KATZ ROBERT A
Form 4
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FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
KATZ ROBERT A

(Last) (First) (Middle)

C/O VAIL RESORTS, INC., 390 INTERLOCKEN CRESCENT

(Street)

BROOMFIELD, CO 80021

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
VAIL RESORTS INC [MTN]

3. Date of Earliest Transaction (Month/Day/Year)
06/08/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Exec.Officer & Chairman

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8) Code	V	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) Amount	(A) or (D)	Price	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	06/08/2018		M		123,539	A	$ 35.84	556,964	D	
Common Stock	06/08/2018		F		63,034 (1)	D	$ 275.25	493,930	D	
Common Stock	06/08/2018		M		108,344	A	$ 37.2	602,274	D	
Common Stock	06/08/2018		F		55,853 (1)	D	$ 275.25	546,421	D	
Common Stock	06/11/2018		S		12,403	D	$ 271.01 (2)	534,018	D	

Common Stock	06/11/2018		S		15,257	D	$ 271.9 (3)	518,761	D	
Common Stock	06/11/2018		S		3,695	D	$ 272.82 (4)	515,066	D	
Common Stock	06/11/2018		S		9,145	D	$ 274.13 (5)	505,921	D	
Common Stock	06/11/2018		S		2,500	D	$ 274.74 (6)	503,421	D	
Common Stock	06/11/2018		S		200	D	$ 275.56	503,221	D	
Common Stock	06/11/2018		S		2,000	D	$ 277.68 (7)	501,221	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amoun Underlying Securiti (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amou Numb Share
Share Appreciation Right	$ 35.84	06/08/2018		M			123,539	(8)	09/22/2019	Common Stock	123.
Share Appreciation Right	$ 37.2	06/08/2018		M			108,344	(9)	09/21/2020	Common Stock	108.

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other

KATZ ROBERT A C/O VAIL RESORTS, INC. 390 INTERLOCKEN CRESCENT BROOMFIELD, CO 80021	X	Chief Exec.Officer & Chairman

Signatures

Emily S. Barbara, Attorney-in-Fact for Robert A. Katz	06/12/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares of common stock were withheld from the issuance of common stock to the Reporting Person upon exercise in order to satisfy the Reporting Person's obligations for payment of the exercise price and withholding and other taxes due in connection therewith.

(2) The price reported is a weighted average price. These shares were sold in multiple transactions at prices ranging from $270.51 to $271.48, inclusive. The Reporting Person undertakes to provide Vail Resorts, Inc., any security holder of Vail Resorts, Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the rangesset forth in this footnote.

(3) The price reported is a weighted average price. These shares were sold in multiple transactions at prices ranging from $271.52 to $272.37, inclusive. The Reporting Person undertakes to provide Vail Resorts, Inc., any security holder of Vail Resorts, Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in this footnote.

(4) The price reported is a weighted average price. These shares were sold in multiple transactions at prices ranging from $272.53 to $273.52, inclusive. The Reporting Person undertakes to provide Vail Resorts, Inc., any security holder of Vail Resorts, Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in this footnote.

(5) The price reported is a weighted average price. These shares were sold in multiple transactions at prices ranging from $273.55 to $274.41, inclusive. The Reporting Person undertakes to provide Vail Resorts, Inc., any security holder of Vail Resorts, Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in this footnote.

(6) The price reported is a weighted average price. These shares were sold in multiple transactions at prices ranging from $274.56 to $275.06, inclusive. The Reporting Person undertakes to provide Vail Resorts, Inc., any security holder of Vail Resorts, Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in this footnote.

(7) The price reported is a weighted average price. These shares were sold in multiple transactions at prices ranging from $277.27 to $277.74, inclusive. The Reporting Person undertakes to provide Vail Resorts, Inc., any security holder of Vail Resorts, Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in this footnote.

(8) The Share Appreciation Rights vested in three equal installments on September 22, 2010, 2011 and 2012.

(9) The Share Appreciation Rights vested in three equal installments on September 21, 2011, 2012 and 2013.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. merchandise the products and is actively involved in the sale of its products to commissaries/exchanges and the interaction between the commissaries/exchanges, brokers and us. Payment for products are remitted by DeCA to the manufacturer within seven days after the end of each roll-up period with respect to meats, 10 days with respect to dairy products and 23 days with respect to most other products. The manufacturer pays us a fee based on a specified percentage of the purchase price paid by DeCA. For the year ended December 31, 2001, approximately 40% of our revenues were derived from the sale of products acquired on a consignment basis. In a consignment sale, the manufacturer is involved in all facets of the transaction. It appoints and monitors brokers, maintains the account with DeCA, receives payment from DeCA, and pays us a fee based on a percentage of the

purchase price paid by DeCA. For the year ended December 31, 2001, approximately 60% of our revenues were derived from the purchase and sale of products in which we acted as principal and dealt directly with DeCA. In such instances, we purchase the product from manufacturers and resell such products to commissaries at the best price attainable. We, rather than the manufacturer, maintain an account with DeCA through the EDI system and receive payments directly from DeCA as if we were the manufacturer of the products. We believe all of our suppliers have sufficient resources to continue supplying the products we distribute and do not foresee any shortage of product availability from any of our suppliers. MARKETING AND CUSTOMER SERVICE Our senior management is involved in maintaining relationships with key customers and securing new accounts. We also maintain good relationships with brokers, which have been an effective source of new products. We believe that our ability to consistently provide a high level of service makes us desirable to brokers who want to ensure on-time delivery of the products they represent. We rigorously monitor the quality of our service. Our personnel frequently visit the commissaries that we serve and we are in constant communication with commissaries in order to ensure on-time order fulfillment. 20 OPERATIONS AND DISTRIBUTION Our operations can generally be categorized into two business processes: (i) product replenishment and (ii) order fulfillment. Product replenishment involves the management of logistics from the vendor location through the delivery of products to our distribution center. Order fulfillment involves all activities from order placement through delivery to the commissary location. We determine the quantities in which such products will be ordered from manufacturers. Order quantities for each product are systematically determined by us. Given our experience in managing our product flow, losses due to shrinkage, damage and product obsolescence represented less than 1/3 of 1% of 2000 net sales. We work closely with the commissaries in order to optimize transportation from vendor locations to the distribution center. By utilizing our own trucks and our expertise in managing transportation, we can ensure on-time delivery of products on a cost-effective basis. We believe that we realize significant cost savings by the consolidation of products from more than one vendor or for use by more than one commissary. We also utilize a number of third party carriers to provide in-bound transportation services. None of these carriers is material to our operations. We currently warehouse approximately 3,325 Stock Keeping Units (SKUs) for distribution to commissaries. Products are inspected at our distribution center upon receipt and stored in racks. Our distribution center includes approximately 28,746 square feet of dry storage space, 2,000 square feet of frozen storage space, and 2,000 square feet of refrigerated storage space, as well as offices for operating, sales and customer service personnel and a management information system. We place a significant emphasis on providing a high service level in order fulfillment. We believe that by providing a high level of service and reliability, we reduce our costs by reducing the number of reorders and redeliveries. Each commissary places product orders based on recent usage, estimated sales and existing inventories. We have developed pre-established routes and pre-arranged delivery times with each customer. Product orders are placed with us six times a week either through our customer service representative or through electronic transmission using the EDI system. Approximately 60% of our orders are received electronically. Orders are generally placed on a designated day in order to coordinate with our pre-established delivery schedules. Processing and dispatch of each order is generally completed within seven hours of receipt and our standards require each order to be delivered to the customer within one hour of a pre-arranged delivery time. Products are picked and labeled at each distribution center. The products are placed on pallets for loading of outbound trailers. Delivery routes are scheduled to both fully utilize the trailers' load capacity and minimize the number of miles driven. We transport approximately 1,950 tons of product annually. Our trucks travel in excess of 139,000 miles annually. THE MILITARY MARKET GENERAL. The United States military market is composed of three main groups: the active members of the four branches of the United States military -- Army, Navy, Air Force and Marines; military retirees; and members of the military reserve. Including disabled veterans, overseas civil service personnel and dependents of all of these groups, and patrons of military commissaries and exchanges number over 13 million. Accordingly to DeCA trade publications, active duty personnel generally are well-educated, well paid and sophisticated. They enjoy a high standard of living with excellent benefits, and, therefore, constitute an excellent market for a variety of goods and services. Military retirees consist of military 21 personnel who retire after 20 years or more of service with full commissary and exchange privileges. Military retirees generally are younger than civilian retirees and tend to engage in second careers after retirement. As a result, they generally are affluent, and like active duty personnel, provide an excellent market for goods and services offered by commissaries and exchanges. Within the last several years, reservists were granted full commissary and exchange benefits while on active duty. Reservists for the most part mirror a cross-section of the general United States population. Generally, they do not shop at commissaries and exchanges as often as members of the other military groups, but tend to buy larger quantities at each trip. The United States has streamlined its Armed Forces in the post-Cold War era. Despite these reductions, the United States military resale market continues to remain strong. In the fiscal year of DeCA ended September 30, 2000, total annual worldwide commissary and exchange sales was approximately $15 billion, with approximately $11.8 billion of these sales in the United States. Since 1945, there has been a major military build-down following each of World War II, the Korean War and the Vietnam war. The military market for consumer goods continued to prosper through each one. The post-Cold War reduction in manpower has not been as severe as previous reductions, and largely has been achieved by early retirement, and the curtailment of inductees. Retirees have earned and retained the privilege to shop in commissaries and exchanges, and Congress has elected to extend the shopping privilege to those forced out prior to retirement. THE COMMISSARY SYSTEM. Military commissaries are the supermarkets of the military. The stated mission of the commissary system is to provide grocery items for sale to authorized patrons at the lowest possible prices in facilities designed and operated like private-sector supermarkets. The assortment of brands of merchandise, however, is limited to those that meet the reasonable demands of commissary patrons, and commissaries currently are prohibited by law from carrying certain merchandise, including beer and wine and automotive supplies. Commissaries primarily stock and generally sell leading name brands and do not offer private label or unknown brands. In the case of many remote military bases, the commissary is the only source of groceries for military personnel. Commissaries sell their products at prices equal to cost plus a five percent surcharge. The only promotional fee that commissaries can accept is a direct reduction in price. Commissaries are prohibited from accepting other promotional items offered to private-sector stores, such as slotting allowances, display allowances or volume rebates. The commissary system receives an annual appropriation from Congress that pays for the salaries of commissary personnel and for the purchase of consumer goods for resale. Store operations otherwise are funded from the five percent surcharge on purchases. Proceeds from the surcharge also pay for new commissary construction, renovation, new equipment and maintenance, shopping bags, shopping carts and various other items. Overseas commissaries also receive Federal funds for transportation and utility costs. Through payment of the surcharge, the patrons of the commissaries essentially have created a worldwide military shoppers' cooperative. The benefit provided by commissaries is an integral part of the military's pay and compensation package. Recent re-enlistment surveys show that commissaries rank second in importance only to the medical/dental benefit. Commissaries are among the only benefits aimed exclusively at the military family. As commissaries are prohibited by law from selling any product below cost, certain items (those used as loss leaders by private-sector stores) may be priced lower at private sector stores. Nevertheless, the annual savings amounts to approximately 25%. It has been estimated that the commissary system results in approximately $2 billion of annual savings for its patrons. As a result, based upon the annual Congressional appropriation of approximately $1 billion available to DeCA, the commissary system provides one of the few government benefits that delivers more than two dollars in direct benefit to the beneficiary for every dollar spent by the taxpayer. 22 As of September 2000, there were a total of 296 commissaries worldwide, of which 182 were located in the continental United States. At such date, the average gross square footage of these commissaries was approximately 57,500, and the average monthly sales per square foot of selling space, a commonly used measure of efficiency of retail operations, was approximately double that of commercial supermarkets. In the fiscal year of DeCA ended September 30, 2000, total annual worldwide commissary sales were approximately $5 billion, with approximately $4.3 billion of these sales in the United States. The table below shows the dollar volume of commissary sales over the three-year period ended September 30, 2000, as reported by the American Logistics Association. FISCAL YEAR WORLDWIDE STORE SALES (000S) ----------- --------------------------- 2000 $5,038,880 1999 $4,945,204 1998 $4,902,746 DeCA recently completed the implementation of a store modernization program that has resulted in the opening or reopening of five to ten new stores a year, each generating between 25% to 30% more business from the same trading area. We believe DeCA's efforts to modernize facilities and merchandising and provide easy access, shorter lines and more convenient hours at commissaries will all contribute to increased sales volume in the commissary system. THE EXCHANGE SYSTEM. The military exchange system consists of nearly two dozen separate "businesses," including main exchange stores (department stores), convenience stores, package stores, food operations, gas stations, movie theaters, and others. The exchange system is a vast, logistically complex worldwide operation. Like the commissary system, the stated purpose of the exchange system is to improve the quality of life of military personnel and their families. The exchange system is a "non-appropriated fund" government activity, and, therefore, does not receive taxpayer subsidies. It is self-sustaining and operates at a profit generated by patron purchases. After expenses, all exchange earnings are returned to patrons in the form of new and improved exchanges and dividends paid to the sponsoring service's morale, welfare and recreation ("MWR") funds. Appropriations by Congress only fund the cost of transporting goods from the United States to overseas military exchanges. All other costs and expenses, including building and operating costs, such as employees' salaries, are paid from exchange revenues. Unlike the commissary system, which is managed by one central governmental authority, each military service manages its own exchange program. These include the Army and Air Force Exchange Service (a joint military command), the Navy Exchange Service Command, the Marine Corps Retail Operations Branch, the Coast Guard and the Department of Veterans Affairs. Military exchanges consistently are ranked by military personnel among the top benefits provided to the military community. As is the case with commissaries, exchanges are prohibited from pricing products below cost; therefore, certain items offered as "loss leaders" in private-sector stores may be priced below prices offered by exchanges. Notwithstanding this constraint, exchanges typically provide their customers with savings ranging from 20% to 25% compared to civilian mass-merchandisers and department stores. At September 30, 2000, there were 548 "main exchanges" worldwide and approximately 20,000 exchange service-operated facilities. In the fiscal year of DeCA ended September 30, 2000, total annual 23 worldwide exchange sales was approximately $9.75 billion, with approximately $7 billion of these sales in the United States. We do not currently sell products to any stores in the military exchange system; however, we plan to begin marketing to various businesses in the exchange system during the fourth quarter of 2002. THE DEFENSE COMMISSARY AGENCY. DeCA, which is headquartered in Fort Lee, Virginia, was formed in October 1991 in an effort to consolidate the commissary system of each branch of the military into one efficient unit. Its stated mission is to ensure the commissary system provides United States military personnel and their families with needed groceries at the lowest possible price. DeCA's mission is recognized by many as essential to the military preparedness of the United States by assisting to maintain the morale, readiness and effectiveness of active duty troops, and by encouraging reenlistment of highly trained quality personnel. DeCA is part of the Department of Defense ("DoD") under the Assistant Secretary of Defense for Personnel and Readiness. It manages the total resources of all DoD commissaries worldwide, including personnel, facilities, supplies, equipment and funds. In October 1996, DeCA became a Performance Based Operation ("PBO"). This resulted in DeCA's obtaining special waivers from Federal procurement regulations, thereby allowing it to operate more efficiently and to adopt some characteristics of private-sector companies. As a PBO, DeCA will be striving for progressive market excellence through its "SAVER 2000" initiative -- providing Service, Access, Value, Efficiency and Response to customers and taxpayers. DeCA commands and centrally manages the commissary system through four commissary regions. Three regions are located in the continental United States and one in Europe. Daily operational support to the agency's regions, zone managers, commissaries and associated facilities is provided by an Operations Support Center located in Fort Lee, Virginia (the "OSC"), which is responsible for acquisitions, financial management, information technology/electronic commerce management, inventory management, food safety, marketing and transportation. All suppliers of goods to the commissary system are required to interface with the Marketing Business Unit (the "MBU") of the OSC, which combines several disciplines, such as operations, acquisition management and information management. The MBU is responsible for DeCA's electronic data interchange system, the preparation and administration of the resale ordering agreement used with suppliers, merchandising and marketing, and maintenance of the catalog master file, the list of products authorized to be carried by commissaries. The great majority of the DeCA buying and merchandising decisions for the seven DeCA regions are handled at DeCA's headquarters in Fort Lee, Virginia. Each region has its own Region Stock List ("RSL"). Within each RSL is a "Key Item List," which is a list of items that each store within that region should carry. Suppliers of brand name products must sell their products to the regional buyers to have their products included on that region's RSL. Once a product is listed on an RSL, it is the responsibility of the individual supplier to ensure that the product gets on the shelf. Many suppliers employ brokers, like us who function as sales representatives and provide a liaison with DeCA. Brokers also serve to promote the suppliers' products and ensure that the products are properly displayed and stocked on the shelf. Suppliers also contract with distributors who warehouse and ship the suppliers' products to the commissaries. Any supplier wishing to sell a product in the commissary system must complete and submit a product application to DeCA. DeCA analyzes each proposed product on the basis of price, quality, anticipated demand and other factors. If the proposed product meets DeCA's requirements, it will be assigned a Local Stock Number, a product identification number ("LSN"), and included on one or more RSLs. If the product is unique to the tastes of a particular region or regions, it will be placed on the RSL 24 for those regions only. Depending on the type of product, it may also be included on the Key Item List of one or more regions. COMPETITION The military resale market is a highly competitive market that is served by several large distributors, most notably SuperValu, Inc., Nash Finch Company and Fleming Companies, Inc., but is otherwise highly fragmented with hundreds of small, privately-held firms operating in the various distribution layers. We face competition from local, regional and national distributors on the basis of price, quality and assortment, schedules and reliability of deliveries and the range and quality of services provided. Because there are relatively low barriers to entry in the military resale market, we expect competition from a variety of established and emerging companies. Many of our competitors have longer operating histories, substantially greater financial, technical, marketing or other resources, or greater name recognition than we have. Our competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements. In addition, consolidation in the industry, heightened competition among our vendors, new entrants and trends toward vertical integration could create additional competitive pressures that reduce our margins and adversely affect our business. If we fail to successfully respond to these competitive pressures or to implement our strategies effectively, it could have a material adverse effect on our financial condition and prospects. PROPERTIES Our corporate headquarters is located at our distribution center in Colorado Springs, Colorado. The lease for our distribution center and corporate headquarters includes approximately 32,748 square feet, of which approximately 1,000 square feet is used for our corporate headquarters. The lease expires in the year 2006. The annual rent for our distribution center is approximately $180,000 per annum, with annual rental increases of approximately $8,000 per year during the term of the lease. EMPLOYEES At April 11, 2002, we employed 14 persons on a full-time basis, of which two were management personnel, three were office staff and nine were warehouse and distribution personnel. None of our employees are members of a trade union. All of our employees are employed at our corporate offices and distribution center located in Colorado, Springs, Colorado. LEGAL PROCEEDINGS We are a defendant in a landlord-tenant suit captioned WAREHOUSE, LTD V. MILITARY RESALE GROUP, INC., Civil Action No. 01CV3230, Div. No. 2, District Court, El Paso County, Colorado. Our former landlord is seeking damages for an alleged breach of the terms of several lease agreements for office and warehouse space located in Colorado Springs, Colorado. We filed an answer to the landlord's complaint in which we asserted affirmative defenses and made counterclaims against the landlord. Although this lawsuit is in its preliminary stages and the amount of the landlord's claim has not been disclosed, we believe the potential dollar amount of such claims will not have a material adverse effect on our overall operations. We intend to defend such lawsuit and pursue our counterclaims vigorously. 25 BUSINESS OF PREDECESSOR MRG-Maryland, a Maryland corporation in which we acquired a 98.2% interest on November 15, 2001, was formed in October 1997 by Richard Tanenbaum, one of our directors. Prior to November 15, 2001, we were inactive and had nominal assets and liabilities. As MRG-Maryland was considered the acquirer in such acquisition for financial reporting purposes, our historical financial statements for any period prior to November 15, 2001, as well as the description of our business operations for such periods, are those of MRG-Maryland. In connection with the acquisition, we issued an aggregate of 5,410,000 shares of our common stock to purchase approximately 98.2% of the outstanding capital stock of MRG-Maryland, including 2,210,050 shares to Xcel Associates, Inc., a corporation controlled by Edward T. Whelan, our Chairman of the Board and Chief Executive Officer, an aggregate of 400,000 shares to Shannon Investments, Inc., a corporation controlled by Mr. Whelan, an additional 1,039,950 shares directly to Mr. Whelan, an aggregate of 440,000 shares to Ethan D. Hokit, our President and one of our directors, and his wife, and 450,000 shares to Richard H. Tanenbaum, one of our directors. 26 MANAGEMENT OFFICERS AND DIRECTORS The following table sets forth certain information with respect to each of our officers or directors as of April 11, 2002: NAME AGE POSITION ---- --- -------- Edward T. Whelan................. 51 Chairman of the Board and Chief Executive Officer Ethan D. Hokit................... 63 President, Chief Operating Officer, Treasurer and Director Richard H. Tanenbaum.............. 54 Director and Secretary EDWARD T. WHELAN was a co-founder of MRG-Maryland in October 1997 and served as its Chairman and Chief Executive Officer until the consummation of the Reverse Acquisition in November 2001, at which time he became our Chairman of the Board, Chief Executive Officer and Secretary. Since April 1998, Mr. Whelan has also served as the President and a principal stockholder of Xcel Associates, Inc., a company engaged in providing financial consulting to small and medium-sized companies and to high net worth individuals. From 1989 to December 2001, Mr. Whelan also served as President and a principal shareholder of Shannon Investments, Inc., a consulting firm to small and medium-sized companies. From 1968 to 1971, Mr. Whelan attended St. Peters College in Jersey City, New Jersey, where he majored in Economics. Mr. Whelan spends approximately 50% of his professional time performing services on our behalf. ETHAN D. HOKIT was a co-founder of MRG-Maryland in October 1997 and served as its President and Chief Operating Officer, and was a director, until the consummation of the Reverse Acquisition in November 2001, at which time he became our President, Chief Operating Officer and Treasurer and one of our directors. From 1983 until February 1998, Mr. Hokit was the President of Front Range Distributors, Inc., a regional distributor of groceries and household goods to the military market serving the five military bases in and around Colorado Springs, Colorado. Mr. Hokit graduated from the University of Oklahoma with a Bachelor of Science degree in Chemistry in 1960 and a Master's Degree in Clinical Chemistry in 1962. RICHARD H. TANENBAUM was the general counsel and a director of MRG-Maryland since its inception in October 1997 until the consummation of the Reverse Acquisition in November 2001, at which time he became our general counsel and one of our directors. Since 1984, Mr. Tanenbaum has practiced law in Bethesda, Maryland, with an emphasis on contract negotiations, the purchase and sale of businesses, loan and real estate acquisitions, and related tax matters. Mr. Tanenbaum received his Juris Doctorate degree at Columbia Law School of the Catholic University of America in 1974. He received a Bachelor of Science degree from Bradley University in 1967. TERMS OF OFFICERS AND DIRECTORS Our Board of Directors currently consists of three directors. Pursuant to our By-laws, each of our directors serves until the next annual meeting of stockholders or until his or her successor is duly elected or appointed. 27 Our executive officers are appointed by the Board of Directors and serve at the pleasure of the Board. There are no family relationships among any of our executive officers or directors. EXECUTIVE COMPENSATION The table below sets forth the compensation earned for services rendered in all capacities for the fiscal years ended December 31, 1999, 2000 and 2001 by our executive officers in their capacities as officers and directors of MRG-Maryland. LONG-TERM COMPENSATION AWARDS ------------ ANNUAL COMPENSATION SECURITIES --------------------- UNDERLYING ALL OTHER NAME OF PRINCIPAL POSITION YEAR SALARY BONUS OPTIONS (#) COMPENSATION -------------------------- ---- ------ ----- ----------- ------------ Ethan D. Hokit, President and Chief 1999 $24,000 - - - Operating Officer 2000 60,000 - - - 2001 60,000 $9,000(1) Edward T. Whelan, Chairman and Chief 1999 - - - - Executive Officer 2000 - - - - 2001 - - - $51,000(2) -------------- (1) Represents the value of 90,000 shares of common stock issued to Mr. Hokit as additional compensation for services rendered in 2001. (2) Represents the value of 145,000 shares of common stock issued to Mr. Whelan for consulting services preformed for us in February 2001 prior to our acquisition of MRG-Maryland and 220,000 shares of common stock issued to Mr. Whelan as compensation for services rendered in 2001. DIRECTORS' COMPENSATION Our directors are reimbursed for expenses incurred in attending meetings of the Board of Directors. Directors generally are not paid any separate fees for serving as directors. However, in December 2001, we issued 200,000 shares of common stock to Richard H. Tanenbaum for services rendered as one of our directors. EXECUTIVE EMPLOYMENT AGREEMENTS We do not have an employment agreement with any of our executive officers. EQUITY INCENTIVE PLAN In December 2001, we adopted the Military Resale Group, Inc. 2001 Equity Incentive Plan (the "Incentive Plan") for the purpose of attracting, retaining and maximizing the performance of executive officers and key employees and consultants. We have reserved 1,500,000 shares of our common stock for issuance under the Incentive Plan. The Incentive Plan has a term of ten years and provides for the grant of "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as 28 amended, non-statutory stock options, stock appreciation rights, restricted stock awards, performance share awards and compensatory share awards. The exercise price for non-statutory stock options may be equal to or more or less than 100 percent of the fair market value of shares of common stock on the date of grant. The exercise price for incentive stock options may not be less than 100 percent of the fair market value of shares of our common stock on the date of grant (110 percent of fair market value in the case of incentive stock options granted to employees who hold more than ten percent of the voting power of our issued and outstanding shares of common stock). Options granted under the Incentive Plan may not have a term of more than a ten-year period (five years in the case of incentive stock options granted to employees who hold more than ten percent of the voting power of our common stock) and generally vest over a three-year period. Options generally terminate three months after the optionee's termination of employment by us for any reason other than death, disability or retirement, and are not transferable by the optionee other than by will or the laws of descent and distribution. The Incentive Plan also provides for grants of stock appreciation rights ("SARs"), which entitle a participant to receive a cash payment, equal to the difference between the fair market value of a share of our common stock on the exercise date and the exercise price of SAR. The exercise price of any SAR granted under the Incentive Plan will be determined by our board of directors in its discretion at the time of the grant. SARs granted under the Incentive Plan may not be exercisable for more than a ten year period. SARs generally terminate one month after the grantee's termination of employment by us for any reason other than death, disability or retirement. Although our board of directors has the authority to grant SARs, it does not have any present plans to do so. Restricted stock awards, which are grants of shares of our common stock that are subject to a restricted period during which such shares may not be sold, assigned, transferred, made subject to a gift, or otherwise disposed of, or mortgaged, pledged or otherwise encumbered, may also be made under the Incentive Plan. Performance share awards, which are grants of shares of our common stock upon the achievement of specific performance objectives, may also be made under the Incentive Plan. At this time, our board of directors has not granted, and does not have any plans to grant, performance shares of common stock. Compensatory share awards, which are grants of shares of our common stock as consideration for services rendered by our employees or consultants, may also be made under the Incentive Plan. In January 2002, our board of directors authorized the issuance of an aggregate of 300,000 compensatory shares of common stock to two of our consultants. As of April 11, 2002, options to purchase an aggregate of 1,300,000 shares of our common stock have been granted to our employees, officers, directors and/or consultants under the Incentive Plan. Such options are one-year options to purchase an aggregate of 1,000,000 shares of our common stock at an exercise price of $0.50 and three year options to purchase an aggregate of 300,000 shares of our common stock at an exercise price of $0.50. 29 PRINCIPAL STOCKHOLDERS The following table sets forth as of April 11, 2002 certain information regarding the beneficial ownership of our common stock by (a) each person who is known to us to be the beneficial owner of more than five percent (5%) of our common stock, (b) each director and executive officer and (c) all directors and executive officers as a group. Except as otherwise indicated, the persons or entities listed below have sole voting and investment power with respect to all shares of common stock beneficially owned by them, except to the extent such power may be shared with a spouse. The percentage of beneficial ownership is based upon 7,805,004 shares of our common stock outstanding as of April 11, 2002. SHARES OF COMMON STOCK BENEFICIAL OWNERSHIP AFTER OWNED PRIOR TO OFFERING(1) OFFERING(%)(1) ------------------------- -------------------------------- NAME AND ADDRESS ---------------- 500,000 2,500,000 5,000,000 AMOUNT % SHARES SHARES SHARES ------------ ----- ------ ------ ------ Edward T. Whelan...................... 3,870,000(2) 49.6% 46.6% 37.6% 30.2% 135 First Street Keyport, New Jersey 07735 Edward Meyer, Jr....................... 2,930,500(3) 37.6% 35.3% 28.4% 22.9% 32 Daniel Drive Hazlet, New Jersey 07730 Xcel Associates, Inc.(4)............... 2,210,050 28.3% 26.6% 21.5% 17.3% 224 Middle Road Hazlet, New Jersey 07730 Ronald Steenbergen.................... 1,000,000(5) 12.8% 12.0% 9.7% 7.8% 4 Cho Yuen Street Wah Shun Industrial Building Yau Tong, Kolwoon Peoples Republic of China Ethan D. Hokit........................ 530,000(6) 6.8% 6.4% 5.1% 4.1% 3305 Blodgett Drive Colorado Springs, Colorado 80919 Richard H. Tanenbaum.................. 650,000 8.3% 7.8% 6.3% 5.1% 7315 Wisconsin Avenue Suite 775N Bethesda, Maryland 20814 Shannon Investments, Inc.(7)........... 400,000 5.1% 4.8% 3.9% 3.1% 224 Middle Road Hazlet, New Jersey 07730 Directors and executive officers as a group (three persons)............. 5,050,000 64.7% 60.8% 49.0% 39.4% 30 ------------------ (1) For purposes of this table, information as to the beneficial ownership of shares of our common stock is determined in accordance with the rules of the Securities and Exchange Commission and includes general voting power and/or investment power with respect to securities. Except as otherwise indicated, all shares of our common stock are beneficially owned, and sole investment and voting power is held, by the person named. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares of our common stock which such person has the right to acquire within 60 days after the date of this Report. For purposes of computing the percentage of outstanding shares of our common stock held by each person or group of persons named above, any shares which such person or persons has the right to acquire within 60 days after the date of this Report is deemed to be outstanding but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The inclusion herein of such shares listed beneficially owned does not constitute an admission of beneficial ownership. (2) Includes 400,000 shares of our common stock owned of record by Shannon Investments, Inc., of which Mr. Whelan is a principal shareholder, and 2,210,050 shares owned of record by Xcel Associates, Inc., of which Mr. Whelan is a principal shareholder. (3) Includes 2,210,050 shares owned of record by Xcel Associates, of which Mr. Meyer is a principal shareholder. (4) Xcel Associates Inc. is controlled by Edward T. Whelan and Edward Meyer, Jr. (5) Represents 1,000,000 shares of our common stock issuable upon the exercise of currently exercisable stock options issued pursuant to our Equity Incentive Plan. See "Management - Equity Incentive Plan." (6) Includes 400,000 shares of our common stock owned of record by Mary Hokit, the wife of Mr. Hokit. (7) Shannon Investments, Inc. is controlled by Edward T. Whelan for the benefit of his family. 31 CERTAIN RELATIONSHIPS AND RELATED

TRANSACTIONS In October 1997, we borrowed $60,000 from Shannon Investments, Inc., one of our principal shareholders that is controlled by Edward T. Whelan, our Chairman of the Board and Chief Executive Officer. In connection with such loan, we executed a promissory note in favor of Shannon Investments, Inc. that bears interest at the rate of 10% per annum and is payable on demand. As of December 31, 2001, the outstanding principal balance due under the promissory note was approximately $60,000. Mr. Whelan is also the President and a principal shareholder of Xcel Associates, Inc., which is one of our principal shareholders. Since October 1997, Xcel Associates, Inc. has maintained office space in our corporate offices without charge. In February 2001, we entered into an 11-month consulting agreement with each of Mr. Whelan and Edward Meyer, Jr., one of our principal shareholders. In consideration of consulting services rendered under such agreements, in February 2001 we issued 145,000 shares of common stock to each of Messrs. Whelan and Meyer. In February 2001, we issued 50,000 shares of our common stock to Jerry Gruenbaum, Esq., our corporate counsel at the time of issuance, for legal services performed for the company. On March 23, 2001, we placed a stop transfer order on these 50,000 shares due to Mr. Gruenbaum's failure to perform the legal services for which he was retained. On August 14, 2001, we borrowed $100,000 from Oncor Partners, Inc., a company of which Edward T. Whelan, our Chairman of the Board and Chief Executive Officer, is President and a shareholder. The loan bears no interest and has a term of one year. As of December 31, 2001, the outstanding principal balance due under the promissory note was approximately $100,000. In August 2001, we issued 20,000 shares of our common stock to Alan Finfer, a director and our Secretary and Treasurer at the time of issuance, for consulting services performed on our behalf. In December 2001, we borrowed $25,000 from each of Ethan D. Hokit, our President and one of our directors, and Atlantic Investment Trust, of which Richard Tanenbaum, one of our directors, is the trustee. In connection with each such loan, we executed a demand promissory note that bears interest at the rate of 8% per annum. In January, 2002, we entered into a one-year business consulting agreement with Edward T. Whelan and Edward Meyer, Jr., individually, of Xcel Associates, Inc. for the provision of marketing and managerial consulting services. In consideration of the services to be rendered by Messrs. Whelan and Meyer, we will issue a number of shares determined by the formula contained in the agreement. As of April 11, 2002, no shares of our common stock have been issued to Messrs. Whelan or Meyer under this agreement. 32 DESCRIPTION OF SECURITIES Our authorized capital stock consists of 50,000,000 shares of common stock, par value $.0001 per share, and 10,000,000 shares of preferred stock, par value $.0001 per share. As of April 11, 2002, 7,805,004 shares of common stock were issued and outstanding and no shares of preferred stock were issued and outstanding. In addition, at such date, 1,300,000 shares of common stock were reserved for issuance upon the exercise of outstanding options and warrants. COMMON STOCK VOTING, DIVIDEND AND OTHER RIGHTS. Each outstanding share of common stock will entitle the holder to one vote on all matters presented to the shareholders for a vote. Holders of shares of common stock will have no preemptive, subscription or conversion rights. All shares of common stock to be outstanding following this offering will be duly authorized, fully paid and non-assessable. Our Board of Directors will determine if and when distributions may be paid out of legally available funds to the holders. We have not declared any cash dividends during the past fiscal year with respect to the common stock. Our declaration of any cash dividends in the future will depend on our Board of Directors' determination as to whether, in light of our earnings, financial position, cash requirements and other relevant factors existing at the time, it appears advisable to do so. In addition, we were a party to a credit facility that prohibits the payment of dividends without the lender's prior consent. RIGHTS UPON LIQUIDATION. Upon liquidation, subject to the right of any holders of the preferred stock to receive preferential distributions, each outstanding share of common stock may participate pro rata in the assets remaining after payment of, or adequate provision for, all our known debts and liabilities. MAJORITY VOTING. The holders of a majority of the outstanding shares of common stock constitute a quorum at any meeting of the shareholders. A plurality of the votes cast at a meeting of shareholders elects our directors. The common stock does not have cumulative voting rights. Therefore, the holders of a majority of the outstanding shares of common stock can elect all of our directors. In general, a majority of the votes cast at a meeting of shareholders must authorize shareholders action other than the election of directors. However, the Business Corporation Law of the State of New York provides that certain extraordinary matters, such as a merger or consolidation in which we are a constituent corporation, a sale or other disposition of all or substantially all of our assets, and our dissolution, require the vote of the holders of two-thirds of all outstanding voting shares. Most amendments to our certificate of incorporation require the vote of the holders of a majority of all outstanding voting shares. TRANSFER AGENT AND REGISTRAR Our Transfer Agent and Registrar for our common stock is Continental Stock Transfer & Trust Company, 17 Battery

Place, New York, New York 10004. 33 PLAN OF DISTRIBUTION We are offering up to 5,000,000 shares of our common stock on a "best efforts, no minimum" basis at a price of $1.00 per share. Under a "best efforts, no minimum" offering, there is no requirement that we sell a specified number of shares before the proceeds of the offering become available to us. We may sell only a nominal amount of shares and receive minimal proceeds from this offering. We will not escrow any of the proceeds received from our sale of shares before the offering and we are not required to sell a specified number of shares before the offering is terminated. Therefore, upon acceptance of a subscription, the proceeds from that subscription will be immediately available for our use and the investor has no assurance that we will sell all or any part of the remaining shares offered hereby. The offering will commence on the date shown on the front cover of this prospectus and will terminated on September 30, 2002, unless, in our discretion, we terminate the offering before that date. We also reserve the right to extend the offering beyond September 30, 2002, if we have not sold all of the shares prior to that date. We will not extend the offering beyond a date that is more than two years from the effective date of the registration statement of which this prospectus is a part. The first closing will occur at our discretion. Our officers, directors, employees and affiliates may purchase shares in the offering on the same terms and conditions as other purchasers. Subscription for the shares may only be made by completing a written subscription agreement and by submitting the completed agreement, together with a check payable to "Military Resale Group, Inc.," to us at our principal executive offices to the attention of our Chief Executive Officer. If the subscription is accepted, the check will be deposited by us and, upon notification from our bank that the funds are available, we will cause a stock certificate for the shares purchased to be issued and delivered to the investor. If we reject any subscription, the investor's check will be returned without interest or deduction. To comply with the securities laws of certain jurisdictions, the shares of common stock offered by this prospectus may need to be offered or sold only through registered or licensed brokers or dealers. In addition, in certain jurisdictions, the shares of common stock may not be offered or sold unless they have been registered or qualified for sale or an exemption is available and complied with. We currently plan to register all of the 5,000,000 shares offered hereby for offer and sale in each of the states of Connecticut, Maryland, New Jersey, New York and Pennsylvania. We have not engaged the services of an underwriter or selling agent or broker in connection with this offering. We will offer the shares directly and through our officers and directors, Messrs. Whelan, Hokit and Tanenbaum, acting on our behalf. We will not pay any commission or other consideration or compensation to any officer or director in connection with the sale of the shares. LEGAL MATTERS The legality of the issuance of the shares offered will be passed upon for us by the law firm of Pryor Cashman Sherman & Flynn LLP, New York, New York. EXPERTS The consolidated financial statements as of December 31, 1999 and 2000 and for each of the two years in the period ended December 31, 2000 included in this Prospectus have been audited by Michael Johnson & Co. LLC, Denver, Colorado, independent accountants, as stated in its report appearing herein 34 and elsewhere in this Registration Statement, and have been so included in reliance upon the report of this firm given upon their authority as experts in auditing and accounting. DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITES Our restated certificate of incorporation and by-laws contains provisions entitling our officers and directors to indemnification by the company to the fullest extent permitted by New York business corporation law. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons under this provision of our corporate charter and bylaws, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission, this indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. WHERE YOU CAN FIND MORE INFORMATION We have filed with the Securities and Exchange Commission a registration statement on Form SB-2 (including exhibits and schedules) under the Securities Act, with respect to the shares to be sold in this offering. This prospectus does not contain all the information set forth in the registration statement. For further information with respect to our company and the common stock offered in this prospectus, reference is made to the registration statement, including the exhibits filed thereto, and the financial statements and notes filed as a part thereof. With respect to each such document filed with the SEC as an exhibit to the registration statement, reference is made to the exhibit for a more complete description of the matter involved. We file quarterly and annual reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the public reference facilities of the SEC in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from the SEC's website at http//www.sec.gov. 35 PART II INFORMATION NOT REQUIRED IN PROSPECTUS ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS Reference is made to

Sections 721 through 725 of the Business Corporation Law of the State of New York (the "NYBCL"), which provides for indemnification of directors and officers of New York corporations under certain circumstances. Section 722 of the NYBCL provides that a corporation may indemnify directors and officers as well as other employees and individuals against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees, in connection with actions or proceedings, whether civil or criminal (other than an action by or in the right of the corporation, a "derivation action"), if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to amounts paid in settlement and reasonable expenses (including attorneys' fees) incurred in connection with the defense or settlement of such actions, and the statute does not apply in respect of a threatened action, or a pending action that is settled or otherwise disposed of, and requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. Section 721 of the NYBCL provides that Article 7 of the BCL is not exclusive of other indemnification that may be granted by a corporation's certificate of incorporation, disinterested director vote, shareholder vote, agreement or otherwise. Article 7 of our Restated Certificate of Incorporation requires us to indemnify our officers and directors to the fullest extent permitted under the NYBCL. Furthermore, Article XII of our Amended and Restated By-laws provides that we may, to the full extent permitted and in the manner required by the laws of the State of New York, indemnify any officer or director (and the heirs and legal representatives of any such person) made, or threatened to be made, a party in an action or proceeding (including, without limitation, one by us or in our right to procure a judgment in our favor), whether civil or criminal, including an action by or in the right of any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which of our directors or officers served in any capacity at our request, by reason of the fact that such director or officer, or such director's or officer's testator or intestate, was a director or officer of ours or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity. Section 402(b) of the NYBCL provides that a corporation's certificate of incorporation may include a provision that eliminates or limits the personal liability of the corporation's directors to the corporation or its shareholders for damages for any breach of a director's duty, provided that such provision does not eliminate or limit (1) the liability of any director if a judgment or other final adjudication adverse to the director establishes that the director's acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law or that the director personally gained a financial profit or other advantage to which the director was not legally entitled or that the director's acts violated Section 719 of the NYBCL, or (2) the liability of any director for any act or omission prior to the adoption of a provision authorized by Section 402(b) of the NYBCL. Article 7 of our Restated Certificate of Incorporation provides that none of our directors shall be liable to us or our shareholders for any breach of duty in such capacity except for liability in the event a judgment or other final adjudication adverse to a director establishes that his or her acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law or that the director personally gained, in fact, a financial profit or 36 other advantage to which he or she was not legally entitled or that such director's acts violated Section 719, or its successor, of the NYBCL. Any amendment to or repeal of our Restated Certificate of Incorporation or by-laws shall not adversely affect any right or protection of any of our directors or officers for or with respect to any acts or omissions of such director or officer occurring prior to such amendment or repeal. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or controlling persons pursuant to the foregoing, we have been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION The following table sets forth the expenses expected to be incurred by us in connection with the issuance and distribution of the Common Stock registered hereby, all of which expenses, except for the Securities and Exchange Commission registration fee, are estimates: DESCRIPTION AMOUNT ------ Securities and Exchange Commission registration fee....... $ 1,195 Accounting fees and expenses............................ 25,000 Legal fees and expenses................................. 125,000 Miscellaneous fees and expenses.......................... 23,805 --------- Total .... $175,000 ======== ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES The following sets forth certain information for all securities we sold during the past three years without registration under the Securities Act: 1999 On various dates in 1999, our predecessor, Military Resale Group, Inc., a Maryland corporation ("MRG-Maryland"), sold an aggregate of 1,520,000 shares of its common stock to Xcel Associates, Inc., one of our principal shareholders, for aggregate consideration of $135,000. 2000 None. 2001 On August 1, 2001, MRG-Maryland issued options to purchase 1,000,000 shares of its common stock to Ronald Steenbergen, a consultant. In connection with the Reverse Acquisition, we assumed the obligations under the option agreement and, upon exercise, will issue shares of our common stock in substitution for the shares of the MRG-Maryland. Such options are exercisable for one year at an exercise price of $0.50 per share. 37 In November 2001, we issued an aggregate of 5,410,000 shares of our common stock to the Stockholders of Military Resale Group, Inc., a Maryland corporation, in connection with the Reverse Acquisition. Such shares were issued by us in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended. No underwriter fees or commissions were paid by us in connection with such issuances. In December 2001, we issued an aggregate of 875,000 shares of our common stock to employees and directors of the Company for services rendered to the Company in 2001. 2002 In the first quarter of 2002, we issued to ten investors $235,000 aggregate principal amount of convertible promissory notes. Such notes are convertible into a maximum of 2,439,667 shares of our common stock at the option of the note holders at any time after a registration statement for our common stock is declared effective. ITEM 27. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES EXHIBIT NUMBER DESCRIPTION ------- ----------- 3.1* Restated Certificate of Incorporation of the Company. 3.2* Amended and Restated By-laws of the Company. 5* Opinion of Pryor Cashman Sherman & Flynn LLP. 10.1* Promissory Note dated December 12, 2001 from the Company to Atlantic Investment Trust in the principal amount of $25,000 (incorporated by herein by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-KSB (file no. 000-26463)). 10.2* Promissory Note dated December 12, 2001 from the Company to Ethan Hokit, our president and one of our directors, in the principal amount of $25,000 (incorporated by herein by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-KSB (file no. 000-26463)). 10.3 2001 Equity Incentive Plan of the Company adopted in December 2001 (incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-81258). 10.4* Promissory Note dated August 14, 2001 from the Company to Oncor Partners, Inc. in the principal amount of $100,000. 10.5* Lease Agreement, dated as of August 2001, between MRS Connection and the Company related to 2180 Executive Circle, Colorado Springs, Colorado 80906. 38 EXHIBIT NUMBER DESCRIPTION ------ ----------- 10.6* Promissory Note dated as of October 30, 1997 from the Company to Shannon Investments, Inc. 10.7* Form of Subscription Agreement. 10.8 Consulting Agreement dated January 3, 2002 between the Company and Edward T. Whelan and Edward Meyer, Jr., individually, of Xcel Associates, Inc. (incorporated herein by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-KSB (file no. 000-26463)). 23.1* Consent of Michael Johnson & Co., LLC. 23.2* Consent of Pryor Cashman Sherman & Flynn LLP (included in their opinion filed as Exhibit 5). 24 Powers of Attorney (included in the Signature Page of the Registration Statement). ---------------- * Previously filed with the Commission. ITEM 28. UNDERTAKINGS Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers and controlling persons of the Company, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue. The undersigned registrant hereby undertakes to: (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(1)(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. 39 (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 initial 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. 40 SIGNATURES In accordance with the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds, to believe that it met all the requirements of filing on Form SB-2 and authorized this Amendment No. 2 to Registration Statement to be signed on its behalf by the undersigned, in

Colorado Springs, Colorado on April 22, 2002. MILITARY RESALE GROUP, INC. By: /S/ETHAN D. HOKIT -- Ethan D. Hokit President and Chief Operating 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/Edward T. Whelan Chairman of the Board, Chief Executive April 22, 2002 ------------------------------------ Officer (Principal Executive Officer) Edward T. Whelan /s/Ethan D. Hokit President, Chief Operating Officer, Director April 22, 2002 ------------------------------------ (Principal Accounting Officer and Ethan D. Hokit Principal Financial Officer) /s/Richard H. Tanenbaum Director April 22, 2002 ------------------------------------ Richard H. Tanenbaum 41 INDEX TO FINANCIAL STATEMENTS F-1 REPORT OF INDEPENDENT AUDITORS INDEPENDENT AUDITOR'S REPORT Board of Directors Military Resale Group, Inc. Colorado Springs, Colorado We have audited the accompanying balance sheets of Military Resale Group, Inc. as of December 31, 2001 and 2000, and the related statements of operations, stockholders' equity and cash flow for the 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. Those standards require that we plan and perform the audits 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 that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Military Resale Group, Inc., as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years ended, in conformity with accounting principles generally accepted in the United States. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 8 to the financial statements, the Company's recurring losses from operations and its difficulties in generating sufficient cash flow to meet its obligation and sustain its operations raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. MICHAEL B. JOHNSON & CO., LLC By: /s/MICHAEL B. JOHNSON -------------------------------- Michael B. Johnson Denver, Colorado February 18, 2002 F-2 MILITARY RESALE GROUP, INC. BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31, ASSETS 2001 2000 ------------- ------------- CURRENT ASSETS: Accounts receivable -trade $ 441,058 $457,574 Inventory 252,430 90,936 Deposits 20,406 - Prepaid expenses 6,708 - ---------- -------- Total Current Assets 720,602 548,510 ---------- -------- FIXED ASSETS: Office Equipment 1,691 9,121 Warehouse Equipment 203,132 83,110 Vehicles 64,366 64,366 Leasehold Improvements 2,440 2,440 Software 15,609 15,609 ---------- -------- 294,668 167,216 Less Accumulated Depreciation (102,257) (67,217) ---------- -------- Net Fixed Assets 192,411 99,999 ---------- -------- OTHER ASSETS: Goodwill , net of amortization 1,834 - TOTAL ASSETS $ 913,013 $648,509 ========== ======== LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES: Accounts Payable - trade $1,047,207 $544,698 Bank Overdraft 38,223 1,349 Accrued Interest Payable 25,657 23,540 Notes Payable - current portion 260,522 86,073 ---------- -------- Total Current Liabilities 1,334,735 692,534 ---------- -------- LONG-TERM DEBT: Notes Payable - long-term portion 91,121 17,358 ---------- -------- Total Long-term Debt 91,121 17,358 ---------- -------- TOTAL LIABILITIES 1,425,856 709,892 ---------- -------- F-3 STOCKHOLDERS' EQUITY: Common Stock, par value $.0001, 60,000,000 shares 7,505,004 and 5,360,000 issued and outstanding at December 31, 2001 and 2000 respectively 750 536 Additional Paid-In Capital 162,150 149,664 Retained Deficit (675,743) (209,749) ------------ ---------- Total Stockholders' Equity (512,843) (59,549) ------------ ---------- TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY $ 913,013 $650,343 ============ ========== SEE ACCOMPANYING NOTES. F-4 MILITARY RESALE GROUP, INC. STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2001 2000 -------------- -------------- REVENUES $4,851,433 $4,480,305 COST OF GOODS SOLD (4,279,449) (3,770,094) -------------- -------------- GROSS PROFIT 571,984 710,211

-------------- -------------- OPERATING EXPENSES: Salary & payroll taxes 415,525 361,623 Professional Fees 153,856 50,795 Occupancy 155,503 80,805 General and administrative 88,881 49,147 Amortization/Depreciation 36,874 36,039 Lease and auto/truck expense 175,584 133,354 -------------- -------------- Total Expenses 1,026,223 711,763 -------------- -------------- NET LOSS FROM OPERATIONS (454,239) (1,552) -------------- -------------- OTHER EXPENSES/INCOME Interest expense (11,755) (12,121) -------------- -------------- NET LOSS $(465,994) $ (13,673) ============== ============== PER SHARE INFORMATION: Weighted average number of common shares outstanding 5,644,584 5,360,000 -------------- -------------- NET LOSS PER COMMON SHARE $ (0.08) $ (0.01) ============== ============== SEE ACCOMPANYING NOTES. F-5 MILITARY RESALE GROUP, INC. STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2001 2000 ------------- ------------- CASH FLOWS FROM OPERATING ACTIVITIES: Net Loss $ (453,382) $(13,673) Adjustments to reconcile net loss to net cash used in operating activities: Depreciation 35,040 35,039 Amortization 1,000 1,834 Stock issued for services 88 - Changes in Assets & Liabilities: Decrease (Increase) in accounts receivable 16,516 (157,932) (Increase) in inventory (161,494) (202) Increase in prepaid expenses (6,708) - Increase in notes receivable (20,406) - Increase in accounts payable 502,509 135,130 Increase in accrued expenses 7,758 2,117 ------------ ------------ Net Cash Used In Operating Activities (83,886) 7,120 ------------ ------------ CASH FLOWS FROM INVESTING ACTIVITIES Purchase of fixed assets (127,452) (14,515) ------------ ------------ Cash Flows Used In Investing Activities (127,452) (14,515) ------------ ------------ CASH FLOWS FROM FINANCING ACTIVITIES Bank overdraft (36,874) 38,223 Short-term borrowings 248,212 - Note principal payments (34,604) - ------------ ------------ Cash Flows Provided By Financing Activities 211,338 3,619 ------------ ------------ Net (Decrease) Increase in Cash and Cash Equivalents (3,776) - Cash and Cash Equivalents at Beginning of Period 3,776 - ------------ ------------ CASH AND CASH EQUIVALENTS AT END OF PERIOD $ - $ - ============ ============ SUPPLEMENTAL INFORMATION: Interest Paid $ 9,263 $ 4,365 ============ ============ Income Taxes Paid $ - $ - ============ ============ SEE ACCOMPANYING NOTES. F-6 MILITARY RESALE GROUP, INC. STATEMENTS OF STOCKHOLDER'S EQUITY (DEFECIT) FOR THE YEARS ENDED DECEMBER 31, ADDITIONAL RETAINED TOTAL COMMON STOCK PAID-IN EARNINGS STOCKHOLDERS' SHARES AMOUNT CAPITAL (DEFICIT) EQUITY BALANCE, OCTOBER 6, 1997 - $ - $ - $ - $ - Issuance of common stock for cash 800,000 80 120 - 200 Net loss for period ended - - - (6,756) (6,756) Balance, December 31, 1997 800,000 80 120 (6,756) (6,556) Issuance of common stock for cash 40,000 4 14,996 - 15,000 Issuance of common stock for services 3,000,000 300 (300) - - Net loss for year ended - - - (43,372) (43,372) Balance, December 31, 1998 3,840,000 384 14,816 (50,128) (34,928) Issuance of common stock 1,520,000 152 134,848 - 135,000 Net loss for year ended - - - (145,948) (145,948) Balance, December 31, 1999 5,360,000 536 149,664 (196,076) (45,876) Net loss for year ended - - - (13,673) (13,673) Balance, December 31, 2000 5,360,000 536 149,664 (209,749) (59,549) Issuance of common stock for services 875,000 87 8,663 - 8,750 Acquisition of Bactrol Technologies, Inc 1,270,004 127 3,823 - 3,950 Net loss for year ended - - - (465,994) (465,994) Balance, December 31, 2001 7,505,004 750 162,150 (675,743) (512,843) SEE ACCOMPANYING NOTES. F-7 MILITARY RESALE GROUP, INC. NOTES TO FINANCIAL STATEMENTS NOTE 1 - GENERAL THE COMPANY On October 15, 2001, the Company, formerly Bactrol Technologies, Inc. and Military Resale Group, Inc. ("MRG"), a Maryland corporation which was formed on October 6, 1997 executed a Stock Purchase Agreement pursuant to which 98.2% of MRG's stock was effectively exchanged for a controlling interest in a publicly held "shell" corporation that concurrently changed its name to Military Resale Group, Inc. This transaction is commonly referred to as a `reverse acquisition." For financial accounting purposes, this transaction has been treated as the issuance of stock for the net monetary assets of the Company, accompanied by a recapitalization of MRG with no goodwill or other intangible assets recorded. For financial reporting purposes, MRG is considered the acquirer, and therefore, the historical operating results of Bactrol Technologies, Inc. are not presented. NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: CASH AND CASH EQUIVALENTS For purposes of the statement of cash flows, the Company considers all cash and highly liquid investments with initial maturities of three months or less to be cash equivalents. ACCOUNTS RECEIVABLE The Company's trade accounts primarily represent unsecured receivables. Historically, the Company's bad debt write-offs related to these trade accounts have been insignificant. PROPERTY AND EQUIPMENT The Company follows the practice of capitalizing property and equipment over $250 at cost. The cost of ordinary maintenance and repairs is charged to operations while renewals and replacements are capitalized. Depreciation is computed on the straight-line method over the following estimated useful lives. Office Equipment &

Software 3 to 5 years Warehouse Equipment 5 to 7 years Vehicles 5 years ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. NET LOSS PER SHARE Net loss per share is based on the weighted average number of common shares and common shares equivalent outstanding during the period. F-8 MILITARY RESALE GROUP, INC. NOTES TO FINANCIAL STATEMENTS REVENUE RECOGNITION Revenue from product and services are recognized at the time goods are shipped or services are provided to the customer, with an appropriate provision for returns and allowances. The Company sells products on its own account in behalf of manufacturers and other parties on a commissioned basis. The associated sales are recognized as net sales amounts, net of product cost less cost of goods sold. FAIR VALUE OF FINANCIAL INSTRUMENTS The carrying amount of accounts payable and accrued expenses are considered to be representative of their respective fair values because of the short-term nature of these financial instruments. OTHER COMPREHENSIVE INCOME The Company has no material components of other comprehensive income (loss) and accordingly, net loss is equal to comprehensive loss in all periods. FEDERAL INCOME TAXES The Company accounts for income taxes under SFAS No 109, which requires the asset and liability approach to accounting for income taxes. Under this approach, deferred income taxes are determined based upon differences between the financial statement and tax bases of the Company's assets and liabilities and operating loss carryforwards using enacted tax rates in effect for the years in which the differences are expected to reverse. Deferred tax assets are recognized if it is more likely than not that the future tax benefit will be realized. NOTE 2 INVENTORY Inventories at December 31, 2001 by major classification, were comprised of the following: Finished goods $252,430 -------- $252,430 ======== Inventory consists primarily of grocery items and are stated at the lower of costs or market. Cost is determined under the first-in, first-out method (FIFO) valuation method. All items of inventory are finished goods resold to military commissaries and wholesale food chains. SEGMENT INFORMATION The Company operates primarily in a single operating segment, distributing and marketing resale grocery products to military commissaries. F-9 MILITARY RESALE GROUP, INC. NOTES TO FINANCIAL STATEMENTS NOTE 3 - NOTES PAYABLE The following is a summary of notes payable as of December 31, 2001: Note payable to finance company, collateralized by auto, monthly payments of $1,053, maturity date - June 2003 $ 18,240 Note payable to investment company, unsecured loan, 10% interest, Due on demand 60,000 Note payable - freezer, secured by property leased, 19% interest, Maturity dated October 2006 72,666 Note payable - cooler, secured by property leased, 24% interest, Maturity date November 2004 31,137 Convertibles Notes, unsecured loan, 8% interest, Maturity date June 30, 2002 170,000 ------- 351,643 Less: Current Portion (260,522) --------- Total Long-Term Debt $ 91,121 ========= Maturities of long-term debt at December 31, 2001, are as follows: 2002 $260,522 2003 28,963 2004 25,807 2005 17,311 2006 19,040 NOTE 4 - COMMITMENTS AND CONTIGENCIES OPERATING RENTAL LEASE In August 2001, the Company entered into lease agreements for office and warehouse space in Colorado Springs, Colorado that expire in August 2006. Rental expense for the year was $80,805. Minimum future lease payments under current lease agreements at December 31, 2001 are as follows: 2002 $182,839 2003 191,030 2004 199,216 2005 207,402 2006 141,908 -------- $922,395 ======== NOTE 5- CAPITAL STOCK TRANSACTION On May 24, 1999, the Company's Board of Directors and shareholders approved the following capital stock transaction: authorizing a 40,000-to-1 split of common stock. On October 15, 2001, the Company's Board of Directors and shareholders authorized increasing the number of authorized common shares to 60,000,000 and designating a par value of $.0001 per share for the Common Stock. All shares and per share amounts in the F-10 MILITARY RESALE GROUP, INC. NOTES TO FINANCIAL STATEMENTS accompanying financial statements of the Company and notes thereto have been retroactively adjusted to give effect to the stock splits and new par value per share. NOTE 6- CONCENTRATION OF RISK The Company's revenues from military commissary sales provide approximately ninety eight percent of their base of operations. Management believes that concentration of customers with respect to risk is minimal due to the sales being primary through government contracts. NOTE 7- INCOME TAXES Significant components of the Company's deferred tax liabilities and assets at December 31, 2001 are as follows: Deferred Tax Assets Net Operating Loss Carryforwards $675,743 Less Valuation Allowance (675,743) --------- Total Deferred Tax Assets $ - ========= As of December 31, 2001, the Company had a net operating loss carryforward for federal income tax purposes approximately equal to the accumulated deficit recognized for book purposes, which will be available to reduce future taxable income. The full realization of the tax benefit associated with the carryforward depends predominantly upon the Company's ability to generate taxable income during the carryforward period. Because of the current uncertainty of realizing such tax assets in the future, a valuation allowance has been recorded equal to the amount of the net deferred tax assets, which caused the Company's effective tax rate to differ from the statutory income tax rate. The net operating loss carryforward, if not utilized, will begin to expire in the year 2007. NOTE 8 - GOING CONCERN: The financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the normal course of business. The Company's current liabilities exceed current assets by $614,133 and the Company lost $465,994 in operations in 2001. The Company's management is currently pursuing equity and/or debt financing in an effort to restart operations. The future success of the Company is likely dependent on its ability to attain additional capital to develop its proposed products and ultimately, upon its ability to attain future profitable operations. There can be no assurance that the Company will be successful in obtaining such financing, or that it will attain positive cash flow from operations. NOTE 9 - RELATED PARTY TRANSACTIONS CONSULTING AGREEMENTS In February 2000, the Company entered into a (11) eleven month consulting agreement with Edward Whelan , chairman of Board and principal shareholder, and Edward Meyer, Jr., one of the principals shareholders. In consideration for consulting services rendered, the Company issued 145,000 shares of common stock to each individual. In January 2002, the Company entered into a one year consulting agreement with Edward Whelan and Edward Meyer, Jr. for marketing and managerial consulting services. F-11 MILITARY RESALE GROUP, INC. NOTES TO FINANCIAL STATEMENTS LOANS PAYABLE In October 1997, the Company borrowed $60,000 from Shannon Investments, which is controlled by Edward Whelan. The note is payable on demand and bears interest at the rate of 10% per annum. On August 14, 2001, the Company borrowed $100,000 from Oncor Partners, Inc., a company of which Edward Whelan, is president and shareholder. In December 2001, the Company borrowed $25,000 from Ethan Hokit, one of the company's directors, and Atlantic Investment Trust, of which Richard Tanenbaum, one of the Company's directors is a trustee. In connection with each such loan, the Company executed a demand promissory note that bears interest at the rate of 8% per annum. F-12