

ONSCREEN TECHNOLOGIES INC
Form SB-2/A
October 09, 2007

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

Amendment No. 2 to
FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

ONSCREEN TECHNOLOGIES, INC.
(Name of small business issuer in its charter)

<u>Colorado</u>	<u>(7310)</u>	<u>84-1463284</u>
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

600 NW 14th Avenue, Suite 100
Portland, Oregon 97209
(503) 417-1700
(address and telephone number of principal executive offices)

600 NW 14th Avenue, Suite 100
Portland, Oregon 97209
(address of principal place of business or intended principal place of business)

William J. Clough, Chief Executive Officer/President
OnScreen Technologies, Inc.
600 NW 14th Avenue, Suite 100
Portland, Oregon 97209, (503) 417-1700
(name, address and telephone number of agent for service)

Copies of all communications to:
Michael T. Cronin, Esq.
Johnson, Pope, Bokor, Ruppel & Burns, LLP
911 Chestnut Street
Clearwater, Florida 33756
Telephone: (727) 461-1818
Facsimile: (727) 462-0365

Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after the Registration Statement becomes effective.

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

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

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered (1)	Proposed maximum offering price per security (2)	Proposed maximum aggregate offering price (2)	Amount of Registration fee (5)
Common Stock par value \$0.001 (3)	47,015,735	0.41	19,276,451.35	\$ 1,992.61
Common Stock par value \$0.001 (4)	31,092,439	0.41	12,747,899.99	\$ 1,434.00
Total	78,108,174		32,024,351.34	\$ 3,426.61

(1) In the event of a stock split, stock dividend or similar transaction involving our common stock, in order to prevent dilution, the number of shares registered shall be automatically increased to cover the additional shares in accordance with Rule 416(a).

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 (c)(2) of the Securities Act. For purposes of this calculation the Company used the closing price of \$0.41 for Common Stock on the Over-the-Counter Bulletin Board on September 6, 2007.

(3) The 47,015,735 shares of our common stock being registered hereunder that are currently outstanding relate to:

(i) 30,291,743 shares which were issued in connection with the conversion of convertible promissory notes.

(ii) 14,293,992 shares issued in connection with prior private placements of promissory notes.

(iii) 2,330,000 shares issued for consulting services;

(iv) 100,000 shares issued for legal services assigned to the adult children of the shareholder.

(4) The 31,092,439 shares of common stock being registered hereunder relate to shares which may be issued in the future underlying the exercise of common stock purchase warrants as follows:

(i) 8,884,921 shares underlying common stock purchase warrants issued to holders of our promissory notes which are exercisable at \$0.01.

(ii) 9,808,517 shares underlying common stock purchase warrants issued in connection with prior private placements of promissory notes which are exercisable at \$0.01.

(iii) 6,800,000 shares underlying common stock purchase warrants exercisable at \$0.20 issued in connection with the repurchase of royalty rights.

(iv) 500,000 shares underlying common stock purchase warrants exercisable at \$0.20 issued in consideration for the acquisition of the WayCool technology.

(v) 5,099,001 shares underlying common stock purchase warrants issued to employees, former employees, officers, directors and advisors.

(5) \$3,427 previously paid.

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 the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. The securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated October 5, 2007

PROSPECTUS

78,108,174 Shares of Common Stock

OnScreen Technologies, Inc.
600 NW 14th Avenue, Suite 100
Portland, Oregon 97209

The Company is registering for sale an aggregate of 78,108,174 shares of Common Stock of OnScreen Technologies, Inc. (the "Company", "us" or "we") that have been issued or may be issued to certain of our stockholders named in this Prospectus and their transferees ("Selling Stockholders").

We will not receive any proceeds from the sale of the shares, but we may receive proceeds of up to \$2.7 million from certain Selling Stockholders if they exercise their warrants. Our Common Stock currently trades on the Over the Counter Bulletin Board ("OTC Bulletin Board") under the symbol "ONSC". On September 6, 2007, the last reported sale price for our common stock on the OTC Bulletin Board was \$0.41 per share.

The shares of Common Stock may be sold from time to time by the Selling Stockholders in one or more transactions at fixed prices, at market prices at the time of sale, at varying prices determined at the time of sale or at negotiated prices. The Selling Stockholders and any broker-dealer who may participate in the sale of the shares may use this Prospectus. See "Plan of Distribution."

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is October ____, 2007

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You may only rely on the information contained in this prospectus or that we have referred you to. We have not authorized anyone to provide you with different information. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the common stock offered by this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any common stock in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus nor any sale made in connection with this prospectus shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information contained by reference to this prospectus is correct as of any time after its date.

PROSPECTUS SUMMARY

This Summary highlights information contained elsewhere in this Prospectus. It does not contain all of the information that you should consider before investing in our Common Stock. We encourage you to read the entire Prospectus carefully, including the section entitled "Risk Factors" and the financial statements and the notes to those financial statements.

Company Overview

OnScreen Technologies, Inc. is a Colorado corporation organized on April 21, 1998. The Company's principal place of business is located at 600 NW 14th Avenue, Suite 100, Portland, Oregon 97209. We are primarily focused on commercialization of our innovative thermal cooling technology, WayCool, and the commercialization of our sign display platform product under the name RediAlert™. The Company is continuing efforts toward development and commercialization of its Tensile technology. Our product lines utilize the OnScreen™ direct view LED (light emitting diode) sign display technology (sometimes referred to as the "OnScreen™ LED architecture" or "OnScreen™ technology" or "OnScreen™ LED technology"). The OnScreen™ LED architecture, incorporates a variety of patent pending designs of a new generation of bright LED products that provide key design improvements in wind load, heat dissipation, weight and brightness of LED sign displays.

The Offering

Common Stock Outstanding Prior to the Offering (1)	151,558,682
Common Stock Outstanding After the Offering (2) (3)	182,651,121

Use of Proceeds	We will not receive any proceeds from the sale of Common Stock by the Selling Stockholders. We may, however, receive up to \$2.7 million upon exercise of warrants held by certain Selling Stockholders.
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(1) Based on the number of shares outstanding as of September 1, 2007.

(2) The increase in the number of shares outstanding after the offering assumes that all holders of 31,092,439 common stock purchase warrants being registered on behalf of the selling stockholders exercise such warrants in accordance with their terms.

(3) Excludes up to 75,543 shares underlying the conversion rights of Series A Convertible Preferred shares and up to 11,500,000 shares underlying options, warrants and convertible promissory notes that are not being registered.

RISK FACTORS

An investment in our common stock involves a significant degree of risk. You should carefully consider the following risk factors and all other information contained in or incorporated by reference into this prospectus before purchasing our common stock. If any of the risks discussed in this prospectus actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the price of our shares could decline significantly and you may lose all or a part of your investment. The risk factors described below are not the only ones that may affect us. Our forward-looking statements in this prospectus are subject to the following risks and uncertainties. Our actual results could differ materially from those anticipated by our forward-looking statements as a result of the risk factors below. See "Forward-Looking Statements."

Risks Related to Our Business

The Company's limited operating history makes evaluating its business and prospects difficult.

The Company has been involved in the LED based business since July 2001, but has only recently begun to direct all of its efforts to commercialization of the OnScreen™ technology. The Company's limited operating history in this industry and the unproven nature of the OnScreen™ technology makes evaluation of its future prospects very difficult. To date the Company has not achieved profitability and the Company cannot be certain that it will sustain profitability on a quarterly or annual basis in the future. One should carefully consider the Company's prospects in light of the risks and difficulties frequently encountered by early stage companies in new and rapidly evolving technology.

The Company has all the risks of a new product developer in the LED technology business.

The Company, as the owner of the OnScreen™ LED sign technology patents, assumed the responsibility for completing the development of the OnScreen™ technology and determining which products to commercialize utilizing the OnScreen™ technology. Because this is a new and unproven technology, there is a risk that the technology, operation and development of products could be unsuccessful or that the Company will not be successful in marketing any products developed with the OnScreen™ technology. Such failures would negatively affect the Company's business, financial condition and results of operations.

There is no assurance the Company will achieve profitability.

To date the Company has not received significant revenue from the OnScreen™ technology.

The Company has focused its scope of operation to the commercialization of our innovative thermal cooling technology, WayCool, and the commercialization of our sign display platform. For the year ended December 31, 2006 the Company had a net loss of \$14,481,333. The Company will need to begin generating significant revenues from the OnScreen™ LED architecture product line to offset current operational and development losses if the Company is to cover its current overhead expenses, including further development costs and marketing expenses. There is no assurance that the Company will achieve profitability.

During 2005 and 2006, the Company funded its operations with net proceeds of approximately \$15.7 million it received from financing activities. The Company believes that additional equity financing or debt will be necessary to fund its operations until revenue streams are sufficient to fund operations; however, the terms and timing of such additional equity or debt cannot be predicted. The Living Window™ product line was commercialized during 2005 and commercialization of the RediAlert™ and WayCool™ product lines was begun during the first half of 2006. The Company cannot assure that its revenues will be sufficient to cover all operating and other expenses of the Company. If revenues are not sufficient to cover all operating and other expenses, the Company will require additional funding.

The Company will be dependent on third parties and certain relationships to fulfill its obligations.

Because the Company has contracted the manufacturing of the OnScreen™ LED technology to unrelated companies that are better equipped financially and technologically to design and manufacture OnScreen™ LED technology end products, the Company is heavily dependent on these third parties to adequately and promptly provide the end product. The Company is dependent upon its ability to maintain the agreements with these designers and manufacturers and other providers of raw materials and components who provide the necessary elements to fulfill the Company's product delivery obligations at the negotiated prices.

The Company's primary marketing focus for RediAlert™ is on government agencies.

The Company's primary marketing focus for its RediAlert™ product line is to sell to government agencies, such as departments of transportation, police departments and other emergency personnel. Generally, the inspection, approval process and funding involved with government agencies can take many months and are subject to cancellation by the governmental agency at any time and without penalty. The Company's business could suffer if the Company is not successful in marketing its RediAlert™ product line to a significant number of governmental agencies or if contracts the Company may enter into with any such agencies were to be cancelled.

The market for LED signage is extremely competitive.

Because the LED signage industry is highly competitive, the Company cannot assure that it will be able to compete effectively. The Company is aware of several other companies that offer LED products, utilizing different technology than its OnScreen™ LED technology. All of these competitors have been in business longer than the Company has and have significantly greater assets and financial resources than are currently available to the Company. The Company expects competition to intensify as innovation in the LED industry advances and as current competitors expand their market into the portable, lightweight signage that is the initial market for the LED architecture. The Company cannot assure you that it will be able to compete successfully against current or future competitors. Competitive pressures could force the Company to reduce its prices and may make it more difficult for the Company to attract and retain customers.

The Company depends on key personnel and will need to recruit new personnel as its business grows.

As a small company OnScreen™ is currently dependent on the efforts of a limited number of management personnel. The Company believes that given the large amount of responsibility being placed on each member of its management team, the loss of the services of any member of this team at the present time would harm its business.

If the Company is successful in expanding its product and customer base, the Company will need to add additional key personnel as its business continues to grow. If the Company cannot attract and retain enough qualified and skilled staff, the growth of its business may be limited. The Company's ability to provide services to customers and expand its business depends, in part, on its ability to attract and retain staff with professional experiences that are relevant to technology development and other functions the Company perform. Competition for personnel with these skills is intense. The Company may not be able to recruit or retain the caliber of staff required to carry out essential functions at the pace necessary to sustain or expand its business.

The Company believes its future success will depend in part on the following:

- the continued employment and performance of its senior management,
- its ability to retain and motivate their officers and key employees, and
- its ability to identify, attract, hire, train, retain, and motivate other highly skilled technical, managerial, marketing, sales and customer service personnel.

If the Company fails to adequately protect its patents, trademarks and proprietary rights, its business could be harmed.

The Company regards its patents, trademarks, trade secrets and similar intellectual property as critical to their success. The Company relies on trademark and patent law, trade secret protection and confidentiality or license agreements with their employees, customers, partners and others to protect its proprietary rights. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's intellectual property without its authorization. Although the Company has been granted registration rights for its OnScreen™ RediAlert™, RediAd™, Rapid Dispatch Emergency Signs™ trademarks, there is no assurance its pending trademark applications for Living Window or RediDMS will be approved. Effective trademark, patent and trade secret protection may not be available in every country in which the Company may in the future offer its products. Therefore, the Company may be unable to prevent third parties from infringement on or otherwise decreasing the value of its trademarks, patents and other proprietary rights.

If the Company is to remain competitive, the Company must be able to keep pace with rapid technological change.

The Company's future success depends, in part, on its ability to develop or license leading technologies useful in its business, enhance the ease of use of existing products, develop new products and technologies that address the varied needs of their customers, and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. If the Company is unable, for technical, legal, financial or other reasons, to incorporate new technology in new features or products, the Company may not be able to adapt in a timely manner to changing market conditions or customer requirements.

The Company may infringe intellectual property rights of third parties.

Litigation regarding intellectual property rights is common in the software and technology industries. The Company may, in the future, be the subject of claims for infringement, invalidity or indemnification claims based on such claims of other parties' proprietary rights. These claims, whether with or without merit, could be time consuming and costly to defend or litigate, divert the Company's attention and resources, or require the Company to enter into royalty or licensing agreements. There is a risk that such licenses would not be available on reasonable terms, or at all. Although the Company believes it has full rights to use its current intellectual property without incurring liability to third parties, there is a risk that its products infringe the intellectual property rights of third parties.

Third parties may infringe on the Company's intellectual property rights

There can be no assurance that other parties will not claim infringement by the Company with respect to its current or future technologies. The Company expects that participants in its markets will be increasingly subject to infringement claims as the number of services and competitors in its industry segment grows. Any such claim, with or without merit, could be time-consuming, result in costly litigation, create service upgrade delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to the Company, or at all. As a result, any such claim of infringement against the Company could have a

material adverse effect upon its business, results of operations and financial condition.

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Risks Related to Our Common Stock

The Company's Common Stock price may be volatile, which could result in substantial losses for individual stockholders.

The market price for the Company's Common Stock is volatile and subject to wide fluctuations in response to factors, including the following, some of which are beyond its control, which means its market price could be depressed and could impair its ability to raise capital:

- actual or anticipated variations in its quarterly operating results;
- announcements of technological innovations or new products or services by the Company or its competitors;
- changes in financial estimates by securities analysts;
- conditions or trends relating to the LED and;
- changes in the economic performance and/or market valuations of other LED and thermal cooling related companies;
- additions or departures of key personnel;
- fluctuations of the stock market as a whole.

The Company's Certificate of Incorporation limits director liability, thereby making it difficult to bring any action against them for breach of fiduciary duty.

As permitted by Colorado law, the Company's Articles of Incorporation limits the liability of directors to the Company or its stockholders for monetary damages for breach of a director's fiduciary duty, with certain exceptions. These provisions may discourage shareholders from bringing suit against a director for breach of fiduciary duty and may reduce the likelihood of derivative litigation brought by shareholders on behalf of the Company against a director.

The Company may be unable to meet its future capital requirements.

The Company is substantially dependent on receipt of additional capital to effectively execute its business plan. If adequate funds are not available to the Company on favorable terms the Company will not be able to develop new products or enhance existing products in response to competitive pressures, which would affect its ability to continue as a going concern. The Company cannot be certain that additional financing will be available to it on favorable terms when required, or at all. If the Company raises additional funds through the issuance of equity, equity-related or debt securities, such securities may have rights, preferences or privileges senior to those of the rights of its common stock and its stockholders may experience additional dilution.

Penny stock regulations may impose certain restrictions on marketability of our stock.

The Securities and Exchange Commission (the "Commission") has adopted regulations which generally define a "penny stock" to be any equity security that has a market price (as defined) of less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. As a result, the Company's Common Stock is subject to rules that impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual

income exceeding \$200,000, or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the Commission relating to the penny stock market. The broker-dealer must also disclose the commission payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Consequently, the "penny stock" rules may restrict the ability of broker-dealers to sell our securities.

For the foreseeable future, the Company's securities will likely have a trading price of less than \$5.00 per share and will not be traded on any exchanges; therefore, we will be subject to Penny Stock Rules. As a result of the aforesaid rules regulating penny stocks, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of shareholders sell their securities in the secondary market.

The Company has never paid dividends on its Common Stock and does not expect to pay any in the foreseeable future. Preferred Shares impose restrictions on our ability to pay Common Stock dividends.

A potential purchaser should not expect to receive a return on their investment in the form of dividends on our Common Stock. The Company has never paid cash dividends on its Common Stock and the Company does not expect to pay dividends in the foreseeable future. Our ability to pay dividends on our Common Stock is restricted by the terms of our agreements with the holders of our Series A and Series B Convertible Preferred Stock. Holders of our Series A Convertible Preferred Stock are entitled to annual dividends of 10%. As of September 1, 2007, the Company has 75,543 Series A Convertible Preferred shares outstanding and no Series B Convertible Preferred shares outstanding. In the past, the Company has fulfilled its dividend obligations on the Series A and Series B Convertible Preferred Stock through a combination of the issuance of additional shares of its Series A Convertible Preferred and/or Common Stock and cash payments.

On December 31, 2005 dividends payable for the Series A Convertible Preferred Stock was \$144,956 and on December 31, 2006 dividends payable for the Series A Convertible Preferred Stock was \$27,353. Holders of the Company's Series B Convertible Preferred Stock are entitled to annual dividends of \$1.00 per share. As of this filing, all Series B Convertible Preferred Stock had been converted to common shares.

Substantial sales of our Common Stock could cause our stock price to rapidly decline.

The market price of our Common Stock may fall rapidly and significantly due to sales of our Common Stock from other sources such as:

- Common Stock underlying the conversion rights of our Series A and Series B Convertible Preferred Stock.
 - Common Stock underlying the exercise of outstanding options and warrants.
- Common Stock, which are available for resale under Rule 144 or are otherwise freely tradable and which are not subject to lock-up restrictions.
 - Common Stock being offered by the Selling Stockholders pursuant to this Prospectus.

Any sale of substantial amounts of our Common Stock in the public market, or the perception that these sales might occur, whether as a result of the sale of Common Stock received by shareholders upon conversion of our Series A or Series B Convertible Preferred Stock, exercise of outstanding warrants or options or otherwise, could lower the market price of our Common Stock. Furthermore, substantial sales of our Common Stock in a relatively short period of time could have the effect of depressing the market price of our Common Stock and could impair our ability to raise capital through the sale of additional equity securities.

The covenants with our Series A and Series B Convertible Preferred Stock shareholders restrict our ability to incur debt outside the normal course, acquire other businesses, pay dividends on our Common Stock, sell assets or issue our securities without the consent of holders of a majority of the Series A and Series B Convertible Preferred Stock outstanding. Such arrangements may adversely affect our future operations or may require us to make additional concessions to the holders of the Series A and Series B Convertible Preferred Stock in order to enter into transactions or take actions management deems beneficial and in the best interests of the holders of our Common Stock.

Note conversions could result in dilution of common stock

The conversion of outstanding promissory notes may result in substantial dilution to the interests of other holders of common stock, since the investors may ultimately convert and sell the full amount issuable on conversion under the notes. To the extent the selling stockholders convert their notes and then sell their common stock into the market, the common stock price may decrease due to the additional shares in the market. As of September 1, 2007, the \$1,650,000 principal of outstanding promissory notes and 12% per annum simple interest accruing thereon are convertible at a floating per share price based on a substantial discount to the then-prevailing market price. This could allow the selling stockholders to convert their convertible notes into common stock, the sales of which would further depress the stock price. There is, however, a \$0.20 per share minimum limit on the conversion price, which means that there is a limit on the number of shares that the company may be obligated to issue.

Downward pressure on the stock price could encourage short selling

The significant downward pressure on the price of the common stock as the selling stockholders convert and sell material amounts of common stock could encourage short sales by the selling stockholders or others. This could place significant downward pressure on the price of the common stock.

In finance, short selling or “shorting” is a way to profit from the decline in price of a security, such as stock or bond. A short sale is generally a sale of a stock you do not own. Investors who sell short believe the price of the stock will fall. If the price drops, you can buy the stock at the lower price and make a profit. If the price of the stock rises and you buy it back later at the higher price, you will incur a loss.

When you sell short, your brokerage firm loans you the stock. The stock you borrow comes from either the firm’s own inventory, the margin account of another of the firm’s clients or another brokerage firm. As with buying stock on margin, you are subject to the margin rules. Other fees and charges may apply. If the stock you borrow pays a dividend, you must pay the dividend to the person or firm making the loan.

USE OF PROCEEDS

We will not receive any proceeds from the sale of shares by the Selling Stockholders. However, we may receive proceeds of up to \$2.7 million from the exercise of warrants to purchase up to 31,092,439 million of the shares registered hereby if the Selling Stockholders chose to exercise those warrants. These proceeds, if any, will be used for working capital purposes or any other Company purpose approved by the Board of Directors.

POTENTIAL DILUTION DUE TO CONVERSION AT BELOW MARKET PRICE

The net tangible book value of the Company as of September 1, 2007 was \$241,183 or \$0.002 per share of Common Stock. Net tangible book value per share is determined by dividing the tangible book value of the Company (total tangible assets less total liabilities) by the number of outstanding shares of our common stock.

SELLING SECURITY HOLDERS

The following table provides certain information with respect to the Selling Stockholders' beneficial ownership of our common stock as of September 1, 2007 and as adjusted to give effect to the sale of all of the shares of common stock offered by this prospectus. We do not know when or in what amounts the Selling Stockholders may offer the shares of common stock for sale pursuant to this prospectus. The Selling Stockholders may choose not to sell any of the shares offered by this prospectus. For purposes of this table, we have assumed that the Selling Stockholders will have sold all of the shares covered by this prospectus upon the completion of the offering.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a Selling Stockholder and the percentage of ownership of that Selling Stockholder, shares of common stock underlying outstanding shares of our convertible notes, preferred shares or warrants held by that Selling Stockholder that are convertible or exercisable, as the case may be, within 60 days of this prospectus are included. Those shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other Selling Stockholder. Each Selling Stockholder's percentage of ownership in the following table is based upon 151,558,682 shares of common stock as of September 1, 2007. We will not receive any of the proceeds from the sale of our common stock by the Selling Stockholders. To the best of our knowledge and belief, none of the selling shareholders have a short position in our common stock. Unless otherwise specified below, none of these Selling Stockholders are broker-dealers or are affiliates of broker-dealers.

Name of Shareholder	Notes	Owned before the Offering		Common Shares Offered in the Offering		Owned after the Offering	
		Number (1)	Percent (2)	Number	Percent	Number	Percent
Amstadter, Michael	5	125,000	X	125,000	X	0	0
Anderson, Brett	3	10,000	X	10,000	X	0	0
Arnaudon, John	5	1,300,000	X	1,300,000	X	0	0
Baker, Charles	4,12	2,100,000	1.40%	2,100,000	1.39%	0	0
Baker, Michael	5	315,437	X	315,437	X	0	0
Bear Creek Capital	7,11	840,000	X	840,000	X	0	0

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Bellamy, Dean	5	397,060	X	397,060	X	0	0
Biondo, John	7	12,500	X	12,500	X	0	0
Branson, Gary and Shirley	5	150,000	X	150,000	X	0	0
Brooks, Scott	7	100,000	X	100,000	X	0	0
Brown, Michael	3	100,000	X	100,000	X	0	0
Champlin, Roscoe	5	38,571	X	38,571	X	0	0
Chapman, John W.	5	780,000	X	780,000	X	0	0
Clifford, Stuart N.	5	397,059	X	397,059	X	0	0
Clough, Natale A.	6,9	300,000	X	300,000	X	0	0
Clough, Nicholas J.	6,9	300,000	X	300,000	X	0	0
Daryl & Candice Tollett Investments	5	595,589	X	595,589	X	0	0
DeLeon, Michelle	5	56,250	X	56,250	X	0	0
Donohue, Tim	5	500,000	X	500,000	X	0	0
EDS Holdings, LLC	8,11	2,266,666	1.51%	2,266,666	1.50%	0	0
Erickson, Wally	5	270,000	X	270,000	X	0	0
Fogel, Cheri	7	116,000	X	116,000	X	0	0