Dynastar Holdings, Inc.
Form 8-K
January 23, 2012

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): January 17, 2012

DYNASTAR HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Nevada	333-144596	32-0309317
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1311 Herr Lane, Louisville, KY 40222
(Address of principal executive offices)

502.326.8100
(Registrant's telephone number, including area code)

c/o Gottbetter & Partners, LLP, 488 Madison Avenue, 12th Floor, new York NY 10022
(Former address and former fiscal year, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Cautionary Note Regarding Forward-Looking Statements

This Current Report contains forward-looking statements as that term is defined under the federal securities laws. These statements relate to anticipated future events, future results of operations or future financial performance. These forward-looking statements include, but are not limited to, statements relating to the adequacy of our capital to finance our planned operations, market acceptance of our services and product offerings, our ability to attract and retain key personnel, and our ability to protect our intellectual property. In some cases, you can identify forward-looking statements by terminology such as “may,” “might,” “will,” “should,” “intends,” “expects,” “plans,” “goals,” “projects,” “antici “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these terms or other comparable terminology.

These forward-looking statements are only predictions, are uncertain and involve substantial known and unknown risks, uncertainties and other factors which may cause our (or our industry’s) actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements. The “Risk Factors” section of this current report sets forth detailed risks, uncertainties and cautionary statements regarding our business and these forward-looking statements.

We cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these forward-looking statements, which speak only as of the date that they were made. These cautionary statements should be considered with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to reflect actual results, later events or circumstances or to reflect the occurrence of unanticipated events.

Explanatory Note

On October 14, 2011, we changed our corporate name from Medical Design Studios, Inc. to Dynastar Holdings, Inc. (“Dynastar Holdings”). Effective November 2, 2011, our trading symbol was changed from “MEDD.OB” to “DYNA.OB”.

On January 17, 2012, our wholly owned Delaware subsidiary, Dynastar Acquisition Corp. (“Acquisition Corp.”), merged (the “Merger”) with and into Dynastar Ventures, Inc., a Delaware corporation (“Dynastar”). In connection with the Merger, each share of Dynastar common stock, on a fully diluted basis, was converted into the right to receive, one (1) share of our common stock. Dynastar was the surviving corporation of that Merger. As a result of the Merger, Dynastar Holdings acquired the business of Dynastar and will continue the existing business operations of Dynastar, as its wholly owned subsidiary.

Unless the context indicates otherwise, the terms “Dynastar Holdings,” “Company,” “we,” “us” and “our” herein refer to Dynastar Holdings, Inc. and its subsidiaries (including Dynastar Ventures, Inc.), after giving effect to the Merger. References to “Pubco” refer to the public company prior to giving effect to the Merger. References to “Dynastar” refer to Dynastar Ventures, Inc., a Delaware corporation, both before and after giving effect to the Merger.

This Current Report contains summaries of the material terms of various agreements executed in connection with the transactions described herein. The summaries of these agreements are subject to, and are qualified in their entirety by, reference to these agreements, all of which are incorporated herein by reference.

This Current Report is being filed in connection with a series of transactions consummated by the Company and certain related events and actions taken by the Company.

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Item 1.01. Entry into a Material Definitive Agreement

On January 17, 2012, Pubco entered into an Agreement and Plan of Merger and Reorganization with Acquisition Corp. and Dynastar which we refer to in this Current Report as the “Merger Agreement”, and completed the Merger. For a description of the Merger and the material agreements entered into in connection with the Merger, please see the disclosures set forth in Item 2.01 to this Current Report, which disclosures are incorporated into this item by reference.

Item 2.01. Completion of Acquisition or Disposition of Assets

THE MERGER AND RELATED TRANSACTIONS

The Merger

On January 17, 2012, which we refer to as the “Closing Date”, Pubco, Dynastar, and Acquisition Corp. entered into the Merger Agreement and completed the Merger. As a result of the Merger, we acquired the business of Dynastar and will continue the existing business operations of Dynastar as our wholly owned subsidiary. A copy of the Merger Agreement is attached as Exhibit 2.1 to this Current Report and is incorporated herein by reference.

On October 6, 2011, Dynastar purchased an aggregate of 271,400,076 (6,742,859 pre-split) shares of Pubco’s restricted common stock from the previous owner for a cash consideration of $100,000. The 271,400,076 shares purchased by Dynastar represented approximately 94.4% of Pubco’s issued and outstanding common stock as of the purchase date. Dynastar surrendered those shares to Pubco for cancellation concurrent with the closing of the Merger. Prior to the Merger, no material relationship existed between Acquisition Corp. and Dynastar.

Pursuant to the Merger Agreement, on the Closing Date, Acquisition Corp., a wholly owned subsidiary of Dynastar Holdings, merged with and into Dynastar, with Dynastar remaining as the surviving entity. As a result of the Merger, each share of Dynastar common stock outstanding was cancelled and converted into the right to receive one (1) share of our common stock.

Prior to the closing of the Merger, holders of the Series A Convertible Preferred Stock of Dynastar (the “Dynastar Preferred Stock”) agreed (i) that their shares of Dynastar Preferred Stock would automatically convert into shares of Dynastar common stock immediately prior to, and conditional upon, the closing of the Merger at the anti-dilution adjusted conversion price of $0.20 per share, rather than at the original conversion price of $0.33 per share, and (ii) to waive certain rights they may have had under the terms of the Dynastar Preferred Stock.

Prior to the closing of the Merger, holders of the Dynastar 10% Secured Convertible Promissory Notes (the “Bridge Notes”) agreed (i) that their Bridge Notes would automatically convert into shares of our common stock upon the closing of the Merger at the anti-dilution adjusted conversion price of $0.20 per share, rather than at the original conversion price of $0.40 per share, (ii) that the Dynastar Warrants (defined below) would automatically convert upon the closing of the Merger into our warrants (on terms discussed below) and (iii) to waive certain rights they may have had under the terms of the Dynastar Warrants

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As of the closing of the Merger, there were no outstanding or authorized options, warrants, rights, agreements or commitments to which Dynastar is a party or which are binding upon Dynastar providing for the issuance or redemption of any of its capital stock.

The Merger Agreement contains customary representations, warranties and covenants of Dynastar Holdings, Dynastar, and, as applicable, Acquisition Corp., for like transactions. Breaches of representations and warranties are secured by indemnification provisions. The Merger Agreement provides for a post-closing adjustment in an aggregate amount of up to 500,000 additional shares of our common stock issuable pro rata to Dynastar's pre-Merger stockholders for any breach of the Merger Agreement by us that is discovered during the two-year period following the closing of the Merger. The Merger Agreement also provides that 5% of the shares of our common stock that Dynastar's pre-Merger stockholders receive in the Merger in exchange for their shares of Dynastar are to be held in escrow for any breach of the Merger Agreement by Dynastar that is discovered during the two years following the Merger pursuant to the terms of an Escrow Agreement dated as of January 17, 2012, among the Company, John S. Henderson IV, as indemnification representative, and Gottbetter & Partners, LLP, as Escrow Agent.

For financial reporting purposes, the Merger represents a capital transaction of Dynastar or a "reverse merger" rather than a business combination, because the sellers of Dynastar controlled the combined company immediately following the completion of the Merger. As such, Dynastar is deemed to be the accounting acquirer in the transaction and, consequently, the transaction is being treated as a recapitalization of Dynastar. Accordingly, the assets and liabilities and the historical operations that will be reflected in Dynastar Holdings' ongoing financial statements will be those of Dynastar and will be recorded at the historical cost basis of Dynastar. Dynastar Holdings' assets, liabilities and results of operations will be consolidated with the assets, liabilities and results of operations of Dynastar after consummation of the Merger. The historical financial statements of Pubco before the Merger will be replaced with the historical financial statements of Dynastar before the Merger in all future filings with the Securities and Exchange Commission (the "SEC"). The Merger is intended to be treated as, and the parties have agreed to take all actions necessary to ensure that the Merger is treated as, a tax-free exchange under Section 368(a) of the Internal Revenue Code of 1986, as amended.

Following the closing of the Merger, our board of directors consists of three (3) members. In connection with the foregoing, on the Closing Date, Kenneth Spiegeland, the sole director of Pubco before the Merger, appointed John S. Henderson IV and Jerry Tyler to fill vacancies on the board of directors. Also on the Closing Date, Mr. Spiegeland, the then-sole officer of Pubco, resigned and new executive officers designated by Dynastar were appointed. The officers and directors of the Company as of the Closing Date are identified in this Current Report under the heading "Directors and Executive Officers."

As a result of the Merger, Pubco acquired the business of and will continue the existing business operations of Dynastar, its wholly-owned subsidiary, as a publicly-traded company. We will continue to comply with the information and reporting requirements of the federal securities laws applicable to us.

Prior to the Merger, Pubco's Board and shareholders owning a majority of its outstanding common stock adopted the 2011 Equity Incentive Plan (the "2011 Plan"), which became effective on September 20, 2011. The 2011 Plan provides for the issuance of up to 5,000,000 shares of our common stock as incentive awards to be granted to executive officers, key employees, consultants and directors of the Company.

The Offering

Concurrently with the closing of the Merger and in contemplation of the Merger, we completed an initial closing of a private offering (the “Offering”) of 125,000 units of our securities, at a price of $0.20 per unit. Each unit consists of one share of our common stock and a warrant to purchase one-half share of our common stock. The warrants are exercisable for a period of five years at a purchase price of $0.80 per whole share of our common stock.

The Offering is being conducted on a “best efforts” basis with respect to a maximum of 10,000,000 units. In addition, in the event the maximum number of units is sold, the placement agent and the Company have the option to offer an additional 2,500,000 units. The initial closing of the Offering and the closing of the Merger were not conditioned upon each other.

On the Closing Date, an investor in the Offering purchased 125,000 units for total cash consideration of $25,000. The Offering for the remaining 9,875,000 units will continue after the closing of the Merger.

We paid the placement agent in the offering, Gottbetter Capital Markets, LLC, a commission of 10% of the funds raised from investors in the offering. In addition, the placement agent received five-year warrants to purchase a number of shares of our common stock equal to five (5%) of the units sold to investors in the offering. As a result of the foregoing arrangement, at the initial closing of the offering, the placement agent was paid commissions of $2,500 and was issued broker warrants to purchase 6,250 shares of our common stock at an exercise price of $0.20 per share.

The forms of the investor warrant and broker warrant issued in the offering are attached as Exhibits 4.1 and 4.3, respectively, to this Current Report and are incorporated herein by reference.

Investor Relations Agreement

On December 20, 2011, Dynastar entered into a consulting agreement with Undiscovered Equities, Inc. (“UEI”) pursuant to which UEI will provide certain public relations and financial communications services to Dynastar and us. Our Board has agreed to assume the obligations to UEI under this agreement. In exchange for UEI’s services to us, we will pay UEI a cash fee of up to $350,000 payable as follows: $200,000 upon our raising a minimum of $500,000 in the Offering; an additional $100,000 upon our raising a minimum of $1,000,000 in the Offering; and an additional $50,000 upon our raising a minimum of $1,500,000 in the Offering. Additionally, subject to our raising a minimum of $1,500,000 in the Offering, we will issue to UEI, 1,000,000 restricted shares of our common stock (subject to adjustment in the event of any stock split or similar event). This agreement with UEI will terminate on December 31, 2012 unless terminated earlier in accordance with its provisions.

The Bridge Financing

In October 2010, Dynastar completed a bridge financing (the "Bridge Note Offering") involving the sale of its Bridge Notes. The purchasers of the Bridge Notes also received, for each $0.80 principal amount of the Bridge Notes purchased, a warrant (the "Dynastar Warrants") to purchase one share of common stock of Dynastar, exercisable for a period of five (5) years, at an exercise price of $0.80 per share. As of the completion of the Bridge Note Offering, Dynastar had sold Bridge Notes in the aggregate principal amount of $1,144,985, and had issued to the purchasers of the Bridge Notes Dynastar Warrants to purchase an aggregate of 1,431,231 shares of Dynastar common stock.

Upon the closing of the Merger and following consent of the Bridge Note holders, the entire principal amount of the Bridge Notes was converted into 5,724,925 shares of our common stock and $51,756 in accrued and unpaid interest on the Bridge Notes was converted into 258,781 shares of our common stock, each at a conversion price of $0.20 per share. Additionally, the Dynastar Warrants were exchanged for our five-year warrants exercisable for 2,864,463 shares of our common stock, at an exercise price of $0.80 per whole share. Prior to the consummation of the Merger, holders of the Dynastar Warrants agreed to waive any and all anti-dilution rights they might have had under the terms of the Dynastar Warrants.

The Merger, the Offering and the bridge financing and the related transactions are collectively referred to in this Current Report as the “Transactions.”

Registration Rights

In connection with the Merger and the Offering, we have agreed to file a registration statement registering for resale (i) the shares of our common stock issued in the Offering (including the shares of our common stock underlying the Investor Warrants, but not those underlying any Agent Warrants), (ii) the shares of our common stock issued upon conversion of the Bridge Notes and underlying the Bridge Warrants and (iii) the shares of our common stock issued in the Merger to the holders, prior to the Merger, of the Dynastar Series A Preferred Stock, consistent with the terms and conditions of the registration rights agreement we have entered into with the holders of the registrable shares listed above. We have agreed to file the registration statement no later than seventy-five (75) calendar days following the closing of the Merger (the “Filing Deadline”) and use our best efforts to ensure that such registration statement is declared effective within one hundred fifty (150) calendar days of filing with the SEC (the “Effectiveness Deadline”). Notwithstanding the foregoing, should our Board deem it advisable and in the best interests of us to delay the filing, we may seek the consent of the holders of registrable securities to such delay and the waiver of monetary penalties described below.

If we are late in filing the registration statement or if the registration statement is not declared effective within one hundred fifty (150) days of filing with the SEC, monetary penalties payable by us to each holder of registrable securities will commence to accrue and cumulate at a rate equal to one percent (1.00%) of the purchase price per share paid by such holder for the registrable securities for each full period of 30 days that (i) we are late in filing the registration statement or (ii) the registration statement is late in being declared effective by the SEC (which shall be pro rated for any period less than 30 days); provided, however, that in no event shall the aggregate of any such penalties exceed ten percent (10%) of the purchase price per share paid by such holder for the registrable securities. Notwithstanding the foregoing, no payments shall be owed with respect to any period during which all of the holder’s registrable securities may be sold by such holder under Rule 144 or pursuant to another exemption from registration. Moreover, no such payments shall be due and payable with respect to any registrable securities we are unable to register due to limits imposed by the SEC’s interpretation of Rule 415 under the Securities Act.

We have agreed to maintain the effectiveness of the registration statement through the earlier of second anniversary of the date the registration statement is declared effective by the SEC or until Rule 144 of the Securities Act is available to the holders to allow them to sell all of their registrable securities thereunder. The holders of any registrable securities removed from the registration statement as a result of any Rule 415 or other comments from the SEC shall have “piggyback” registration rights for the shares of common stock or common stock underlying such warrants with respect to any registration statement filed by us following the effectiveness of the registration statement which would permit the inclusion of these shares.

We will pay all expenses in connection with any registration obligation provided in the registration rights agreement, including, without limitation, all registration, filing, stock exchange fees, printing expenses, all fees and expenses of complying with applicable securities laws, and the fees and disbursements of our counsel and of our independent accountants. Each investor will be responsible for its own underwriting discounts and commissions, transfer taxes and the expenses of any attorney or other advisor such investor decides to employ.

The form of the registration rights agreement is attached as Exhibit 10.4 to this Current Report and is incorporated herein by reference.

Lock-up Agreements

In connection with the Merger, each of the officers, directors, key employees and certain holders of 10% or more of our common stock after giving effect to the Transactions agreed to “lock-up” and not sell or otherwise transfer or hypothecate any of their shares of our common stock for a term of eighteen (18) months from the Closing Date of the Merger except in certain limited circumstances. We also agreed not to register under the Securities Act the resale of the shares of our common stock received by those officers, directors, key employees and 10% holders in the Merger for a period of two years following the closing of the Merger.

Current Ownership

Immediately after giving effect to the Transactions, including the units sold in the initial closing of the Offering, the conversion of the Bridge Notes and the exchange of the Dynastar Warrants, the issuance of shares of our common stock to the former Dynastar stockholders in the Merger, the cancellation of shares owned by Dynastar, and the broker warrants issued to the placement agent in connection with the Offering, there were issued and outstanding securities of the Company on the closing of the Transactions as follows:

(i) the stockholders of Dynastar surrendered all of the issued and outstanding shares of Dynastar’s capital stock, assuming the conversion of Dynastar’s outstanding Dynastar Preferred Stock at the as adjusted conversion price of $0.20 per share, and received, in exchange for such shares, an aggregate of 15,872,000 shares of our common stock (the “Merger Shares”);

(ii) the pre-merger closing stockholders of Pubco other than Dynastar retained 16,103,541 shares of our common stock;

(iii) Dynastar surrendered to Pubco for cancellation 271,400,076 shares of our common stock pursuant to a share cancellation agreement dated effective as of January 17, 2012;

(iv) one investor purchasing Units in the Offering will receive 125,000 shares of our common stock and investor warrants to purchase up to 62,500 shares of our common stock;

(v) the Bridge Notes were converted, as to their outstanding principal amount, into an aggregate of 5,724,925 shares of our common stock and as to their accrued interest amount, into an aggregate of 258,781 shares of our common stock;

(vi) the Dynastar Warrants were exchanged into our warrants to purchase an aggregate of 2,862,463 shares of our common stock;

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(vii) Robert R. Mohr, Chief Financial Officer of Dynastar and designated Chief Financial Officer of Pubco, exchanged an option exercisable for 450,000 Dynastar shares of common stock for an option under the 2011 Plan exercisable for 450,000 shares of our common stock and received an additional option under the 2011 Plan exercisable for 500,000 shares of our common stock; and John S. Henderson IV, Chief Executive Officer of Dynastar and designated Chief Executive Officer of Pubco received an option exercisable for 1,000,000 shares of our common stock under the 2011 Plan;

(viii) the placement agent received agent warrants to purchase up to 6,250 shares of our common stock; and

(ix) Acquisition Corp. merged with and into Dynastar, with Dynastar remaining as the surviving entity.

Accounting Treatment; Change of Control

The Merger is being accounted for as a “reverse merger,” and Dynastar is deemed to be the acquirer in the reverse merger for accounting purposes. Consequently, the assets and liabilities and the historical operations of the Company that will be reflected in the financial statements prior to the Merger will be those of Dynastar, and the consolidated financial statements of the Company after completion of the Merger will include the assets and liabilities of Dynastar, historical operations of Dynastar and operations of Dynastar from the Closing Date of the Merger.

Except as described in the previous paragraphs, no arrangements or understandings exist among present or former controlling stockholders with respect to the election of members of the Company’s board of directors and, to our knowledge, no other arrangements exist that might result in a change of control of the Company. Further, as a result of the issuance of the shares of common stock pursuant to the Merger, a change in control of the Company occurred as of the date of consummation of the Merger.

DESCRIPTION OF BUSINESS

Overview

Through our wholly owned subsidiary Dynastar, we are a direct selling company focused on selling electricity in deregulated energy markets with headquarters located in Louisville, Kentucky.

We operate through an organization of independent energy consultants to sell electricity to consumer and commercial clients on behalf of our deregulated retail energy provider partners. These energy providers are licensed energy resellers in the deregulated retail energy markets.

We plan to leverage our independent energy consultant organization to grow to meet the demands of the rapidly deregulated retail energy markets by offering alternative pricing opportunities to consumer and commercial purchasers of electricity and gas.

Solutions

We are a focused energy marketing company. Our focus is on building a selling and marketing organization of independent energy consultants. We are not in the business of purchasing or actually selling electricity or gas. That responsibility is left to our deregulated retail energy provider partners. We provide a service to both the deregulated energy providers and to the consumers. To the deregulated retail energy provider partners, we bring energy customers at an affordable commission cost, helping the deregulated energy providers avoid the costs of having to invest in the fixed costs of hiring and managing their own direct sales forces. To consumers, as a result of deregulation, we intend to bring cost savings and alternative pricing programs that are not available through the incumbent local regulated utility.

As a sales and marketing company, our principal tools consist of (i) our independent energy consultant organization, (ii) our web-based selling and pricing tools, (iii) our advertising and promotion programs and (iv) our relationships with our deregulated retail energy provider partners.

Independent Energy Consultant Organization. At December 31, 2011, our independent energy consultant organization consisted of 292 active consultants. Our consultant organization has declined over the last 11 months, due to a deliberate change in our energy consultant compensation plan that offered more incentives to energy consultants to grow their business organization and customer base. As a result of this shift in compensation, a number of the existing independent energy consultants left the organization, resulting in short term margin improvement for us as those consultants relinquished their rights to the residual commissions from their customer base. We believe that we have stabilized our base energy consultant organization and are ready to engage our growth strategies to add productive, high-value added independent energy consultants going forward. We believe that Dynastar will be able to rapidly grow its independent energy consultant organization in order to expand its business throughout the deregulated markets in the United States.

Web-based Selling and Pricing Tools. Our web-based selling and pricing tools have been developed to facilitate the identification and tracking of customers and renewals, the pricing of products offered to retail energy customers and the tracking of commissions and bonuses earned. We believe that these tools will serve as motivators to facilitate the growth of our independent energy consultant organization.

Advertising and Promotion Programs. We believe that our advertising and promotion programs are currently being developed and we anticipate that we will launch these promotion programs in early 2012, after the consummation of our current Offering.

Relationships with Retail Energy Provider Partners. We have established agency agreements with three deregulated retail energy providers, who operate in the states of Texas, New York, Pennsylvania, Connecticut, Maryland, New Jersey and Maine. We are targeting to enter into agency agreements with energy providers across most of the 24 states in which electricity and gas have been deregulated. Through January 20, 2012, we were only operating in the states of Texas, New Jersey, and New York. Our initial focus will be in the Texas, New Jersey, New York and Pennsylvania markets.

We believe that we are able to attract independent energy consultants to our business by providing opportunities for individuals to start their own business with a low start-up cost ($99 enrollment fee) and a personalized website (“Energy Store”) with an easy to use back office tool set ($49 per month). In addition, we provide comprehensive online training, operations support, and the ability to participate in corporate sponsored events. We provide the independent energy consultants the opportunity to earn monthly residual income and leadership bonuses in a flexible business that allows the consultants to work around their schedules with no inventory or collections to maintain. Finally, we believe that our consultants are provided an incentive to build a business organization by recruiting other independent energy consultants into their organization and receiving residual income based on the efforts of those consultants they sponsor in the business.

We provide each independent energy consultant with an Energy Store for $49 per month that includes a replicated consultant oriented website, a replicated customer oriented website, a custom lead capture site, social media interaction linked to our site, a contact management system integrated with the lead capture sites, an e-mail auto responder system, a follow up reminder system, a personal @mydynastarenergy.com e-mail address, cell phone text notices of prospect and enrollment activity, online and printed marketing materials and a fully integrated help desk with FAQ subsystem. We believe these tools help optimize the consultants time and efforts to give them the ability to rapidly build their organization whether it be customer oriented or consultant organization oriented.

Market

According to the U.S. Energy Information Administration (www.eia.gov), there are approximately 91 million potential retail and commercial energy customers in the 24 states that have deregulated the selling of electricity and gas. We anticipate that additional states will deregulate their energy markets.

We expect that the deregulation of the energy business in the United States will have effects similar to that of the deregulation of the telecommunications business. The former AT&T was effectively broken up in 1984, allowing for other players such as MCI, Sprint, Quest and ACN to expand in the market. The Telecommunications Act of 1996 allowed for the retail resale of telecommunication services. According to Phone+ magazine, with deregulation, over the past 10 years, the telecommunications business has grown to a $100 billion market, from just $10 billion. Also according to Phone+ magazine, the growth of the telecommunication business was partly attributable to market participants who utilized direct selling as a tool to rapidly introduce new products and services, thus facilitating the rapid expansion of their markets and customer base. We believe that we are at the forefront of this same business expansion in the sales and marketing of energy to consumers and small businesses.

We plan to initially focus our efforts on deregulated retail energy providers in what we believe are three primary high potential markets: Texas, New York and Pennsylvania. The Texas market is the most mature having engaged in deregulation since 2002. According to the Texas State Comptroller, in Texas by 2007, approximately 40% of residential customers had switched from the incumbent local regulated utility to deregulated retail energy providers. Utilizing information gathered by the U.S. Energy Information Administration, assuming a similar penetration rate in the New York and Pennsylvania markets, for the year 2010, there were potentially approximately 8.0 million residential consumers using approximately 100.6 billion kWh of electricity per year resulting in approximately $13.4 billion in revenue for the retail energy providers. Sales commissions on the resale of electricity by brokers are typically 10% of the price of electricity. Therefore, within the residential customer market in New York and Pennsylvania, we believe there is a potential for independent energy selling agents to generate approximately $1.3 billion in total commissions.

Opportunity

Deregulated retail energy providers, who emerged with the deregulation of the energy markets, operate under a license to sell electricity and gas. To date, these energy providers have traditionally catered to the industrial and large commercial customer base. For the most part, we believe these energy providers have ignored the needs of the consumer and small commercial purchasers, as the cost to service this widely distributed customer base through their own direct sales forces was not cost effective. We are seeing an emerging focus by these energy providers to target the consumer and small commercial customers.

We see an opportunity to partner with these retail energy providers, by bringing customers to them through our independent energy consultant organization, our marketing programs and our web-based support platform.

Our energy customers typically sign 1 year agreements to purchase energy from our deregulated retail energy provider partners. We believe that consumers will be attracted to our product pricing offerings, as we will be able to offer a choice of energy purchasing plans and reduce their costs of electric and gas energy purchases by 5% to 15%.

Competition

The market for our products is highly competitive and rapidly changing. We target to sign up consumer and small commercial purchasers of electricity and gas. Even though we will operate on the deregulated side of the selling of energy, we believe that we will be able to effectively compete for customers with both regulated and deregulated companies. On the regulated side, we intend to compete for customers with the incumbent public utility. On the deregulated side, we will compete principally against licensed retail energy providers who have invested in their own direct sales forces. Two of these players are Ignite, Inc. (founded in 2004) and Ambit Energy (founded in 2006). According to Direct Selling News, for the year 2010, through direct selling, Ignite controlled approximately $160 million in retail energy sales and Ambit approximately $70 million in retail energy sales. During this same time frame, Ignite and Ambit reported that they had 188 and 275 employees, respectively, committed to their direct selling business. Ignite operates in Texas and Georgia, and Ambit operates in Texas, New York and Illinois. Further, we may face competition from other direct selling companies who may add electricity and gas to the other products and services that they are now selling.

Marketing and Sales

Our marketing efforts to date have been to use web-based sales and marketing tools to attract and sign up highly motivated independent energy consultants and their associated organization. In our target markets, we intend to use inside and outside direct sales representatives to generate end user sales. Through targeted Internet marketing, advertising and lead generation with firms that have proven success in the marketplace, we intend to identify the highest potential markets and focus our advertising to attract independent energy consultants and electricity and gas consumers. In addition, we intend to use proven high potential television advertising to drive electricity and gas consumers to our retail energy provider partners. Finally, we intend to engage online lead generation companies that have a reputable web presence to focus on identifying highly qualified independent energy consultant leads.

The historical sales cycle of Dynastar suggests that an independent energy consultant identifies, qualifies, approaches and closes a large number of customers within the first month of joining the business. Typically, the consultant is selling to friends and family as well as signing up themselves. The sales cycle is typically very quick with a span of only a few days between prospect identification and closing. Each jurisdiction is different but the process typically involves the customer providing copies of their utility bills and a third party verification that the customer wishes to change provider. We receive one time commission from the retail energy provider upon the initial enrollment of a new customer (“Customer Acquisition Bounty”) . Within 30 to 60 days the customer receives its first bill from the new energy provider and within 60 to 90 days the customer is paying the new energy provider and we are earning residual commissions.

Strategy

We expect that with the infusion of the additional capital we raised and plan to continue to raise and with additional management we will be able to increase commission revenues, expand the geographic footprint of the markets in which we will operate and increase marketing and promotion. Our management intends to do the following:

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- Add additional established and proven independent energy consultants to our sales organization, which would drive more revenue and take early advantage of signing customers for our retail energy provider partners.

- Establish direct selling arrangements with additional retail energy providers in both existing marketing geographies and in new geographies.

- Initiate specific new marketing and promotion programs that will serve to drive additional energy consumers to us and help us to build brand awareness.

- Expand our capabilities for and target growth in the commercial market, where there are economies of scale that drive greater commission revenues and margins.

- Increase our independent energy consultant organization by introducing services within jurisdictions that are not yet deregulated or are not within the footprint of our existing retail energy providers to ensure we penetrate the market immediately with an existing organization when we are able to sell energy services within such jurisdictions.

Intellectual Property

Our blend and menu of web-based selling tools is proprietary although the underlying technology is publicly available. We expect to continue to develop our intellectual property in order to provide greater and more efficient tools to facilitate the sales efforts by our independent energy consultants.

Customers

Our customers are the retail energy providers. As of January 20, 2012, we have 3 retail energy provider customers. Through these three energy providers, we have enrolled a total of 4,155 retail and commercial energy consumers located in Texas and New York. Substantially all of our revenues are through just one of these retail energy providers.

Employees

As of January 20, 2012, we had five (5) employees. We have never experienced a work stoppage and believe our relationship with our employees is good.

Properties

We currently lease approximately 2,142 square feet of office space in Louisville, Kentucky for our principal executive offices under a two year operating lease. We currently pay monthly basic rent of $2,600 per month for this space.

Legal Proceedings

We may, from time to time, be a party to litigation that arises in the normal course of our business operations. Currently, no legal proceedings, government actions, administrative actions, investigations or claims are pending against us or involve us.

Available Information

We are currently a voluntary filer with respect to the reporting requirements of the Securities Exchange Act of 1934 ("Exchange Act"). Reports filed with the SEC pursuant to the Exchange Act, including annual and quarterly reports, and other reports we file, can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Investors may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. Investors can request copies of these documents upon payment of a duplicating fee by writing to the SEC. The reports we file with the SEC are also available on the SEC's website (http://www.sec.gov).

RISK FACTORS

RISKS RELATED TO OUR BUSINESS AND OUR INDUSTRY

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

We have a history of losses and have not yet achieved profitability. We had a net loss of $558,903 and a net loss available to common stockholders of $1,025,403 for the period from May 4, 2010 (inception) through December 31, 2010 and $1,158,020 for the nine months ended September 30, 2011. As of September 30, 2011, our cumulative loss available to common stockholders from inception was $2,183,423. We expect operating expenses to increase in the future due to the expected development activities and marketing expenses we will incur to increase brand awareness in the deregulated energy marketplace as well as, increased operations costs and general and administrative costs associated with implementing our business plan. Although we expect to achieve profitability in 2013, such expectation is based on assumptions that are subject to economic and competitive uncertainties that are largely outside of our control. Our independent registered public accounting firm included an explanatory paragraph in their report for the year ended December 31, 2010 and the period from May 4, 2010 (inception) through December 31, 2010 on the accompanying financial statements regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent registered public accounting firm. We have a limited operating history upon which you can evaluate our business and prospects. You must consider our business, financial history and prospects in light of the risks and difficulties we face as an early stage company with a limited operating history. There can be no assurances that we will achieve or maintain profitability.

We have limited sales and compete in rapidly evolving markets, which makes our future operating results difficult to predict.

We were formed in May 2010 and began operations in February 2011. We have limited commission revenues in an increasingly competitive industry. We are building out our network of deregulated Retail Energy Provider partners for which we would sell and we are expanding our organization of independent sales consultants. Building these partnerships will require time and money. These factors make it difficult to predict our operating results, which may impair our ability to manage our business and our investors’ ability to assess our prospects.

If we are unable to manage our anticipated growth effectively, our revenues and profits could be adversely affected.

We anticipate that a significant expansion of our operations and addition of new personnel is required in all areas of our operations in order to implement our business plan. Our future operating results depend to a large extent on our ability to manage this expansion and growth successfully. For us to continue to manage our growth, we must put in place legal and additional accounting systems and implement human resource management and other tools. We have taken preliminary steps to put this structure in place. However, there is no assurance that we will be able to successfully manage this anticipated rapid growth. A failure to manage our growth effectively could materially and adversely affect our ability to market and sell our solutions and products.

The rates we charge for our services may decline over time, which would reduce our revenues and adversely affect our profitability.

As our business model continues to gain acceptance and attracts the attention of competitors, we may experience pressure to decrease the fees for our services, which could affect our revenues and gross margin. If we are unable to sell our services at acceptable prices, or if we fail to offer additional services with sufficient profit margins, our revenue growth will slow and our business and financial results will suffer.

Our future success depends on the continued services of our employees, including Messrs. John S. Henderson IV and Robert R. Mohr.

Our future success depends on the continued services of our Chief Executive Officer and President, John S. Henderson IV, and Chief Financial Officer, Robert R. Mohr. We have entered into an employment agreement with each of Messes. Henderson and Mohr; however, each may resign at any time in his sole discretion. The loss of services of any of these individuals could impair our ability to consummate our business plan and could have a material adverse effect on our business, financial condition and results of operations. It is our intention to purchase key man life insurance with respect to Mr. Henderson.

We must also continue to seek ways to retain and motivate all of our employees through various means, including through enhanced compensation packages. In addition, we will need to hire more employees as we continue to implement our key strategy of building on our market position and expanding our business. Competition for qualified personnel in the areas in which we compete remains strong and the pool of qualified candidates is limited. Our failure to attract, hire and retain qualified staff on a cost efficient basis would have a material adverse effect on our business, prospects, financial condition, results of operations and ability to successfully implement our growth strategies.

We may be subject to intense competition and may not be able to compete successfully against larger and more established businesses.

Several established companies are currently offering or looking to offer solutions that compete within the deregulated energy marketplace. There can be no assurance that competitors with substantially greater financial, technical, managerial, marketing and other resources and experience than us will not compete more effectively than us.

Our ability to compete successfully will depend, in part, on our ability to attract and retain experienced independent sales consultants.

The success of our business model presumes that we will be able to attract, train, motivate and retain highly skilled and effective independent sales consultants. Either not being able to develop this independent sales consultant organization or not being able to retain them, could have an adverse effect on our business, financial condition or results of operations.

A prolonged recession, instability in the financial markets, and insufficient financial sector liquidity, could negatively impact our business.

The consequences of a prolonged recession could include a lower level of economic activity and uncertainty regarding energy prices. A lower level of economic activity could result in a decline in energy consumption which could adversely affect our revenues and future growth. Economic downturns or periods of high energy supply costs typically lead to reductions in energy consumption and increased conservation measures. These factors could have an adverse effect on our results of operations, cash flows or financial position. Instability in the financial markets as a result of recession or otherwise, as well as insufficient financial sector liquidity, also could affect the cost of capital and our ability to raise capital.

Our business is heavily influenced by how much regulated utility prices for energy are above or below competitive market prices for energy and, accordingly, any changes in regulated prices or cyclicality or volatility in competitive market prices heavily impacts our business.

When energy prices increase in competitive markets above the price levels of the regulated utilities, energy consumers are less likely to lock-in to higher fixed price contracts in the competitive markets and so they are less likely to use our alternative pricing platform. Accordingly, reductions in regulated energy prices can negatively impact our business. Any such reductions in regulated energy prices over a large geographic area or over a long period of time would have a material adverse effect on our business, prospects, financial condition and results of operations. Similarly, cyclicality or volatility in competitive market prices that have the effect of driving those prices above the regulated utility prices will make our alternative pricing platform less useful to energy consumers and will negatively impact our business.

We currently derive all of our revenue as a sales agent to resellers of electricity, and as a result our business is highly susceptible to factors affecting the electricity market over which we have no control.

We have derived approximately 100% of our revenues since we began operations in February 2011 from commissions earned in connection with the sale of electricity. Although we intend to expand into other markets such as gas and commercial markets, we believe that our revenues will continue to be highly dependent on the level of activity in the electricity market for the near future. Transaction volume in the electricity market is subject to a number of variables, such as consumption levels, pricing trends, availability of supply and other variables. We have no control over these variables, which are affected by geopolitical events such as war, threat of war, terrorism, civil unrest, political instability, environmental or climatic factors and general economic conditions. We are particularly vulnerable during periods when energy consumers perceive that electricity prices are at elevated levels since transaction volume is typically lower when prices are high relative to regulated utility prices. Accordingly, if electricity transaction volume declines sharply, our results will suffer.

Our success depends on the widespread adoption of purchasing electricity from competitive sources.

Our success depends, in large part, on the willingness of energy consumers to embrace competitive sources of supply, and on the ability of the energy resellers for whom we sell to consistently source electricity at competitive rates. In most regions of North America, energy consumers have either no or relatively little experience purchasing electricity in a competitive environment. Although electricity consumers in deregulated regions have been switching from incumbent utilities to competitive sources, there can be no assurance that the trend will continue. In a majority of states and municipalities, including some areas which are technically “deregulated”, electricity is still provided by the incumbent local utility at subsidized rates or at rates that are too low to stimulate meaningful competition by other providers. In addition, extreme price volatility could delay or impede the widespread adoption of competitive markets. To the extent that competitive markets do not continue to develop rapidly our prospects for growth will be constrained. Also, there can be no assurance that trends in government deregulation of energy will continue or will not be reversed. Increased regulation of energy would significantly damage our business.

Even if our alternative pricing platform model achieves widespread acceptance as the preferred means to transact energy, we may be unsuccessful in competing against current and future competitors.

We expect that competition for the retail marketing of deregulated energy will intensify in the near future in response to expanding restructured energy markets that permit consumer choice of energy sources and as technological advances create incentives to develop more efficient and less costly energy procurement in regional and global markets. The barriers to entry into the retail marketing of deregulated energy and marketplace are relatively low, and we expect to face increased competition from traditional providers and other established participants in the energy industry.

Many of our competitors and potential competitors have longer operating histories, better brand recognition and significantly greater financial resources than we do. The management of some of these competitors may have more experience in implementing their business plan and strategy which would give them a competitive advantage. We expect that as competition in the deregulated retail energy marketplace increases, commissions for the retail sale of energy will decline, which could have a negative impact on the level of commissions we can charge per transaction and may reduce the relative attractiveness of our services. We expect that our costs relating to marketing and human resources may increase as our competitors undertake marketing campaigns to enhance their brand names and to increase the volume of business conducted through their exchanges. We also expect many of our competitors to expend financial and other resources to improve their network and system infrastructure to compete more aggressively. Our inability to adequately address these and other competitive pressures would have a material adverse effect on our business, prospects, financial condition and results of operations.

If we are unable to rapidly implement some or all of our major strategic initiatives, our ability to improve our competitive position may be negatively impacted.

Our strategy is to improve our competitive position by implementing certain key strategic initiatives in advance of competitors, including the following:

- continuing to develop deregulated retail energy provider relationships;

- expanding our organization of independent sales consultants;

- leveraging new products such as the sale of gas;

- targeting the commercial markets; and

•targeting other energy-related markets.

We cannot assure you that we will be successful in executing against any of these key strategic initiatives, or that our time to market will be sooner than that of competitors. Some of these initiatives relate to new services or products in which we lack experience and expertise. If we are unable to continue to implement some or all of our key strategic initiatives in an effective and timely manner, our ability to improve our competitive position may be negatively impacted, which would have a material and adverse effect on our business and prospects.

Our costs will continue to increase as we expand our business and our revenue may not increase proportionately, resulting in operating losses in the future.

We expect that we will need to significantly increase our operating expenses as we expanded our capabilities to offer additional energy-related products, increase our sales and marketing efforts and developed our administrative organization. As we continue to expand our business, we may incur additional operating losses. In addition, our budgeted expense levels are based, in significant part, on our expectations as to future revenue and are largely fixed in the short term. As a result, we may be unable to adjust spending in a timely manner to compensate for any unexpected shortfall in revenue which could compound those losses in any given fiscal period.

We may expand our business through the acquisition of other businesses and technologies which will present special risks.

We may expand our business in certain areas through the acquisition of businesses, technologies, products and services from other businesses. Acquisitions involve a number of special problems, including:

- the need to incur additional indebtedness, issue stock or use cash in order to complete the acquisition;
- difficulty integrating acquired technologies, operations and personnel with the existing business;
- diversion of management attention in connection with both negotiating the acquisitions and integrating the assets;
- strain on managerial and operational resources as management tries to oversee larger operations;
- the funding requirements for acquired companies may be significant;
- exposure to unforeseen liabilities of acquired companies;
- increased risk of costly and time-consuming litigation, including stockholder lawsuits; and
- potential issuance of securities in connection with an acquisition with rights that are superior to the rights of our common stockholders, or which may have a dilutive effect on our common stockholders.

We may not be able to successfully address these problems. Our future operating results will depend to a significant degree on our ability to successfully integrate acquisitions and manage operations while also controlling expenses and cash burn.

We depend on a small number of key licensed deregulated retail energy providers for a significant portion of our revenue, none of which have any obligation to use our services or continue their relationship with us, and the partial or complete loss of business of one or more of these relationships could negatively affect our business.