser style bicycle that has upright comfort style handle bars and six manual gears. The Zap Powerbike(R) is a mountain bike with 18 manual gears. The ZapTrike(TM) is a three-wheeled trike which contains a larger

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battery and a carry basket. The Zap PatrolBike(TM) is a suspension mountain bike with built-in lights and siren.

- o Neighborhood Electric Vehicle

Recently, the U.S. Department of Transportation classified a new type of car. This vehicle is known as the Neighborhood Electric Vehicle or NEV. This vehicle must be electric and have a top speed of 25 miles per hour and meet minimum safety standards. We are currently a dealer for Global Electric Motorcars, LLC, and are exploring other manufacturing and distribution arrangements for the Neighborhood Electric Vehicles at this time.

- o Electric Motorcycle -- Lectra(TM)

The Lectra(TM) is believed to be the only production ready electric motorcycle in the world. Zapworld completed the acquisition of the Electric Motorbike, Inc. (EMB) in October, 2000. Under the terms of the agreement, we acquired all assets, technology, engineering capabilities and customer contracts from EMB.

- o Sea Scooter(TM)

The Sea Scooter(TM) is an electric water scooter which pulls a diver or swimmer through the water without gas emissions. It can also be used to as a water toy for swimming pools or for more efficient snorkeling.

### New Product Development

- o Zappy Jr. (TM)

The Zappy Jr.(TM) is a smaller version of the Zappy(R) designed for children ages 6-10, and under 100 pounds. It will have a lower speed, and a lower cost.

- o Lepton

The Lepton is similar to a gas 50cc type scooter. With a top speed of approximately 30 miles per hour. We are the distributor for the Italian scooter company and expect sales primarily in resort and university localities.

- o E-Bike Chopper(TM)

The E-Bike Chopper(TM) is a lower priced Lectra(TM) with a styling similar to the "chopper" style motor bikes.

- o PowerSki(R)

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The Powerski(R) is an electric motor device designed to pull an in-line skater, skateboard, or roller skater along the road or pathway. This device was developed by Electric Vehicles Systems, a company we purchased in the first quarter of 2000.

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- o Swimmy(TM)

We recently unveiled our new Swimmy(TM) Water Scooter. This water-borne electric propulsion device is designed to assist or pull swimmers and snorkelers, providing a fun boost up to 2.5 MPH on the surface or underneath water. We already manufacture a Sea Scooter(TM) for scuba divers, but believe there will be a strong demand for a swimming pool version that children and fitness swimmers can use.

- o Electri Pedi-Cab(TM)

We distribute the Electric Pedi-Cab(TM), which can be pedaled like a regular ped-cab and has the ability to travel electrically at speeds up to 15 miles per hour.

- o Micro-processor drive controllers

We are working to develop a series of low cost micro-processor drive controllers for all of our electric vehicles, which we believe will increase efficiency and lower costs.

### Distribution

#### Internet and Dealership Network

Our Web site has become known world-wide as the ultimate portal for personal electric vehicles. It has been very effective in drawing new retail, wholesale and international customers.

We distribute our products through a network of over 350 distributors, dealers, and specialty stores worldwide.

We sell our electric vehicles to retail customers, international distributors, law enforcement agencies, electric utility companies, bicycle dealerships, motorsport dealers, and through franchisees and mail order catalogs. Our sales to mail order catalogs and selected customers are on various credit terms, with many sales to smaller dealerships being on a cash delivery basis only.

We intend to franchise outlets in areas that do not have existing stores. To accomplish this, we have received qualification to franchise in California, Florida and Texas, and we plan to seek qualification to franchise in additional states. However, we are still evaluating franchising as a longer tier mode of distribution.

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We are the U.S. distributor of the imported Lepton scooter. Additionally, we are a dealer for an electric neighborhood vehicle, known as the GEM(TM).

We have been granted exclusive market rights in selective electric vehicle markets from Evercel, Inc., in exchange for specifying that company's battery in a specific electric vehicle we make. We have no other contractual agreements with any of our other vendors.

#### Environmental Initiatives and Legislation

Federal legislation has been enacted to promote the use of alternative

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fuel vehicles, including electric vehicles. The U.S. Energy Policy Act of 1992 provides that federal, state and public utility fleets must begin to purchase alternative fuel vehicles with major acceleration of these purchases to begin in 2000. Neighborhood Electric Vehicles qualify for this tax credit which is in place through the year 2005. The Department of Energy Clean Cities Organization has pledged to purchase 1 million alternative fuel vehicles by the year 2010. There is also a 10% federal tax credit, to a maximum of \$4,000, available to purchasers of qualified electric vehicles.

Several states have also adopted legislation that sets mandates for the introduction of electric vehicles. In 2003, the State of California will require that 4% of the cars offered for sale be electric. However, there is strong interest group opposition to this mandate. To combat this interest group opposition, many states currently offer tax credits for electric vehicles.

The State of Arizona gives a state tax credit of up to \$5,000 for electric vehicles that meet Federal Motor Vehicle Safety Standards. Neighborhood Electric Vehicles are one of the few Low Speed Vehicles that currently meet these standards. New York, Connecticut and other states in the northeastern United States have similar directives. In addition, a \$3,000 state electric vehicle tax credit bill has been recently passed in California. In support of these laws, utility companies have set up over 500 "free" public charging stations in the state of California. High-profile retailers such as WalMart, Denny's, Costco, and Raley's have agreed to participate in the program to promote the use of electric vehicles. Other incentives such as free charging and parking in the State of Hawaii are now in place.

Honda and Toyota have begun to offer hybrid electric vehicles through specific auto dealers in select markets. Our Management believes that these expensive high-profile electric vehicles will assist the market for low-cost electric vehicles.

Foreign governments have also taken measures to promote the use of electric vehicles. The Republic of China (Taiwan), where we presently manufacture the Zappy(R) and the Kick(TM), gives buyers of electric scooters a rebate equivalent to 30-60% of the cost. Taiwan is considering a Zero Emission Vehicle scooter mandate by the year 2001. Japan, Thailand, and Costa Rica have agreed to provide low duties on any electric vehicle sub-components. China has recently banned the licensing of new gas powered bicycles in the cities of Shanghai and Beijing. France has agreed to provide rebates of the additional cost of electric vehicles over conventional vehicles and is providing free parking to electric vehicles in Paris. Austria is providing a \$150 rebate towards the purchase of electric bicycles.

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As we commercialize new transportation technology, we have been required to expend resources in educating legislators of the benefits of these vehicles. On January 1, 2000 a law we sponsored that creates guidelines for the legalized use of light electric scooters, such as our Zappy(R), went into effect in the State of California. Although many government agencies are concerned about rising global air pollution, we expect that we will need to continue to expend considerable resources in the governmental process, and there cannot be assurance that the current favorable governmental climate for these zero emission vehicles will remain in the future.

### Research and Product Development

The nature of our business has required and will continue to require expenditures for research and product development. The development and

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introduction of new products are essential to establishing and maintaining a competitive advantage.

Research and development expense charged to our operations in fiscal years 2000 and 1999 was \$699,000 and \$365,000 respectively.

### Sources and Availability of Raw Material

Materials, parts, supplies and services used in our business are generally available from a variety of sources. However, interruptions in production or delivery of these goods could have an adverse impact on our manufacturing operations.

### Licenses, Patents and Trademarks

We have a number of patents and trademarks covering our electric vehicles. We were issued our first United States Patent on February 13, 1996 on our electric motor power system for bicycles, tricycles, and scooters (Pat. No. 5,491,390). On September 30, 1997, we were issued our second United States Patent on our electric motor system (Pat. No. 5,671,821). On December 15, 1998, we were issued a utility patent for our ZAPPY(R) scooter (Pat. No. 5,848,660). On November 14, 2000, we were issued a design patent on our Zappy(R) scooter (Des. No. 433,718).

We also hold several trademarks: the trademark Zap(R) was assigned to our company on September 23, 1994 (Reg. No. 1,794,866); the trademark ElectriCruizer(R) was registered with the United States Patent and Trademark Office on April 2, 1999 (Reg. No. 2,248,753); the Zappy(R) mark was registered on March 21, 2000 (Reg. No. 2,330,894); the PowerBike(R) mark was registered on June 1, 1999 (Reg. No. 2,248,753); the trademark Zapworld.com(R) was registered on July 25, 2000 (Reg. No. 2,371,240); the trademark Zap Electric Vehicle Outlet(R) was registered on March 28, 2000 (Reg. No. 2,335,090); and the mark Zero Air Pollution(R) was registered on February 22, 2000 (Reg. No. 2,320,346). We also acquired various pending patent applications and trademark rights from emPower, Inc. when we acquired this company on December 30, 1999. We acquired all of the assets of Electric Vehicles Systems, Inc., including the trademark PowerSki(R) (Reg. No. 2,224,640) and two U.S. Patents, (Patent #5,735,361 and Patent #5,913,373). This transaction was finalized on February 29, 2000. Marketing strategies for PowerSki(R) will begin in the year 2001. In addition to the patents and trademarks listed above, we have several applications pending before the United States Patent and

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Trademark Office. We also have several copyright registrations for various advertisements that we use to promote our products.

Lastly, we have an exclusive licensing agreement with Lucas Films Licensing Division for the use of the trade name STARWARS(TM) and STAP(TM) in the classification of electric scooters.

### Backlog

The Company has a \$5.9 million backlog of orders and purchase contracts in hand for electric vehicles as of April 27, 2001. The Company expects to fill its entire backlog within the current fiscal year.

### Competitive Conditions

Competition to develop and market electric vehicles has increased during the last year and is expected to continue to increase. The electric

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bicycle industry has four (4) major manufacturers and a large group of small manufacturers. The major manufacturers are Honda, Suzuki, Sanyo and Yamaha. They primarily sell products to Japan and Europe. The other group of manufacturers is much smaller in size and sales volume. These manufacturers have products they sell in the U.S., European, and Asian markets. There are also manufacturers of other personal electric vehicles. Our principal competitive advantages are our ownership of fundamental technology, our ability to be a low cost manufacturer through domestic and international connections, and our distribution network. We also currently benefit from our high name recognition in the electric vehicle industry coupled with a rapidly developing business on our internet site, <http://www.zapworld.com>. We offer one of the broadest lines of personal electric vehicles currently available. According to published reports, we believe that we currently hold the leading electric bicycle and scooter market position in the United States.

### Employees

As of April 27, 2001, we had a total of 71 full-time employees. This is a decrease of 14 employees from 1999. We consider our relationship with our employees to be good. None of our employees are represented by a collective bargaining unit, and we have never had a work stoppage. We believe that our future success will depend in part on our continuing ability to attract, integrate, retain and motivate highly qualified personnel, and upon the continued service of our key technical personnel and senior management.

### Development of Business

We have grown from a single product line to a full line of electric vehicle products, and currently develop, manufacture, and market low-speed electric vehicles in over 60 countries. We have established a system to develop low cost electric vehicles to provide alternative modes of transportation as a means of providing relief from the emissions associated with gas powered vehicles and to become a leader in the emerging light electric vehicle industry. Since our management founding believed that the primary barrier to widespread use of electric vehicles was their high cost, our activity and revenue was initially derived from development contracts with domestic government agencies, the California Energy Commission, EPA, EPRI

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and a foreign private entity. These contracts were set up to develop low cost, Zero Air Pollution(R) (or "ZAP(R)") electric vehicles. We continue to focus our research efforts on making electric vehicles cost effective, while developing an international distribution network for personal vehicle products.

We are developing proprietary technologies that are important elements of the our brand of personal electric vehicles. Each of these components will be marketed under the Zapworld brand name. Our objective is to leverage our proprietary technology and name recognition to serve a number of potential markets in the electric bicycle, electric scooter and other light electric vehicle transportation industries. In addition to new electric vehicles, we are currently focusing our development efforts on a new generation of microprocessor drive controllers.

In following our plan to increase sales and expand operations substantially through internally generated growth and the acquisition of businesses and products which we view strategically advantageous, we have acquired or merged with a number of companies during the past three years. In 2000, we acquired ZAP of Santa Cruz, a bicycle rental business in Santa Cruz, California, and Electric Vehicle Systems, Inc. an electric vehicle development business in California. We acquired emPower in December 1999. Also, in 2000, we

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acquired Aquatic Propulsion Technology, Inc., a Bahaman corporation that operated in Florida. From this acquisition, we received technology that allows us to develop water-borne electric propulsion devices.

### DESCRIPTION OF PROPERTY

A summary of our principal facilities are as follows:

Location	Use	Square Feet	Lease Expiration Date	Minimum Monthly Rent
117 Morris St.	Office & Motor Assembly	6,500	June 2002	\$4,400
111 Morris St.	Machine Shop	3,000	June 2001	\$2,000
7190 Keating	Production	10,000	June 2004	\$5,000
6780 Depot	Office, Production, R&D	5,000	June 2004	\$2,500
6780-B Depot	Engineering	4,200	May 2004	\$2,188
2715 Hyde St.	Retail/Rentals	8,000	April 2001	\$12,000
6784 Sebastopol	Warehouse	9,800	August 2005	\$5,880
984 SW 13th Court	Office, Dist	3,100	July 2002	\$2,200

All of the above buildings, except the store at 2715 Hyde Street in San Francisco and 984 SW 13th Court, Pompano Beach, Florida, are located in Sebastopol, California. We lease all of our manufacturing, research, and office facilities. All of the leases are term leases, and none of these leases include options to purchase. Our property consists primarily of manufacturing equipment and office computer systems. It is management's opinion that our insurance policies cover all insurance requirements of the landlords. We own the basic tools, machinery and equipment necessary for the conduct of our production, research and development, and vehicle prototyping activities. Management believes that the above facilities are generally adequate for present operations. In the fourth quarter of 2000, we decided to

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close its retail outlet and to use the experience gained to promote franchising activities. The Hyde Street location, whose lease expires at the end of the first quarter of 2001, has been sublet to an outside third party. The Company is coordinating with various individuals to franchise several retail stores in California by the end of second quarter of 2001.

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

#### MANAGEMENT

Name	Age	Position
----	---	-----
Gary Starr	45	Director, Chief Executive Officer
William R. Hartman	53	Chief Financial Officer
Robert Swanson	53	Director, Chairman of the Board
Doug Wilson	40	Director
William Evers	73	Director
Lee S. Sannella, M.D.	84	Director
Harry Kraatz	51	Director
Andrew Hutchins	40	Vice President Operations

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Scott Cronk	35	Vice President Business Development
Joni Arellanes	45	Corporate Secretary

Gary Starr has been a director and executive officer since our inception in 1994, and our Chief Executive Officer since September 1999. Mr. Starr has been building, designing, and driving electric cars for more than 25 years. In addition to overseeing the marketing of more than 50,000 electric bicycles and other electric vehicles, Mr. Starr has invented several solar electric products and conservation devices. Mr. Starr has a Bachelor of Science Degree from the University of California, Davis in Environmental Consulting and Advocacy.

William R. Hartman was appointed Chief Financial Officer in March 2001. He has been engaged as a financial consultant at our Company since January 2001. He has over 15 years of CFO or Controller experience in various industries. While in a previous position as Division Controller for Segal of America he obtained extensive experience in the consumer products manufacturing and distribution business. Prior to his engagement at Zapworld.com, Mr. Hartman had been providing financial and accounting consulting services to various Internet start-ups in the SF Bay area. Mr. Hartman is a Certified Public Accountant in the State of California with a Masters in Accounting Degree from the State University of New York. He also had previous public accounting experience as an audit manager with Price Waterhouse Coopers in San Francisco.

Robert E. Swanson has served as Chairman of our board of directors since 1999. Mr. Swanson is also chairman of the board, sole director, and sole stockholder of Ridgewood Capital Corporation. Mr. Swanson organized Ridgewood Power, LLC, formerly known as Ridgewood Power Corporation ("Ridgewood Power"), for the purposes of, among other things, sponsoring six investment trusts that have primarily invested in the deregulated electric power industry and in related or similar infrastructure assets. Mr. Swanson is also chairman of the board of the Ridgewood Power Growth Fund, and president, registered principal and sole stockholder of Ridgewood Securities Corporation. Mr. Swanson was a tax partner at the former New York and Los Angeles law firm of Fulop & Hardee and an officer in the Investment Division of Morgan Guaranty Trust Company. He is a graduate of Amherst College and Fordham University Law School.

Doug Wilson has been a director of our company since 1999. Mr. Wilson was a principal of Monhegan Partners, Inc., which provided acquisition and financial advisory

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services for Ridgewood Power and its investment funds from October 1996 until September 1998, at which time he joined Ridgewood Power as Vice President of Acquisitions. Mr. Wilson has over 14 years of capital markets experience, including specialization in complex lease and project financing in energy-related businesses. He has a Bachelor of Business Administration from the University of Texas and a Masters degree in Business Administration from the Wharton School of the University of Pennsylvania.

William D. Evers has been a director of our company since 1999. Mr. Evers is a partner at the law firm of Foley & Lardner and is one of the leading securities law attorneys in California, specializing in private placements, Section 25102(n) offerings, Small Corporate Offering Registration, Regulation A Exemptions and Small Business Registrations. He has handled numerous mergers and acquisitions. Mr. Evers has also has extensive experience in franchising and has been the CEO or President of various business ventures. He holds a Bachelor of Arts Degree from Yale University and a Juris Doctor Degree from the University of California, Berkeley.

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Lee Sannella, M.D. has been a director of our company since its inception in 1994. Dr. Sannella has been an active researcher in the fields of alternative transportation, energy, and medicine for more than 25 years and has been a founding shareholder in many start-up high technology companies. A graduate of Yale University, he maintained an active medical practice for many years in ophthalmology and psychiatry.

Harry Kraatz became one of our directors on December 7, 2000. Since investing in our business in 1998, he has provided franchise consulting and certain financial services. Beginning in June 1986, Mr. Kraatz has been the sole officer and director of The Embarcadero Group II, and T.E.G. Inc., a franchise management and financial consulting company located in San Francisco, California. Working with those companies he has provided consulting services to numerous finance and franchising companies including Montgomery Medical Ventures, Commonwealth Associates, Westminster Capital and World Wide Wireless Communications, Inc. He received a degree from SMSU in 1971.

Andrew Hutchins was appointed Vice President for Operations of our company in October 1999. He joined our company in December 1996 and since June 1997 has been our General Manager. Successful as an entrepreneur, Mr. Hutchins started, developed and managed a retail bicycle business for 11 years prior to selling it for several times his initial investment. In 1982, Mr. Hutchins received a Bachelor of Arts degree with a double major in Business Economics and Communication Studies from the University of California at Santa Barbara.

Scott Cronk was appointed Vice President of Business Development of our company in December 1999. He was the founder of Electric MotorBike, Inc. and served as its President from 1995 to 1999. Previously, as Director of Business Development & International Programs, Mr. Cronk led strategic venturing activities for U.S. Electricar, Inc. Mr. Cronk has a Bachelor of Science degree in Electrical Engineering from GMI Engineering & Management Institute (now Kettering University) and a Masters of Business Administration degree from the City University of London, England.

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Joni Arellanes has been with us since 1998. Currently the Executive Administrator to the President, Vice President and CEO, Ms. Arellanes was appointed our Corporate Secretary in December 2000. Prior to joining our company, Ms. Arellanes was a program administrator for a certified autodesk training center program with over 200 locations in the United States and Canada. Ms. Arellanes holds a Bachelor of Arts degree in Environmental Studies and Planning from Sonoma State University.

### EXECUTIVE COMPENSATION

The following tables set forth information concerning the compensation we paid for services rendered during our fiscal years ended December 31, 2000, 1999, and 1998, by the Named Executive Officers. The Named Executive Officers are our company's Chief Executive Officer, regardless of compensation level, and the other executive officers of our company who each received in excess of \$100,000 in total annual salary and bonus for the fiscal years ended December 31, 2000, 1999, and 1998.

#### Summary Compensation Table

Annual Compensation

Long -Term Compe

Awards



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Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Restricted Stock Award (\$)	Stock Underlying Options /SARs (#)
Gary Starr	1998	35,700				
Chief Executive officer	1999	39,500	200			135,000
And President	2000	\$59,600	700			

The following table shows all individual grants of stock options to the Named Executive Officers (as defined above) for the fiscal year ended December 31, 2000.

Option/SAR Grants in Last Fiscal Year (Individual Grants)

Name	Year	Number of Securities Underlying Options/SARs Granted	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Price
John Dabels	2000	200,000	32	
Former President				

Compensation of Directors

Our directors do not currently receive any cash compensation for service on our board of directors. However, our directors may be reimbursed for expenses they incur by attending board meetings.

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In June 2000, Harry Kraatz was granted an option to purchase 100,000 shares of common stock at an exercise price of \$5.25 per share. The shares underlying this option vest over a five-year period.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since our inception in 1994, we have not been a party to any transaction or series of similar transactions in which the amount involved exceeded or will exceed \$60,000 and in which any director, executive officer or holder of more than 5% of our Common Stock had or will have an interest, other than as described under "Management," "Interest of Named Experts and Counsel" and the transactions described below.

William D. Evers, is a member of our Board of Directors and our principal outside counsel. During 2000, Mr. Evers' law firm received \$261,000 in compensation for legal services provided to us. Additionally, Mr. Evers was granted stock options to acquire 75,000 shares with an exercise price ranging from \$3.02 to \$6.50 per share.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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The following table presents information with respect to beneficial ownership of our Common Stock as of April 27, 2001 and as adjusted to reflect the sale of the shares offered by this prospectus by:

- o Each person or entity who beneficially owns more than 5% of the Common Stock;
- o Each of our directors;
- o Each of our Named Executive Officers; and
- o All Executive Officers and directors as a group.

Unless otherwise indicated, the address for each person or entity named below is c/o Zapworld.com, 117 Morris Street, Sebastopol, California 95472. The table includes all shares of Common Stock issuable within 60 days of April 27, 2001 upon the exercise of options and other rights beneficially owned by the indicated stockholders on that date. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Except as indicated by footnote, and except for community property laws where applicable, the persons named in the table below have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

The applicable percentage of ownership is based on 12,286,928 shares of Common Stock outstanding on a fully diluted basis as of April 27, 2001. The number of shares of Common Stock outstanding on a fully diluted basis includes 1,642,000 shares of Common Stock issuable upon the exercise of certain warrants to non-employees, 1,217,000 shares of Common Stock issuable upon the exercise of certain options, and as much as 4,158,270 shares of Common Stock issuable upon the conversion of shares of our outstanding Series A-1 and A-2 Preferred Stock into shares of Common Stock at the current variable conversion price. (1)

(1) The holders of Series A-1 and Series A-2 Preferred Stock may convert their shares at their option subject to a formulaic Conversion Price set forth in the Certificate of Determination of Rights and Preferences of Preferred stockholders. Such formula divides each Preferred Stockholder's Stated Value, which is \$1,000 per share, by the formula conversion price, which is determined at different times according to the time at which the Preferred Stockholder converts. In addition, all Preferred Stockholders are subject to automatic conversion three years from the date of purchasing the Preferred Stock. The number of shares of Common Stock that Preferred Stockholders receive upon automatic conversion results from the division of the stated value of \$1,000 by the formula conversion price.

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Name of Beneficial Owner	Shares Beneficially Owned Prior to Offering		Shares Beneficially Owned After Offering
	Number	Percent	
The Endeavour Capital Fund, S.A. P.O.B. 57116 Jerusalem 91570 Israel (1)	1,989,741	16.0	1,989,741
Celeste Trust Reg. C/O Trevisa-Treuhand-Anstalt Landstrasse 8	533,862	4.3	533,862

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Balzers, Liechtenstein (2)

Esquire Trade & Finance Trident Chambers P. O. Box 146 Road Town, Tortola British Virgin Islands (3)	534,657	4.3	534,567
Douglas R. Wilson (4)	1,250,357	10.1	1,250,357
Lee Sanella (5)	71,952	*	71,952
William D. Evers (6)	76,723	*	76,723
Robert E. Swanson (7)	1,250,357	10.1	1,250,357
Gary Starr(8)	520,117	4.2	520,117
Harry Kraatz (9)	255,000	2.0	255,000
All Executive Officers and directors as a group (6 persons)	2,174,149	17.8	2,174,149

\* Represents beneficial ownership of less than 1%.

(1) Includes 1,989,741 shares of Common Stock issuable upon the conversion of 2328 shares of Series A-2 Preferred Stock.

(2) Includes 516,862 shares of Common Stock issuable upon the conversion of 604 shares of Series A-2 Preferred Stock.

(3) Includes 519,657 shares of Common Stock issuable upon the conversion of 608 shares of Series A-2 Preferred Stock.

(4) These shares are held by Ridgewood Power, LLP and include 100,000 shares of Common Stock issuable upon exercise of warrants exercisable within 60 days of March 26, 2001 by Ridgewood Power, LLP. Mr. Wilson is one of our directors and a principal of Ridgewood Power, LLP. Mr. Wilson does not personally own any shares.

(5) Mr. Sanella is one of our directors.

(6) Includes 75,000 shares of Common Stock issuable upon the exercise of stock options exercisable within 60 days of March 26, 2001. Mr. Evers is one of our directors.

(7) These shares are held by Ridgewood Power, LLP and include 100,000 shares of Common Stock issuable upon exercise of warrants exercisable within 60 days of March 26, 2001 by Ridgewood Power, LLP. Mr. Swanson is Chairman of our board and a principal of Ridgewood Power, LLP. Mr. Swanson does not personally own any shares.

(8) Includes 135,000 shares of Common Stock issuable upon the exercise of incentive stock options exercisable within 60 days of March 26, 2001. Mr. Starr is our CEO and a director.

(9) Includes 210,000 shares of Common Stock issuable upon the exercise of stock options exercisable within 60 days of March 26, 2001. Mr. Kraatz is one of our directors.

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DESCRIPTION OF SECURITIES

General

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Our Amended Articles of Incorporation authorize the issuance of up to 20,000,000 shares of Common Stock, and up to 10,000,000 shares of Preferred Stock, the rights and preferences of which may be established from time to time by our board of directors. As of April 27, 2001, 6,131,780 shares of our Common Stock, 1,833 shares of our Series A-1 Preferred Stock and 1,702 shares of our Series A-2 Preferred Stock were outstanding. As of April 27, 2001 we have of record 1,910 holders of our Common Stock and 7 holders of Series A-1 and Series A-2 Preferred Stock.

### Common Stock

Each holder of Common Stock is entitled to one vote for each share on all matters to be voted upon by the stockholders and there are no cumulative voting rights. Subject to preferences to which holders of Preferred Stock may be entitled, holders of Common Stock will be entitled to receive ratably any dividends that may be declared from time to time by our Board of Directors out of funds legally available for that purpose. Please see the section of this document entitled "Dividend Policy" for further information regarding dividends. In the event of our liquidation, dissolution or winding up, holders of our Common Stock will be entitled to share ratably in our assets remaining after the payment of liabilities and the satisfaction of any liquidation preference granted to the holders of any outstanding shares of Preferred Stock. Holders of Common Stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking fund provisions applicable to the Common Stock. All outstanding shares of our Common Stock are, and the shares of Common Stock in this offering, when paid for, will be, fully paid and nonassessable. The rights, preferences and privileges of the holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of Preferred Stock.

### Preferred Stock

Our Board of Directors has the authority, subject to any limitations prescribed by law, without stockholder approval, from time to time to issue up to an aggregate of 10,000,000 shares of Preferred Stock, in one or more series, each series to have rights and preferences, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as may be determined by our Board of Directors. The issuance of Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of our outstanding voting stock.

### Series A-1 and Series A-2 Convertible Preferred Stock

As of the date of this prospectus, we have authorized and designated 3,330 shares of Series A-1 Convertible Preferred Stock and 2,220 shares of Series A-2 Convertible Preferred

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Stock. No other series of Preferred Stock has been designated. As of April 27, 2001, there were 1,833 shares of Series A-1 Convertible Preferred Stock outstanding and 1,702 shares of Series A-2 Convertible Preferred Stock outstanding. The Series A-1 and Series A-2 Convertible Preferred Shares have a par value of \$1,000 per share and a stated value of \$1,000 per share.

### Rights, Privileges, and Preferences

Holders of the Series A-1 and A-2 Convertible Preferred Stock are

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entitled to receive a dividend, payable in cash at a rate of 6% per annum of the stated value of the Preferred Stock. Dividends are payable upon June 30 of each year and accrue if not paid. Failure to pay dividends will result in an increase in the number of shares of Common Stock into which the Series A-1 and A-2 Preferred Stock is convertible. The liquidation preference on the Series A-1 and Series A-2 Preferred Stock is equal to the stated value per share. This payment shall be prior to any payment we make to the holders of our Common Stock or other shares of stock which are junior to the Series A-1 and A-2 Preferred Stock.

Each holder of Series A-1 and Series A-2 Convertible Preferred Stock may convert that holder's shares into common stock at any time. The number of shares of common stock that each holder of Series A-1 or Series A-2 Convertible Preferred Stock is entitled to receive is determined by dividing the stated value of the Series A-1 and A-2 Convertible Preferred Stock, which is presently \$1,000 by the conversion price for those shares. The conversion price for the Series A-1 Convertible Preferred Stock is the lesser of \$4.50 per share or the variable conversion price for those shares. The conversion price for the Series A-2 Convertible Preferred Stock is the lesser of \$5.50 per share or the variable conversion price for those shares. The variable conversion price means an amount equal to the following:

- o if shares of Series A-1 or Series A-2 Convertible Preferred Stock are converted within one year of the sale of those shares, 85% of the average of the three lowest closing bid prices over the 22 trading days prior to the day the shares are converted;
- o if shares of Series A-1 or Series A-2 Convertible Preferred Stock are converted between one and two years after those shares were sold, 80% of the average of the three lowest closing bid prices over the 22 trading days prior to the day the shares are converted; and
- o if Series A-1 or Series A-2 Convertible Preferred Stock are converted between two and three years after they were initially issued, 70% of the average of the three lowest closing bid prices over the 45 days prior to the day the shares are converted.

If any shares of Series A-1 or Series A-2 Convertible Preferred Stock have not been converted prior to the third year anniversary of the sale of those shares, then those shares shall be automatically converted into common stock on that date.

Although the Company continued to honor conversions of the Series A-1 Preferred Stock at the lesser price below \$4.50 per share, as the Company believes that the conversion price for the Series A-1 Convertible Preferred Stock was intended to be the fixed \$4.50 per share, without the alternative variable conversion price, the board of directors has voted to

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discontinue honoring the conversions. Negotiations between the Company and representatives of the holder of the Series A-1 Convertible Preferred Stock are currently underway. It is anticipated that the matter might be resolved only through litigation.

Assuming that all presently outstanding shares of Series A-1 Convertible Preferred Stock were converted into common stock as of April 27, 2001, based upon the fixed conversion price of \$4.50 per share, the total number of shares issuable upon conversion of those shares would be 407,352. Assuming that all presently outstanding shares of Series A-1 Convertible Preferred Stock were converted into common stock, based upon the application of a variable

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conversion price, the total number of shares issuable upon conversion of those shares could be substantially greater. For example, at a \$1.00 conversion price, the number of shares issuable upon conversion would be approximately four and one-half times as great as would be issued at the fixed price of \$4.50 per share.

### Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is Computershare Trust Company.

### Warrants

As of April 27, 2001 we have issued warrants to purchase 1,379,512 shares of our Common Stock. The holders of the warrants may pay for the shares in cash or through the use of a net exercise procedure without the payment of cash by surrendering shares otherwise purchasable upon exercise of the warrant with a fair market value equal to the exercise price for the shares they are purchasing. The exercise price is subject to adjustments if we declare a stock split or dividend of our Common Stock. The warrants are presently exercisable and have a term of five years.

### Stock Options

#### 1999 Stock Option Plan

Our Board of Directors adopted, and our Shareholders approved, a 1999 Stock Incentive Plan reserving 1,500,000 shares of Common Stock for issuance. The Plan provides for the grant of incentive stock options, as defined in Section 422 of the Internal Revenue Code, to our officers and employees, and nonstatutory stock options to employees, directors and consultants. It may be administered by the Board of Directors or delegated to a committee.

The exercise price of incentive stock options granted under the 1999 Stock Option Plan must be at least equal to the fair market value of our common stock on the date of grant. However, for any employee holding more than 10% of the voting power of all classes of our stock, the exercise price will be no less than 110% of the fair market value on the date of grant. Nonstatutory stock options granted to a person who at the time the option is granted

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does not hold more than 10% of the voting power of all classes of our stock will have an exercise price of no less than 85% of the fair market value of the stock on the date of grant.

Options granted to our employees will become exercisable over a period of no longer than 5 years, and no less than 20% of the shares covered will become exercisable annually. No options will be exercisable prior to one year from the date it is granted unless the Board specifically determines otherwise. In no event will any option be exercisable after the expiration of 10 years from the date it is granted, and no Incentive Stock Option granted to a holder of more than 10% of the voting power of all classes of our stock will be exercisable after the expiration of 5 years from the date it is granted.

If an optionee's status as an employee with us terminates for any reason, other than death or disability, then the optionee may exercise Incentive Stock Options in the three-month period following such cessation. The three-month period is extended to 12-months for termination due to death or disability. In the event of a merger or consolidation in which we are not the surviving entity, or a sale of all or substantially all of our assets or capital

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stock, if the surviving entity does not tender to the optionees stock options or capital stock of substantially the same economic benefit as optionees unexercised options, then the Board may grant to optionees the right to exercise any unexpired options for a period of thirty days.

The 1999 Stock Option Plan will terminate in 2009, unless sooner terminated by the Board of Directors.

### 1996 Stock Option Plan

Our Board of Directors adopted, and our Shareholders approved, a 1996 Stock Incentive Plan reserving 600,000 shares of Common Stock for issuance. The Plan provides for the grant of incentive stock options, as defined in Section 422 of the Internal Revenue Code, to our officers and employees, and nonstatutory stock options to employees, directors and consultants. It may be administered by the Board of Directors or delegated to a committee.

The exercise price of incentive stock options granted under the 1996 Stock Option Plan must be at least equal to the fair market value of our common stock on the date of grant. However, for any employee holding more than 10% of the voting power of all classes of our stock, the exercise price will be no less than 110% of the fair market value on the date of grant. Nonstatutory stock options granted to a person who at the time the option is granted does not hold more than 10% of the voting power of all classes of our stock will have an exercise price of no less than 85% of the fair market value of the stock on the date of grant.

Options granted to our employees will become exercisable over a period of no longer than 5 years, and no less than 20% of the shares covered will become exercisable annually. No options will be exercisable prior to one year from the date it is granted unless the Board specifically determines otherwise. In no event will any option be exercisable after the expiration of 10 years from the date it is granted, and no Incentive Stock Option granted to a holder of more than 10% of the voting power of all classes of our stock will be exercisable after the expiration of 5 years from the date it is granted.

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If an optionee's status as an employee with us terminates for any reason, other than death or disability, then the optionee may exercise Incentive Stock Options in the three-month period following such cessation. The three-month period is extended to 12-months for termination due to death or disability. In the event of a merger or consolidation in which we are not the surviving entity, or a sale of all or substantially all of our assets or capital stock, if the surviving entity does not tender to the optionees stock options or capital stock of substantially the same economic benefit as optionees unexercised options, then the Board may grant to optionees the right to exercise any unexpired options for a period of thirty days.

The 1996 Stock Option Plan will terminate in 2006, unless sooner terminated by the Board of Directors.

### 1995 Stock Option Plan

Our Board of Directors adopted, and our Shareholders approved, a 1995 Stock Incentive Plan reserving 750,000 shares of Common Stock for issuance. The Plan provides for the grant of incentive stock options, as defined in Section 422 of the Internal Revenue Code, to our officers and employees. It may be administered by the Board of Directors or delegated to a committee.

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The exercise price of incentive stock options granted under the 1995 Stock Option Plan must be at least equal to the fair market value of our common stock on the date of grant. However, for any employee holding more than 10% of the voting power of all classes of our stock, the exercise price will be no less than 110% of the fair market value on the date of grant.

Options granted to our employees will become exercisable over a period of no longer than 5 years, and no less than 20% of the shares covered will become exercisable annually. No options will be exercisable prior to one year from the date it is granted unless the Board specifically determines otherwise. In no event will any option be exercisable after the expiration of 10 years from the date it is granted, and no Incentive Stock Option granted to a holder of more than 10% of the voting power of all classes of our stock will be exercisable after the expiration of 5 years from the date it is granted.

If an optionee's status as an employee with us terminates for any reason, other than death or disability, then the optionee may exercise Incentive Stock Options in the three-month period following such cessation. The three-month period is extended to 12-months for termination due to death or disability. In the event of a merger or consolidation in which we are not the surviving entity, or a sale of all or substantially all of our assets or capital stock, if the surviving entity does not tender to the optionees stock options or capital stock of substantially the same economic benefit as optionees unexercised options, then the Board may grant to optionees the right to exercise any unexpired options for a period of thirty days.

The 1995 Stock Option Plan will terminate in 2005, unless sooner terminated by the Board of Directors.

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### PLAN OF DISTRIBUTION

We have entered into an underwriting agreement with Donner Corp. International, providing for the sale of this offering. The principal offices of the underwriter are located at 2691 W. MacArthur Boulevard, Suite 120, Santa Ana, California 92704-6931, and its telephone number is (800) 324-6050. Donner Corp. International, as the underwriter, may engage other broker-dealer members of the NASD to participate as selected placement agents in this offering of our common stock.

This is a best-efforts offering. The underwriter is not obligated to purchase any number or dollar amount of shares at any time. These agents have agreed to use their best efforts to sell on our behalf all of the common stock offered by this prospectus. However, there can be no assurance that all of the shares offered will be sold. Accordingly, investors will bear the risk that we will accept subscriptions for less than 4,800,000 shares and then be unable to successfully complete all of the anticipated uses of the proceeds of this offering. If fewer than 4,800,000 shares are sold, our business, financial condition, and results of operations could be adversely affected.

Funds from this offering will not be placed in an escrow or trust account and will be available for use as the funds are received.

We propose to offer our common stock to the public at the public offering price set forth on the cover of this prospectus, and will pay Donner Corp. International, the underwriter, commissions in an amount equal to 10% of the aggregate purchase price of the common stock sold. The underwriter may allow all or any part of such commissions to any selected placement agent. We have also agreed to pay the underwriter a non-accountable expense allowance equal to



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1.5% of the aggregate purchase price of the common stock sold in this offering. The underwriter may allow all or any part of such expense allowance to any selected placement agent. We and the underwriter have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act of 1933. The underwriter does not intend to conduct any transaction for the purpose of stabilizing, maintaining, or otherwise affecting the market price of our shares.

We may also sell through our executive officers who will not receive commissions and who will be registered as sales representatives where required under state securities laws. We also may appoint other broker-dealers to assist in the sale of shares in the offering.

We will determine, in our sole discretion, to accept or reject subscriptions within five days following their receipt. Funds of an investor whose subscription is rejected will be promptly returned directly to such person without interest or deduction. No subscription may be withdrawn, revoked or terminated by the purchase. We reserve the right to refuse to sell our common stock to any person at any time.

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### LEGAL PROCEEDINGS

We are currently involved in a lawsuit against Master Shine USA, Inc., and its related affiliates and subsidiaries ("Master Shine"), over alleged copyright, patent, and trademark infringement regarding Master Shine's importation and sale of electric scooters that are substantially similar to our Zappy(R) electric scooter. In December 2000, Master Shine filed a lawsuit in the U.S. District Court, Central District of California (Case No. CV 00-12078 NM (CTx)) seeking declaratory relief. The Court has granted an injunction barring the use of our advertising materials, but did not bar Master Shine from continuing to manufacture and sell its electric scooters

### INTEREST OF NAMED EXPERTS AND COUNSEL

Since our inception in 1994, other than as described below, we have neither hired any experts or counsel on a contingent basis nor will any expert or counsel receive a direct or indirect interest in our business. Further, no expert or counsel, except as described below, was or is a promoter, underwriter, voting trustee, director, officer or employee of our company. As explained further in the section of this document entitled "Certain Relationships and Related Transactions," William D. Evers, Esq., who provides legal services to our company, via the firm of Foley & Lardner, of which he is a partner, has been one of our directors since 1999. In 1999 and 2000 Mr. Evers was granted options to purchase up to and including 75,000 shares of our Common Stock at an exercise price ranging from \$3.02 to \$6.50 per share.

### DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our Amended Bylaws and Amended Articles of Incorporation provide that we shall indemnify our directors and officers, and may indemnify our other employees and agents, to the fullest extent permitted by California law.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Act"), may be afforded to our directors, officers and controlling persons pursuant to our Amended Bylaws and Amended Articles of Incorporation, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

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### LEGAL MATTERS

Certain legal matters in connection with the Common Stock being offered in this prospectus will be passed upon by Foley & Lardner, One Maritime Plaza, Sixth Floor, San Francisco, California 94111-3404.

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### EXPERTS

Our financial statements as of and for the years ended December 31, 2000 and 1999 appearing in this prospectus have been audited by Grant Thornton LLP, independent certified public accountants. The financial statements are included in reliance upon the authority of that firm as an expert in accounting and auditing.

### ADDITIONAL INFORMATION

A registration statement on Form SB-2, including amendments, relating to the shares offered has been filed with the Securities and Exchange Commission, Office of Small Business Policy, Washington, D.C. This prospectus does not contain all the information set forth in the registration statement and the exhibits and schedules to the registration statement. Statements made in this prospectus as to the contents of any contract or other document are not necessarily complete, and, in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each statement about those contracts and other documents is qualified in all respects by that reference.

The registration statement and exhibits and schedules, as well as other reports and other information required to be filed with the Securities and Exchange Commission in accordance with the reporting requirements of the Securities Exchange Act of 1934, can be inspected without charge and copied, at proscribed rates, at the public reference facilities maintained by the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0300. In addition, the Securities and Exchange Commission maintains a Web site on the internet at <http://www.sec.gov> that contains reports, proxy and information statements and other documents filed electronically with the Securities and Exchange Commission, including the registration statement.

We furnish our shareholders with annual reports containing financial statements audited by our independent accountants and quarterly reports containing unaudited financial information for the first three quarters of each fiscal year.

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### REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
ZAPWORLD.COM

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We have audited the accompanying consolidated balance sheet of ZAPWORLD.COM and Subsidiaries as of December 31, 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ZAPWORLD.COM and Subsidiaries as of December 31, 2000, and the consolidated results of their operations and their cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

San Francisco, California  
March 9, 2001

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ZAPWORLD.COM and Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 2000  
(in thousands)

### CURRENT ASSETS

Cash	\$	3,5
Accounts receivable, net of allowance for doubtful accounts of \$53,000		1,6
Inventories		2,8
Prepaid expenses and other assets		6
Total current assets		8,7

### PROPERTY AND EQUIPMENT - NET

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### OTHER ASSETS

Patents and trademarks, less accumulated amortization		1,4
Goodwill, less accumulated amortization		2,0
Deposits and other		1
Total other assets		3,5
Total assets	\$	12,8

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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable		\$ 3
Accrued liabilities and customer deposits		1,1
Current maturities of long-term debt		
Current maturities of obligations under capital leases		
		-----
Total current liabilities		1,6
OTHER LIABILITIES		
Long-term debt, less current maturities		
Obligations under capital leases, less current maturities		
		-----
		1
COMMITMENT		
STOCKHOLDERS' EQUITY		
Preferred stock, authorized 10,000 shares of no par value; issued and outstanding 4 shares		1,8
Common stock, authorized 20,000 shares of no par value; issued and outstanding 5,816 shares		19,1
Accumulated deficit		(9,6
Unearned compensation		(
		-----
		11,2
Less: notes receivable from shareholders		(2
		-----
Total stockholders' equity		11,0
		-----
Total liabilities and stockholders' equity		\$ 12,8
		=====

See accompanying notes to financial statements.

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ZAPWORLD.COM and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

Year ended December 31,  
(in thousands, except per share amounts)

	2000	1999
	----	----
Net sales	\$ 12,443	\$ 6,437
Cost of goods sold	7,860	4,446
	-----	-----
Gross profit	4,583	1,991
Operating expenses		
Selling	2,204	1,187
General and administrative	3,824	1,945
Research and development	699	365

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	-----	-----
	6,727	3,497
	-----	-----
Loss from operations	(2,144)	(1,506)
Other income (expense)		
Interest expense	(21)	(267)
Other income	269	81
	-----	-----
	248	(186)
	-----	-----
Loss before income taxes	(1,896)	(1,692)
Provision for income taxes	1	1
	-----	-----
NET LOSS	\$ (1,897)	\$ (1,693)
	=====	=====
Net loss attributable to common shares		
Net loss	\$ (1,897)	\$ (1,693)
Preferred dividend	(2,649)	-
	-----	-----
	\$ (4,546)	\$ (1,693)
	=====	=====
Net loss per common share		
Basic and diluted	\$ (0.85)	\$ (0.43)
	=====	=====
Weighted-average common shares outstanding	5,362	3,928
	=====	=====

See accompanying notes to financial statements.

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ZAPWORLD.COM and Subsidiaries  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
Years ended December 31, 2000 and 1999  
(in thousands)

	Convertible Preferred Stock Shares	Amount	Common Stock Shares	Amount	Accumulated Deficit	Comp & S
	-----	-----	-----	-----	-----	-----
Balance, January 1, 1999	-	\$ -	2,665	\$ 3,811	\$ (3,425)	\$
Issuance of common stock						
Cash			30	178		
Private placement, net of expense of \$614			746	1,721		
Acquisitions			280	2,264		
Advance to retail stores & technology co.'s			58	406		
Employee stock purchase plan			1	6		
Repurchase of shares			(2)	(11)		
Services			27	141		
Litigation settlement			9	50		
Conversion of Debt			165	665		

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Exercise of employee stock options			559	423	
Exercise of non-employee stock options			571	2,000	
Fair value of stock options granted to employees			-	1	
Fair value of stock options and warrants issued to non-employees			-	135	
Stock options and warrants issued for future services			-	263	
Amortization of unearned compensation Note Receivable from shareholders					
Net loss					(1,693)
	-----	-----	-----	-----	-----
Balance, December 31, 1999	-	-	5,109	12,053	(5,118)
Issuance of convertible preferred stock					
Series A-1 preferred stock, net of issuance cost of \$295	3	2,705			
Series A-2 preferred stock, net of issuance cost of \$192	2	1,808			
Common Stock warrants issued with preferred stock	-	(2,292)	-	2,292	
Beneficial conversion feature of preferred stock			-	2,539	
Deemed dividend from preferred stock					(2,539)
Issuance of common stock					
Cash			3	14	
Acquisitions			260	1,522	
Advance to retail stores & technology co.'s			10	50	
Employee stock purchase plan			1	10	
Services			11	42	
Employee compensation			5	27	
Preferred stock conversion	(1)	(409)	250	409	
Cashless conversion of warrants			71		
Exercise of employee stock options			84	96	
Exercise of non-employee stock options			12	63	
Amortization of unearned compensation					
Payment on notes receivable					
Dividend declared on preferred stock					(110)
Net loss					(1,897)
	-----	-----	-----	-----	-----
Balance, December 31, 2000	4	\$ 1,812	5,816	\$19,117	\$ (9,664)
	=====	=====	=====	=====	=====

See accompanying notes to financial statements.

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ZAPWORLD.COM and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

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Year ended December 31,  
(in thousands)

	2000 -----	1999 -----
Cash flows from operating activities:		
Net loss	\$ (1,897)	\$ (1,6
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	629	1
Issuance of common stock for services rendered	42	1
Issuance of common stock for litigation settlement	-	
Issuance of stock options for services rendered	-	1
Noncash charges and settlement of debt	-	1
Amortization of fair value of warrants	54	
Changes in:		
Receivables	(1,260)	(
Inventories	(1,073)	(8
Prepaid expenses and other	(393)	
Deposits	(18)	(
Accounts payable	(545)	3
Accrued liabilities and customer deposits	799	2
	-----	-----
Net cash used in operating activities	(3,662)	(1,4
Cash flows from investing activities:		
Purchase of property and equipment	(239)	(1
Purchase of Electric Motorbike, Inc.	(100)	
Purchase of American Scooter and Cycle Rental	-	(
Purchase of Big Boy Bicycles	-	(
Proceeds from emPower acquisition	-	1,0
Purchase of intangibles	(209)	(
Payment advances for acquisitions	-	(
Issuance of note receivable	-	(
Payments on note receivable	20	
	-----	-----
Net cash provided by (used in) financing activities	(528)	6
Cash flows from financing activities:		
Sale of preferred stock, net of preferred stock offering costs	4,513	
Sale of common stock, net of stock offering costs	14	1,8
Issuance of common stock under employee purchase plan	10	
Proceeds from issuance of long-term debt	-	(3
Proceeds from exercise of stock options	159	2,4
Repurchase of common stock	-	(
Advances on note receivable to shareholder	-	(2
Proceeds from payment of note receivable from shareholder	67	
Payments on obligations under capital leases	(13)	(
Principal repayments on long-term debt	(201)	
	-----	-----
Net cash provided by financing activities	4,549	3,5
	-----	-----
NET INCREASE IN CASH	359	2,7
Cash, beginning of year	3,184	4
	-----	-----
Cash, end of year	\$ 3,543	\$ 3,1
	=====	=====

See accompanying notes to financial statements.

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ZAPWORLD.COM

STATEMENTS OF CASH FLOWS

Year ended December 31,  
(in thousands)

	2000	1999
	-----	-----
Supplemental cash flow information:		
-----		
Cash paid during the year for:		
Interest	\$ 21	\$ 1
Income taxes	1	
Non-cash investing and financing activities:		
Conversion of debt into common stock	-	4
Conversion of accounts payable into common stock	-	
Equipment acquired through capital lease obligations	27	
Notes payable used to exercise stock options	-	
Issuance of common stock upon acquisition of Electric Motorbike, Inc., and Aquatic Propulsion Technology	1,522	
Issuance of common stock upon acquisition of American Scooter and Cycle Rental, Big Boy Bicycles, and emPower Corporation	-	2,2
Assets and liabilities recognized upon acquisition of Electric Motorbike, Inc. and Aquatic Propulsion Technology		
Inventories	100	
Property and equipment	78	
Other assets	19	
Patent	196	
Goodwill	1,991	
Accounts payable	201	
Advances from ZAPWORLD	206	
Assets and liabilities recognized upon acquisition of American Scooter and Cycle Rental, Big Boy Bicycles, and emPower Corporation		
Cash	-	1,0
Inventories	-	2
Prepaid expenses and other	-	
Property and equipment	-	
Patent	-	1,1
Accounts payable	-	1

See accompanying notes to financial statements.

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ZAPWORLD.COM and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ZAPWORLD.COM ("the Company"), formerly the ZAP Power Systems, was



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incorporated in California in September, 1994. The Company designs, manufactures, and distributes electric bicycle power kits, electric bicycles and tricycles, and other low power electric transportation vehicles. Company products are sold directly to end-users and to distributors throughout the United States.

### 1. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, ZAPWORLD Stores, Inc., and emPower Corporation. All significant inter-company transactions and balances have been eliminated.

### 2. Revenue Recognition

The Company recognizes income when products are shipped.

### 3. Inventories

Inventories consist primarily of raw materials, work-in-process, and finished goods and are carried at the lower of cost (first-in, first-out method) or market.

### 4. Property and Equipment

Property and equipment are stated at cost and depreciated using straight-line and accelerated methods over the assets' estimated useful lives. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Estimated useful lives are as follows:

Machinery and equipment	7 years
Equipment under capital leases	5 years
Demonstration bicycles	2 years
Office furniture and equipment	7 years
Vehicle	5 years
Leasehold improvements	15 years or life of lease, whichever is shorter

### 5. Patents and Trademarks

Patents and trademarks consist of costs expended to perfect certain patents and trademarks acquired and are amortized over ten years.

### 6. Goodwill

Goodwill consists of the excess consideration paid over net identifiable assets acquired and is amortized over ten years.

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## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 7. Income Taxes

The Company accounts for income taxes using an asset and liability approach for financial accounting and reporting purposes. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws.

### 8. Use of Estimates

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The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Company to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. The amounts estimated could differ from actual results.

### 9. Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with accounting principles generally accepted in the United States of America. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. For certain of the Company's financial instruments, including cash, accounts receivable and accounts payable, the carrying amount approximates fair value because of the short maturities. The fair value of debt is not determinable due to the terms of the debt and no comparable market for such note.

### 10. Net Loss Per Common Share

Net loss per common share, basic and diluted, has been computed using weighted average common shares outstanding. The potential dilutive securities of options and warrants of 2,859,000 and 1,304,000 in 2000 and 1999, respectively, and the conversion of preferred stock into common stock as described in Note I, have been excluded from the dilutive computations, as their inclusion would be anti-dilutive.

### 11. Stock-Based Compensation

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board ("APB") No. 25, Accounting for Stock Issued to Employees, and complies with disclosure provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation. Under APB No. 25, compensation cost is recognized over the vesting period based on the difference, if any, on the date of grant between the quoted market price of the Company's stock and the amount an employee must pay to acquire the stock.

### 12. Segment Information

The Company operates in one reportable segment. The Company's chief operating decision maker is the Chief Executive Officer who reviews a single set of financial data that encompasses the Company's entire operations for purposes of making operating decisions and assessing performance.

### 13. Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which defined derivatives, requires that all derivatives be carried at fair value and provides for hedge accounting when certain conditions are met. SFAS No. 133, as amended by SFAS No. 137, is effective for the Company in fiscal 2001. Although the Company has not fully assessed the implication of SFAS No. 133 as amended, the Company does not believe that the adoption of this statement will have a material effect on its financial condition or results of operations.

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NOTE B - INVENTORIES

Inventories consist of the following at December 31, 2000 (thousands):

Raw materials	\$	1,960
Work-in-process		78
Finished goods		860
		-----
	\$	2,898
		=====

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2000(thousands):

Machinery and equipment	\$	371
Computer equipment		289
Demonstration bicycles		90
Office furniture and equipment		111
Leasehold improvements		94
Vehicle		118
		-----
		1,073
Less accumulated depreciation and amortization		563
		-----
	\$	510
		=====

NOTE D - DEBT

Promissory note payable in monthly installments of \$6,000 through June 30, 2001 and \$7,000 per month through July 1, 2004. Interest accrues at 10% per year. The note is convertible into common stock at \$5.00 per share and may be converted on or before December 31, 2000. At December 31, 2000, none of the note principal was converted (thousands).

	\$	165
Other		29
		-----
		194
Less current portion		99
		-----
Long-term debt	\$	95
		=====

Installments due on debt principal are as follows (thousands):

Year ending December 31,	
-----	
2001	\$ 99
2002	89
2003	6
	-----
	\$ 194
	=====

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NOTE E - PROVISION FOR INCOME TAXES

	2000	1999
	-----	-----
Current tax expense (thousands)		
Federal	\$ -	\$ -
State	1	1
	-----	-----
	\$ 1	\$ 1
	=====	=====
Deferred tax assets (liabilities)		
Tax loss carryforward	\$ 2,057	\$ 1,820
Inventory capitalization	(283)	(99)
Other	(37)	(71)
	-----	-----
	1,737	1,650
Less valuation allowance	(1,737)	(1,650)
	-----	-----
Net deferred tax asset	\$ -	\$ -
	=====	=====

The Company has available for carryforward approximately \$4,549,000 and \$2,660,000 of federal and state net operating losses, respectively, expiring through 2020 for federal purposes and 2010 for state purposes. The Tax Reform Act of 1986 and the California Conformity Act of 1987 impose restrictions on the utilization of net operating losses in the event of an "ownership change" as defined by Section 382 of the Internal Revenue Code. There has been no determination whether an ownership change, as defined, has taken place. Therefore, the extent of any limitation has not been ascertained.

A valuation allowance is required for those deferred tax assets that are not likely to be realized. Realization is dependent upon future earnings during the period that temporary differences and carryforwards are expected to be available. Because of the uncertain nature of their ultimate utilization, a full valuation allowance is recorded against these deferred tax assets. The change in the valuation allowance at December 31, 2000 and 1999 was \$87,000 and \$435,000, respectively.

The difference between the income tax expense at the federal statutory rate and the Company's effective tax rate is as follows:

	December 31,	
	-----	-----
	2000	1999
	----	----
Statutory federal income tax rate	34%	34%
State income tax rate	6	6
Valuation allowance	(40)	(40)
	-----	-----
	-%	-%
	=====	=====

NOTE F - STOCK OPTIONS AND WARRANTS

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Options to purchase common stock are granted by the Board of Directors under three Stock Option Plans, referred to as the 1999, 1996 and 1995 plans. Options granted may be incentive stock options (as defined under Section 422 of the Internal Revenue Code) or nonstatutory stock options. The number of shares available for grant under the 1999, 1996 and 1995 Plans are 1,500,000, 600,000 and 750,000, respectively. Options are granted at no less than fair market value on the date of grant, become exercisable as they vest over a two or three year period, and expire ten years after the date of grant.

Option activity under the three plans is as follows (thousands, except per share amounts):

	1999 Plan		1996 Plan	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 1999	-	\$ -	364	\$1.55
Granted	481	\$6.33	35	\$4.06
Exercised	(1)	\$5.00	(259)	\$1.15
Canceled	(1)	\$5.00	(14)	\$3.50
Outstanding at December 31, 1999	479	\$6.34	126	\$2.85
Granted	630	\$5.17	-	-
Exercised	(7)	\$5.00	(52)	\$1.23
Canceled	(4)	\$5.25	-	-
Outstanding at December 31, 2000	1,098	\$5.71	74	\$3.97

The weighted-average fair value of options granted during the years ending December 31, 2000 and 1999 was \$3.52 and \$4.33, respectively.

The following information applies to options outstanding at December 31, 2000:

Plan:	1999	1996	1995
Range of exercise prices	\$4.12 - \$9.87	\$1.00 - 5.25	\$1.00
Weighted-average remaining life (years)	9.15	7.07	5.50
Options exercisable	303,000	72,000	45,000
Weighted average exercise price	\$5.96	\$3.97	\$1.00

The Company has adopted the disclosure only provision of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation (SFAS 123)". Accordingly, no compensation expense has been recognized for stock options issued during 2000 and 1999. Had compensation cost for the Company's options been based on the fair value of the awards at the grant date consistent with the provisions of SFAS No. 123, the Company's net loss and loss per common share would have approximated the following proforma amounts (thousands, except per share amounts):

2000	1999
------	------

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	-----	-----
Net loss - as reported	\$ (1,897)	\$ (1,693)
Net loss - pro forma	(3,448)	(2,687)
Loss per common share - as reported	(0.85)	(0.43)
Loss per common share - pro forma	(1.14)	(0.68)

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The fair value of each option and warrant is estimated on date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2000	1999
	-----	-----
Dividends	None	None
Expected volatility	72%	86%
Risk free interest rate	6%	6%
Expected life	5 years	5 years

The Company granted stock options and warrants to purchase common stock to non-employees of the company. Total granted during 2000 was 1,217,000 consisting of 1,185,000 warrants to preferred shareholders and 32,000 to other non-employees. The options and warrants have exercise prices ranging from \$5.43 to \$5.98. Non-employee options and warrants exercisable at December 31, 2000 is 1,607,000.

During 1999, the Company granted a total of 1,138,000 options and warrants to purchase common stock to non-employees consisting of 671,000 in connection with the private placement, 200,000 in connection with the emPower acquisition, 100,000 in connection with placement fees and 167,000 to other non-employees. The options and warrants have exercise prices ranging from \$3.02 to \$6.36.

The Company recorded the non-employee options and grants based on the grant date for value in accordance with SFAS No. 123. The grant date fair value of each stock option was estimated using the Black-Scholes option-pricing model. The Company recorded expense including amortization of unearned compensation in the amount of \$54,000 and \$166,000 for the years ended December 31, 2000 and 1999, respectively.

Options and warrant activity for non-employees is as follows (in thousands except per share amounts):

		Weighted Average -----
Outstanding at 1/1/99	126	\$4.74
Granted	1,138	4.58
Exercised	(571)	3.50
Forfeited	(64)	4.75
	-----	
Outstanding at 12/31/99	629	5.51
Granted	1,217	5.55
Exercised	(83)	5.45
Forfeited	(121)	5.51

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Outstanding at 12/31/2000	----- 1,642 =====	\$5.37
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NOTE G - MAJOR CUSTOMER

During 2000, one customer accounted for \$1,112,000 or 9% of the Company's net sales. During 1999, one customer accounted for \$680,000 or 11% of the Company's net sales.

During 2000, one vendor accounted for \$3,054,000 or 44% of the Company's supplies and materials. During 1999, one vendor accounted for \$799,000 or 12% of the Company's supplies and materials.

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NOTE H - COMMITMENT

The Company rents warehouse and office space under operating leases that expire through 2005. The monthly rent is adjusted annually to reflect the average percentage increase in the Consumer Price Index. An option exists to extend each lease for an additional five- year period. Rent expense under these leases were \$250,000 and \$125,000 in 2000 and 1999, respectively.

Future minimum lease payments on the lease are as follows (thousands):

Year ending December 31,	
-----	
2001	\$ 388
2002	338
2003	332
2004	173
2005	48
	-----
Total	\$ 1,279
	=====

NOTE I - PREFERRED STOCK

During 2000, the Company issued three thousand shares of Preferred Stock Series A-1 and 2 thousand shares of Preferred Stock Series A-2. Both series are immediately convertible into common stock at the lesser of the fixed price of \$4.50 for the Series A-1 and \$5.91 for the Series A-2, or at the variable conversion price determined as follows: (1) on or before the first anniversary date, the amount of 85% of the average of the 3 lowest closing price over the 22 trading days prior to conversion, (2) thereafter and or before the second anniversary, the amount of 80% of the average of the 3 lowest closing prices over the 22 days prior to conversion, and (3) thereafter and on or before the day prior to the third anniversary date, the amount of 70% of the average of the 3 lowest closing prices over the 45 trading days prior to conversion. Dividends are cumulative and accrue at 6% per year and payable on June 30th of each year or on conversion date. Dividends are payable in cash or in common stock at the Company's option. During the year, 920 shares of preferred stock were converted into common stock. All preferred stockholders are subject to automatic conversion to common stock three years from the date of purchase.

During the year, the Company recorded a deemed dividend on preferred stock of approximately \$2.5 million. This is a result of the effective conversion

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price of the convertible preferred stock issued during the year being less than the market price of the common stock on the commitment date of the transaction. All deemed dividends related to the transaction have been recognized during the year as a result of all preferred stock being immediately convertible at the discretion of the holder.

In connection with the issuance of the above preferred stock, the Company granted 1,185,000 warrants to purchase common stock. The warrants are immediately exercisable and have exercise prices ranging from \$5.43 to \$5.98.

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### NOTE J - ACQUISITIONS

In October 2000, the Company purchased all assets of Electric Motorbike Inc. ("EMB") and assumed certain liabilities. The Company issued 140,000 shares of common stock at \$5.68 and paid \$100,000 in cash. The purchase price was allocated to assets acquired based on their estimated fair value. Results of operations for EMB have been included with those of the Company for the periods subsequent to the date of acquisition. Pro forma information is not presented as they are not significant.

The purchase price of EMB was allocated as follows (thousands):

Inventory	\$	51
Goodwill		960
Advances from ZAPWORLD (63)		
Liabilities assumed		(53)
		-----
	\$	895
		=====

Consideration paid (thousands):

Cash	\$	100
Common stock		795
		-----
	\$	895
		=====

In July 2000, the Company purchased all assets of Aquatic Propulsion Technology, Inc. ("APT") and assumed certain liabilities. The Company issued 120,000 shares of common stock at \$6.05 per share. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. Results of operations for APT have been included with those of the Company for periods subsequent to the date of acquisition. Pro forma information is not presented as they are not significant.

The purchase price of APT was allocated as follows (thousands):

Inventory	\$	49
Property & equipment		78
Patents		196
Other assets		19
Goodwill		1,031
Note payable assumed		(356)
Advances from ZAPWORLD		(143)
Liabilities assumed		(148)
		-----
	\$	726





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persons being or having been a director, officer, employee or agent of our company. Moreover, our Amended Bylaws provide that we shall have the right to purchase and maintain insurance on behalf of any such persons whether or not we would have the power to indemnify such person against the liability insured against. Our Amended Articles of Incorporation provide that we may indemnify our directors and officers to the fullest extent permissible under California law. In accordance with these Articles of Incorporation, the liability of our directors for monetary damages is eliminated to the fullest extent permissible under California law.

### Item 25. Other Expenses of Issuance and Distribution

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The following table sets forth all expenses payable by the registrant in connection with the sale of the Common Stock being offered. All the amounts shown are estimates except for the registration fee.

Registration fee.....	\$ 3,000
Printing and engraving expenses.....	\$ 5,000
Legal fees and expenses.....	\$ 65,000
Accounting Fees and Expenses.....	\$ 25,000
Miscellaneous.....	\$ 2,000
Total.....	\$ 100,000

### Item 26. Recent Sales of Unregistered Securities

-----

Since our inception in 1994, we have issued or sold unregistered securities in the amounts, at the times, for the consideration and pursuant to the exemptions from registration provided by the Securities Act of 1933, as amended (the "Act"), as follows:

In 1998, pursuant to an exemption under Rule 701 of Regulation D promulgated under the Act and in connection with our 1996 Stock Option Plan, we granted options to purchase 20,000 shares of our Common Stock to employees.

In 1998, pursuant to an exemption under Section 4(2) of the Act and in connection with our 1996 Stock Option Plan we granted options to purchase 82,800 shares of our Common Stock to non-employees.

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In 1998, pursuant to an exemption under Section 4(2) of the Act and in connection with the issuance of \$800,000 in notes payable, we issued a warrant to purchase 20,000 shares of our Common Stock. This warrant is exercisable at a price of \$4.00 per share until September 2001.

In 1998, pursuant to an exemption under Section 4(2) of the Act, we issued 15,000 shares of our Common Stock to employees for an aggregate price of \$15,000.

In 1998, pursuant to an exemption under Section 4(2) of the Act and in connection with the conversion of \$14,317 of debt to equity, we issued 2,727 shares of our Common Stock.

In 1998, pursuant to an exemption under Section 4(2) of the Act, we issued 25,136 shares of our Common Stock for payment of current and future services.

On December 30, 1999, pursuant to an exemption under Section 4(2) of

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the Act and in connection with our acquisition of the outstanding Common Stock of emPower, Inc., a Massachusetts corporation, we issued 265,676 shares of our Common Stock and a warrant to purchase 200,000 shares of our Common Stock, exercisable until December 30, 2002, to the shareholders of emPower, Inc.

In September 1999, pursuant to an exemption under Section 4(2) of the Act and in connection with our acquisition of the assets of Big Boy Bicycles, a Florida corporation, we issued 1000 shares of our Common Stock to the shareholders of Big Boy Bicycles.

In July 1999, pursuant to an exemption under Section 4(2) of the Act and in connection with our acquisition of the assets of American Scooter and Cycle Rental, a California corporation, we issued 12,924 shares of our Common Stock to the shareholders of American Scooter and Cycle Rental.

In 1999, pursuant to an exemption under Section 4(2) of the Act and in connection with the settlement of litigation, we issued 8,666 shares of our Common Stock to Transmag, Inc.

In 1999, pursuant to an exemption under Rule 701 of Regulation D promulgated under the Act and in connection with our 1996 Stock Option Plan, we granted options to purchase 35,000 shares of our Common Stock to employees.

In 1999, pursuant to an exemption under Rule 701 of Regulation D promulgated under the Act and in connection with our 1999 Stock Option Plan, we granted options to purchase 481,000 shares of our Common Stock to employees.

In 1999, pursuant to an exemption under Section 4(2) of the Act and in connection with our 1999 and 1996 Stock Option Plans we granted options to purchase 1,138,429 shares of our Common Stock to non-employees.

In 1999, pursuant to an exemption under Section 4(2) of the Act, we sold 29,833 shares of our Common Stock to purchasers for an aggregate price of \$177,900.

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In 1999, pursuant to an exemption under Section 4(2) of the Act, we sold 746,119 shares of our Common Stock to purchasers for an aggregate price of \$1,720,600.

In 1999, pursuant to an exemption under Section 4(2) of the Act, we issued 27,479 shares of our Common Stock for payment of current and future services.

In 1999, pursuant to an exemption under Section 4(2) of the Act and in connection with our 1999 Employee Common Stock Purchase Plan, we sold 6,588 shares of our Common Stock to employees for an aggregate price of \$5,600.

In 1999, pursuant to an exemption under Section 4(2) of the Act and in connection with the conversion of \$664,700 of debt to equity, we issued 165,111 shares of our Common Stock.

In 1999, pursuant to an exemption provided by Rule 701 of Regulation D promulgated under the Act and in connection with the exercise of employee stock options, we issued 559,086 shares of our Common Stock to employees for an aggregate price of \$423,400.

On January 20, 2000, pursuant to an exemption under Section 4(2) of the Act and in connection with our acquisition of the outstanding Common Stock of

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Zap of Santa Cruz, Inc., a California corporation, we issued 8,803 shares of our Common Stock to the shareholders of Zap of Santa Cruz, Inc.

On February 29, 2000, pursuant to an exemption under Section 4(2) of the Act and in connection with our acquisition of the outstanding Common Stock of Electric Vehicle Systems, Inc., a California corporation, we issued 25,000 shares of our Common Stock to the shareholders of Electric Vehicle Systems, Inc.

In October 2000, pursuant to an exemption under Section 4(2) of the Act and in connection with our acquisition of the assets of EMB, Inc., we issued 140,000 shares of our Common Stock.

In July 2000, pursuant to an exemption under Section 4(2) of the Act and in connection with our acquisition of Acquatic Propulsion Technology, Inc., a Bahaman corporation, we issued 120,000 shares of our Common Stock to the shareholders of Acquatic Propulsion Technology, Inc.

In July 2000, pursuant to an exemption under Section 4(2) of the Act, we sold 3,000 shares of our Series A-1 Preferred Stock to investors for an aggregate purchase price of \$3,000,000. In connection with this sale we issued warrants to purchase 616,666 shares of our Common Stock.

In October 2000, pursuant to an exemption under Section 4(2) of the Act, we sold 2,000 shares of our Series A-2 Preferred Stock to investors for an aggregate purchase price of \$2,000,000.

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In 2000, pursuant to an exemption under Section 4(2) of the Act, we issued warrants to purchase 19,600 shares of our Common Stock.

In 2000, pursuant to an exemption under Section 4(2) of the Act, we issued 23,300 shares of our Common Stock.

In 2000, pursuant to an exemption under Section 4(2) of the Act and an exemption provided by Rule 701 of Regulation D promulgated under the Act and in connection with our 1999 Stock Option Plan, we issued 414,150 shares of our Common Stock to employees.

In 2000, pursuant to an exemption under Section 4(2) of the Act and in connection with our 1999 Stock Option Plan we granted options to purchase 100,000 shares of our Common Stock to non-employees.

### Item 27. Exhibits

#### Exhibit

Number

Document

- | Number | Document  |
|--------|---|
| 1.1    | Underwriting Agreement between Zapworld.com and Donner Corp. International, dated May 2, 2001.                      |
| 3.1    | Articles of Incorporation of ZAP Power Systems, endorsed and filed on September 23, 1994.                           |
| 3.2    | Certificate of Amendment to Articles of Incorporation of ZAP Power Systems, endorsed and filed on November 8, 1996. |

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- 3.3 Certificate of Amendment of Articles of Incorporation of ZAP Power Systems, endorsed and filed on June 2, 1999.
- 3.4 Certificate of Amendment of Articles of Incorporation of ZAPWORLD.COM, endorsed and filed June 28, 2000.
- 3.5 Certificate of Determination of Rights and Preferences of the Series A-1 Convertible Preferred Stock and Series A-2 Convertible Preferred Stock, endorsed and filed June 28, 2000.
- 3.6 Bylaws of ZAP Power Systems, dated September 26, 1994.
- 3.7 Amended Bylaws of ZAPWORLD.COM, dated June 24, 2000.
- 5.1 Opinion of Foley & Lardner.

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- 10.1 Agreement and Plan of Reorganization By and Among ZAPWORLD.COM and ZAP OF SANTA CRUZ, INC. dated January 20, 2000.
- 10.2 Agreement of Merger of ZAPWORLD.COM and ZAP OF SANTA CRUZ, INC. dated January 20, 2000.
- 10.3 Plan of Reorganization for EMB, Inc. dated May 5, 2000.
- 10.4 Agreement between ZAPWORLD.COM and American Scooter & Cycles Rental, Inc. dated July 12, 1999.
- 10.5 Asset Purchase Agreement between ZAPWORLD.COM and American Scooter and Cycle Rentals, Inc. dated January 31, 2000.
- 10.6 Stock Purchase Agreement and Plan of Reorganization between ZAPWORLD.COM, Barbary Coast Padi Cab Leasing Corporation, and Jeff Sears and Helena Sears as Trustees of the Jeff Sears and Helena Sears Revocable Trust dated January 31, 2000.
- 10.7 Agreement and Plan of Reorganization by and among ZAPWORLD.COM and Aquatic Propulsion Technology, Inc. dated July 1, 2000.
- 10.8 Agreement of Merger of ZAPWORLD.COM and Aquatic Propulsion Technology, Inc. dated July 1, 2000.
- 10.9 Agreement and Plan of Reorganization by and among ZAPWORLD.COM, emPower Acquisition, Inc. and EMPower Corporation dated December 17, 1999.
- 10.10 Lease Agreement between ZAP Power Systems and Daniel O. Davis and Robin H. Davis for premises known as 117 Morris Street dated January 12, 1996.
- 10.11 Extension of Lease Between ZAP Power Systems and Daniel O. Davis and Robin H. Davis for premises known as 117 Morris Street dated July 10, 1998.
- 10.12 Lease Agreement Between ZAPWORLD.COM and Pine Creek Properties for 6780 Depot Street dated August 6, 1999.

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- 10.13 Lease Agreement Between ZAPWORLD.COM and Pine Creek Properties for 6784 Sebastopol Ave. dated August 24, 2000.
- 10.14 Lease Agreement Between ZAP POWER SYSTEMS and Daniel O. Davis and Robbin H. Davis for 111 Morris Street dated June 5, 1998.
- 10.15 Lease Agreement Between ZAPWORLD.COM and Ron Basso DBA/R. S. Basso Company for 7190 Keating Avenue dated July 1, 1996.
- 10.16 Sublease Agreement Between ZAPWORLD.COM and Ron Basso, an individual doing business as R.S. Basso Company for 7190 Keating Avenue dated August 1, 1999.
- 10.17 Sublease Agreement Between ZAPWORLD.COM and American Scooter and Cycle Rental, Inc. for 2715 Hyde Street, San Francisco, CA dated July 13, 1999, plus addendum thereto dated April 4, 2000.
- 10.18 Lease Agreement Between ZAPWORLD.COM and Pine Creek Properties for 6780-B Depot Street dated October 16, 2000.
- 23.1 Consent of Grant Thornton LLP
- 23.2 Consent of Foley & Lardner

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### Item 28. Undertakings

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a) The Registrant hereby undertakes that it will:

1) File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

- (i) Include any prospectus required by Section 10(a)(3) of the Securities Act;
- (ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement; and
- (iii) Include any additional or changed material information on the plan of distribution.

2) For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the bona fide offering.

3) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the Offering.

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### SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form SB-2 and authorized this registration

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statement to be signed on its behalf by the undersigned, in the city of San Francisco, state of California, on May 3, 2001.

Zapworld.com

By: /s/ Gary Starr

-----  
Gary Starr  
Chief Executive Officer

In accordance with the requirements of the Securities Act of 1933, this registration statement was signed by the following persons in the capacities and on the dates stated.

Signature -----	Title -----	Date ----
/s/ Gary Starr ----- Gary Starr	Chief Executive Officer and Director	May 3, 2001
/s/ William R. Hartman ----- William R. Hartman	Chief Financial Officer	May 3, 2001
/s/ Robert E. Swanson ----- Robert E. Swanson	Chairman of the Board and Director	May 3, 2001
/s/ William D. Evers ----- William D. Evers	Director	May 3, 2001
/s/ Harry Kraatz ----- Harry Kraatz	Director	May 3, 2001