ONSCREEN TECHNOLOGIES INC
Form 10KSB
March 31, 2005

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

FORM 10-KSB

[x] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES AND EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission File Number 0-29195

OnScreen Technologies, Inc.
(Name of Small Business Issuer in Its Charter)

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

200 9th Avenue North, Suite 210
Safety Harbor, Florida 34695
(727) 797-6664
(Address and Telephone Number of Principal Executive Offices and Principal Place of Business)

OnScreen Technologies, Inc.

John "JT" Thatch, President
OnScreen Technologies, Inc.
200 9th Avenue North, Suite 210
Safety Harbor, Florida 34695
(727) 797-6664
(Name, Address and Telephone Number of Agent for Service)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, par value $0.001.

The issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

Transitional Small Business Disclosure Format: [ ] Yes [X] No

The issuer's revenues for its most recent fiscal year ended December 31, 2004 were $145,988.

The aggregate market value of the voting common equity held by non-affiliates as of February 28, 2005 was $46,130,596 (calculated by excluding shares owned beneficially by affiliates, directors and officers).

As of December 31, 2004, the registrant had 63,680,020 shares of common stock outstanding, 2,772,205 shares of Series A Convertible Preferred Stock outstanding and no shares of Series B Convertible Preferred outstanding.

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This Annual Report on Form 10-KSB and the documents incorporated herein by reference contain forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations, estimates and projections about our industry, management's beliefs, and assumptions made by management. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements.

PART I

Item 1. Description of Business

General

OnScreen Technologies, Inc. (sometimes hereafter referred to as "OnScreen(TM)" or "the Company") is a Colorado corporation organized on April 21, 1998. The Company's principal place of business is located at 200 9th Avenue North, Suite 210, Safety Harbor, Florida 34695. The Company is primarily focused on the marketing and sale of its sign display platform products under the names RediAlert(TM), RediAd(TM), Ready Dispatch Emergency Sign(TM) (RDES), Living Window(TM) and RediDMS(TM).

Our product lines utilize the OnScreen(TM) direct view LED (light emitting diode) sign display technology (sometimes referred to as the "OnScreen(TM) LED architecture" or "OnScreen(TM) technology" or "OnScreen(TM) LED technology"). The OnScreen(TM) 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 Company's plan is to focus all of its resources on the commercialization of the OnScreen(TM) technology.

Our LED products are specially designed to provide display solutions into vertical markets including commercial and government. The commercial market targets include, but are not limited to the automotive industry and retail point of purchase stores. The government market targets are the Department of Transportation, Homeland Security, Law Enforcement, Emergency Responders and FEMA.

The OnScreen(TM) LED architecture provides a platform for the production of LED display products in the current market that are lighter than competitive products and provides a corresponding reduction in wind loading. These architectural benefits yield products that could be easy to install, are portable and require less support infrastructure, which opens new markets for LED products. Two product lines focus on the company's Redi-Alert(TM) Rapid Dispatch Emergency Signs and Redi-Ad(TM) Rapid Dispatch Advertising Signs target

markets. These new lines of LED products provide the world's first truly portable LED products for Emergency Response and commercial advertising using the OnScreen(TM) LED sign technology. Powered and transported by any vehicle, these products give highly visible emergency information or advertising messages in less than five minutes of set up time. The RediAd(TM) Rapid Dispatch Advertising Signs product lines are specifically developed for special event advertising where message visibility is key and space for signage is at a premium.

A third product, focused on the commercial marketplace, is Living Window(TM); a unique display for commercial advertising that is both see-through and bright. The see-through capability allows outside light through the sign while not obstructing sight through the window from the inside. Because of the light weight and manner of installation, integrity of the building is not disturbed. As a featured option, all of the Company's products can be controlled and messages changed wirelessly from nearly any location within the continental United States.

INDUSTRY OVERVIEW

Utilizing bright LEDs in large and small scale products has been expanding over the past several years. LED's have become the technology of choice for products because they offer significant advantages in brightness, energy efficiency and longer product life over traditional illumination choices. Until the advent of high-brightness LED display technology, few options existed for videotext and motion displays to be viewed in direct sunlight.

Significant energy is required to illuminate an LED motion display in direct sunlight. Energy consumption has become a limiting factor in the advancement of outdoor LED displays. Also, significant heat is generated when powering LED's to brightness adequate to be seen in direct sunlight. Current LED packages and heat transfer mechanisms generally do not easily accommodate close pixel spacing on this generation of products - a limiting factor when viewed from any distance less than a couple hundred feet. It also means that previously a commercial product with real market potential, i. e., outdoor television and medium scale display advertising, up to now has been technically difficult and expensive to produce. The required pixel spacing for high resolution displays while limiting the corresponding heat transfer as with current display architectures has been difficult and expensive to achieve.

To date, the leading cause preventing a larger proliferation of large-scale LED products has been cost. The Company believes that a more cost effective display technology can result in a significantly deeper market penetration for these displays.

ONSCREEN(TM) LED TECHNOLOGY

OnScreen Technologies, Inc. has created a range of products with significant architectural benefits and brighter visibility than the current generation of sign displays. Our sign displays are visible in direct sunlight, avoiding many of the disadvantages associated with current displays, including sun-loading, wind-loading and excessive weight. The OnScreen(TM) LED technology is focused on delivering simple light weight, see-through arrays that eliminate the need for complex modules.

Basic OnScreen(TM) LED Architecture

In our products, LEDs are placed periodically on a porous metal screen or, in some applications, on a porous rigid material or in a configuration that encourages rapid heat transfer, is lightweight and encourages convective airflow cooling. The metal screen forms a grid (similar to a large-scale window screen) of electrical conductors to provide power for LED operation. In the rigid porous material application, the electrical conductors are imbedded in the rigid porous material in similar grid fashion to the metal screen model. The grid is composed of dielectrically coated metal wires that act as electrical, thermal and structural conductors. In addition, the grid serves to transfer heat from the LEDs to the local environment via airflow through and along the grid and the grid is intended to act as a tensile structural support element.

Materials and Manufacturing Cost

OnScreen Technologies, Inc. has developed an open system that permits nearly unobstructed flow of air through the LED screen that significantly reduces wind loading. This advantage reduces weight of the sign system as well as the cost of the structure that holds the sign system. These advantages are present in all OnScreen(TM) LED technology product lines. The RediAlert(TM) design is based on an arrangement of slats similar to Venetian blinds that provide structural integrity without sacrificing any of the other advantages. The Company developed the initial RediAd(TM) product using a thin, light-weight rigid support material as the principal structure that holds the LEDs, supplies the necessary circuitry, but yet permits the characteristic OnScreen(TM) LED "see through" display and lightweight design. The systematic elimination of support material results in a unique screen effect.

Structure Benefits

Wind loading is reduced because of the "porous design" that permits air to pass through the LED grid and, at the same time, the ambient fluid air dissipates the heat from the LEDs. Because of this lighter weight and the reduced wind loading of the OnScreen(TM) LED architecture, the foundation and support structure can be reduced in size and cost. In a typical large scale sign deployment, the cost allocation is 30% sign and 70% installation and infrastructure.

Storage, Shipping, Handling and Setup Cost

Our products are lightweight, lighter than current systems, and offer significant savings in storage, shipping, handling and installation costs because of the "foldable" feature of several models that can be shipped laid back-to-back with greatly decreased volume, weight and shipping expense.

Life Cycle Cost

Because of increasing LED junction temperature in traditional LED displays, LED lifetime, brightness, and efficiency degrade. Our products are designed to dramatically reduce the LED junction-to-environment thermal resistance resulting in a lower junction temperature for any given brightness. This yields higher brightness at lower power levels, thus reducing operating cost and increasing reliability.

Weight

The unique OnScreen(TM) LED architecture reduces the weight-per-unit area compared to current systems primarily due to efficient convective air cooling

that eliminates some of the heavy external cooling needed for traditional displays and the difference in our base architecture versus complex rigid solid circuit board modules in present LED displays.

Brightness

Greatly increased brightness can be achieved through the use of innovative optics that address spatial tuning, horizontal axis optics, angular aperture control and optical efficiency. While brightness resulting from the OnScreen(TM) LED architecture can be optimized through the use of our innovative pixel packages, standard off the shelf pixels are used as well, depending on the application

LED SIGN MARKET POTENTIAL

The Company believes that there are no new architectural developments in the area of LED sign technology that address the key limitations of current LED display systems. The Company is focusing its efforts towards further defining

the market environment, size, growth, trends, competitive analysis, product roadmap, partnering strategy and commercial sales program. Specific applications of the OnScreen(TM) LED technology include: billboards, store windows, large screen indoor and outdoor products, outdoor commercial and residential televisions, curved and complex shaped displays, artistic light displays, Amber Alert project, Homeland Security, roadway "intelligent transportation systems" (ITS) and see-through displays on buildings. An additional potential marketing strategy is directed toward licensing the OnScreen(TM) LED technology intellectual property to worldwide manufacturers of LED sign products and components.

OnScreen Technologies, Inc. is currently pursuing markets related to LED products that include:

- Indoor, see through window, commercial advertising products, Living Window(TM). Our market focus is retail level such as automobile dealerships, restaurants and markets.
- Outdoor, rapidly deployed, mobile, commercial advertising products, RediAd(TM). The primary commercial market objective is the short term, nonrecurring daily or weekly specials, initial retail openings, holiday/special events and sporting events.
- Rapidly deployed, highly mobile, emergency response products, RediAlert(TM). This product is directed toward government emergency response and public safety matters such as homeland security, Amber alert, automobile accidents, natural calamity and traffic control.
- Stationary or fixed highway signage designed to display both highway traffic and emergency messages as well as commercial advertising messages, RediDMS(TM). Although these products will be mounted along government roadways for the purpose of traffic control and emergency information, when the circumstances permit, these products can be used for roadway advertising which will defray the signage expense.
- All of the products include an optional wireless modem capable of transmitting and receiving data to be displayed on the sign at a moments notice.

MARKET ANALYSIS

In August 2003, OnScreen Technologies, Inc. contracted with Principia Partners, an independent third party new product research consulting firm, for a comprehensive market analysis of standard LED display application programs to analyze and assist the Company in determining the saleable features and breadth of applications for the OnScreen(TM) LED technology and the viable options for generating returns via intellectual property licensing of the OnScreen(TM) LED technology. This market analysis was designed to accomplish the Company's objectives of increased revenue and profitability through sale or licensing of its OnScreen(TM) LED technology. Based upon the market segmentation analysis and assuming that there are no "technological breakthroughs" in direct competition with the OnScreen(TM) LED technology, the Company believes that there exists a directly addressable market of nearly $1 billion for OnScreen(TM) LED technology-based products.

Market Segmentation.

The objective of market segmentation is to provide the Company with the requisite framework to effectively implement a licensing strategy for the OnScreen(TM) LED technology. The research consulting firm analyzed the market segments for the Company by compiling the market size, growth rate, potential licensees/competitors, estimated time-to-market, value proposition of the OnScreen(TM) LED technology and competing technologies within each application. The potential licensees/competitors within each application were assessed in accordance to their technical/manufacturing capabilities, financial position and domestic and international distribution capabilities.

The total addressable market in 2002 for the OnScreen(TM) LED technology in Large Screen Displays was approximately $1.5 billion and the total market potential for our technology was nearly $1 billion, as shown in the table below based on a study provided by the research consulting firm.

2002 Addressable and OnScreen Technologies, Inc. Market Potential
For Large Screen Displays by Market Segment

	Addressable Market		OnScreen(TM) LED tec Potential	
Market Segment	$ Million	% of Total	$ Million	% of
Retail/Signage/Billboards	$432	29%	$299	31%
Indoor Arenas	$392	26%	$155	16%
Transportation	$258	17%	$231	24%
Outdoor Events	$200	13%	$173	18%
Rental and Mobile	$177	12%	$82	9%
Financial Exchanges	$24	2%	$15	2%
Total	$1,483	100%	$956	100%

ONSCREEN TECHNOLOGIES, INC. BUSINESS STRATEGY

The implemented Company business strategy includes an expanding basis of innovative ideas and products based on the OnScreen(TM) LED technology. The Company continues to develop and purchase OnScreen(TM) LED architecture related new product ideas and enhance its current technology. Examples of potential areas to which the company will look to create market opportunity include: LED pixel packages, custom mounting hardware, ventilation support systems and electronic subsystems.

Licensing

The Company intends to implement a broad intellectual property licensing program for new products in order to commercialize various segments of the OnScreen(TM) LED technology on a larger scale than is possible with the financial resources currently available to the Company. The OnScreen(TM) LED technology will be exploited through the development of worldwide license and royalty agreements. This strategy has been adopted for several reasons:

- It is considerably less capital intensive than developing manufacturing and marketing capabilities.
- It provides revenue streams immediately through advance licensing fees.
- It provides an opportunity to fund further research and to build/develop the intellectual property portfolio surrounding the Company.
- It can provide continuous long-term revenue streams.
- It provides a more rapid adaptation and proliferation of the OnScreen(TM) LED technology.
- It expedites finding potential corporate "copartners".
- It provides the opportunity for greater margins.

Manufacturing In-House or Outsource Manufacturing

The Company will outsource production to a manufacturer and resell the resulting components. The Company entered into an exclusive manufacturing agreement with SMTC Manufacturing Corporation for the manufacture and assembly of the

OnScreen(TM) LED technology product lines. The Company has begun the commercialization of the RediAd(TM), Living Window(TM) and RediAlert(TM) product lines and expects delivery of the initial products during 2005.

Current Products

The Company has developed a commercial product line that features a new generation of bright LED products specifically designed for retail point of purchase advertising markets. This new product line provides highly effective advertising to several different vertical markets with very different buying habits, such as auto dealerships, grocery stores, movie theaters, malls, and restaurants.

The first commercial product will be marketed under the name, "Living Window(TM)" and will enable retailers to communicate a bright three-to-six-line text message directly to its customers through a 15 to 30 square feet, lightweight, see-through sign that is lighter than most comparable products and which can be easily installed to any window or suspended in any environment.

Living Window enables any business owner to send a message to one or multiple locations in a matter of seconds via a remote computer. One of the most appealing factors of Living Window is its revolutionary product design that does not interfere with the integrity of the building architecture. The transparent design allows ambient light to enter, customers to see in and employees to see out, all while a variety of text and graphics modes are being displayed and controlled by advertisers or retailers over the Internet through a wireless network.

As an added feature, this wireless controlled product has the ability to display Amber Alert and Emergency Messaging to this product in times of need.

The final design is being completed for the second product of the commercial product line, RediAd(TM). The RediAd(TM) is a compact portable signage system with the capability of displaying three lines of variable text for detailed advertising messaging. The RediAd(TM) sign can be placed wherever it is convenient to quickly deploy a temporary LED advertisement message. This highly mobile folding 3' x 5' illuminated screen is independently powered and can interface with an optional remote control. The RediAd(TM) products have been designed to collapse and fit into the trunk of automobiles and are capable of being deployed by a single person.

The Company expects to complete the first product in its government emergence response product line during 2005. The first of this product line is the RediAlert(TM), Rapid Dispatch Emergency Sign (RDES). The RediAlert(TM) RDES is a compact portable signage system with the capability of displaying three lines of variable text for detailed messaging at emergency response incidents where it is important to quickly convey a message to motorists and pedestrians. Independently powered and with optional remote control, this easily deployable, folding 3' x 5' illuminated screen will provide law enforcement and emergency management personnel with the latest in technology and equipment to assist in communicating with the public. The RediAlert(TM) products have been designed to collapse and fit into the trunk of emergency vehicles. These products are capable of being deployed by a single person and represent a significant new market for our company. Our target markets include the rapidly expanding Homeland Security effort, federal and state homeland defense, law enforcement, military, emergency response and traffic routing.

The third product line in process presently is the RediDMS(TM), Dynamic Message Signs (DMS). The RediDMS(TM) is a stationary sign capable of displaying variable text that can be remotely controlled by means of a wireless modem. The Company intends to outsource the manufacture of the RediDMS(TM) and initially market the

RediDMS(TM) through standard Department of Transportation (DOT) programs. Contractual relationships with established Department of Transportation contractors are presently being pursued by the Company. Although the RediDMS(TM) is intended to be used primarily as roadway information and emergency information, it is possible that part of the cost to the government could be defrayed by contracting with commercial advertisers to display their promotional messages in conjunction with the usage by the DOT for such necessary messaging relating to Amber Alert, Emergency Ahead, Homeland Security Warnings and other emergency warnings. The primary benefits of our RediDMS(TM) are associated with the reduced infrastructure because of the light weight of our product.

RIGHTS TO ONSCREEN(TM)

The following scenario describes the evolution of the license and ownership of

the OnScreen(TM) LED technology patent:

- On or about July 23, 2001, the Company entered into a Contract and License Agreement (hereafter the "License Agreement") with the inventor of the OnScreen(TM) LED technology which agreement entitled the Company to 75% of the revenue generated from the direct view OnScreen(TM) LED sign technology with angular dimension greater than 30 inches and guaranteed the inventor a minimum royalty of $50,000 the first year, $100,000 the second year and $250,000 each year thereafter as well as providing that if John "JT" Thatch were no longer employed with the Company, he be involved to his satisfaction with terms between the Company and himself to continue with the OnScreen(TM) project (hereafter "Thatch OnScreen Rights").
- On or about August 28, 2002, the Company entered into an agreement with Fusion Three, LLC (hereafter "F3") whereby F3 paid the annual $50,000 Company license fee in consideration for the Company's conveying to F3 5% of the Company's interest in the License Agreement. In December 2002 the Company and F3 entered into an addendum to the August 28, 2002 agreement whereby F3 paid the $100,000 second year revenue guarantee in consideration for an additional 10% of the Company's interest in the License Agreement.
- In July 2003 F3 entered into an Option Agreement with the inventor for F3 to purchase all of the inventor's contract rights, including all royalty rights, in the License Agreement in consideration for $500,000 (hereafter the "Option Agreement"). This agreement was contingent on the Company's consenting to the terms of the Option Agreement.
- January 14, 2004, the inventor agreed to accept $175,000 in lieu of the $250,000 third year annual revenue guarantee payment. The Company paid this sum.
- January 15, 2004, the Company refused to consent to the July 2003 Option Agreement and entered into an agreement with the inventor wherein it was agreed that in consideration for the sum of $400,000 to be paid to the inventor by March 31, 2004, the inventor will convey to the Company all of the inventor's license and contract rights, including all royalty rights, in the License Agreement. This $400,000 sum was paid on March 23, 2004.
- On February 3, 2004, John "JT" Thatch, CEO/President of the Company, agreed to relinquish all Thatch OnScreen Rights in consideration for 1% of all revenue derived from any licensing fees received by the Company in connection with the OnScreen(TM) LED technology. Effective March 2005, the CEO/President relinquished his entitlement to the said 1% of revenues.

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- On February 3, 2004, Fusion Three, LLC (hereafter "F3") and the Company reached a Master Settlement and Release Agreement whereby, in consideration for the exchange of mutual releases and F3 relinquishing any claim to any of the OnScreen(TM) technology (including the 11.25% license payments), the Company paid to F3 during June 2004 $150,000 plus agreed to pay the following annually declining percentages of revenue derived from the commercialization of the direct view LED video display technology with angular dimension greater than 30 inches: 5% in 2005 declining to 2% in year 2008 and thereafter. In the event of a change of control of the Company, the percentage of revenue stated above shall terminate and a single payment transaction fee shall be paid by the Company to F3 party ranging from 10% of the OnScreen(TM) appraised value up to $100,000,000, 7.5% for the appraised value between $100,000,001 and

$200,000,000, 5% of the appraised value between $200,000,001 and $300,000,000, and 4% of the appraised value between $300,000,001 and $400,000,000 and 3% for the appraised value between $400,000,001 and $500,000,000 and 2% for any appraised amounts between $500,000,001 and $600,000,000.

- Dated February 15, 2005, the inventor/owner of the OnScreen(TM) LED technology patent conveyed ownership of the OnScreen(TM) patent to CH Capital, Inc. This conveyance is subject to the above stated license rights of the Company.
- Dated February 16, 2005, in consideration for the payment of two hundred thousand dollars ($200,000), CH Capital, Inc. conveyed to the Company the OnScreen(TM) patent rights. This conveyance now vests in the Company the ownership of the OnScreen(TM) LED technology patent subject to the revenue rights of F3 and John "JT" Thatch as described above.

INTELLECTUAL PROPERTY

We rely on various intellectual property laws and contractual restrictions to protect our proprietary rights in products and services. These include confidentiality, invention assignment and nondisclosure agreements with our employees, contractors, suppliers and strategic partners. The confidentiality and nondisclosure agreements with employees, contractors and suppliers are in perpetuity or for a sufficient length of time so as to not threaten exposure of proprietary information. In addition, we intend to pursue the registration of our trademarks and service marks in the U.S. and internationally.

A provisional patent was filed August 26, 2002 on the OnScreen(TM) LED technology. The patent was filed July 23, 2003 on the OnScreen(TM) LED technology that contains over 50 separate claims. The Company retained Knobbe, Martens, Olson & Bear, LLP and Banner & Witcoff, Ltd. to manage our current interests relative to the prosecution of the national and international patents.

A provisional patent application was prepared and filed by Banner & Witcoff, Ltd., Intellectual Property Attorneys, Washington, D.C. on behalf of the Company on March 15, 2004 in the U.S. Patent and Trademark Office regarding Rapid Dispatch Emergency Signs.

In 2004, patent applications were made to protect our intellectual property rights relating to the RediAlert(TM) and Living Window(TM) products. The applications will greatly increase the intellectual property portfolio of OnScreen.

On February 25, 2004, we were notified by the United States Patent and Trademark Office that the examining attorney reviewed the "OnScreen(TM)" trademark application and found no similar registered or pending mark registered under Trademark Act Section 2(d), U.S.C. Section 1052(d) TMEP sect 1105.01. We were, however, required to disclaim the unitary expression "onscreen technology" because the individual component words of a complete descriptive phrase are not registerable. This disclaimer does not impair the "OnScreen(TM)" trademark nor the "OnScreen(TM) technology" words when used in conjunction with the trademark.

We have recently filed applications for trademark registration relating to "RediAlert", "Ready Dispatch Emergency Sign", "RediAd", "Living Window" and "RediDMS" relating to our OnScreen(TM) LED architecture signage. These applications remain in process.

The Company continuously reviews and updates the existing patent and trademark filings and files new documentation both nationally and internationally in a continuing effort to maintain up to date patent and trademark protection.

There is no assurance we will be successful in registering these marks. Furthermore, we are exposed to the risk that other parties may claim we infringe their rights on these marks, which could result in our ceasing use of these marks, licensing the marks or becoming involved in costly and protracted litigation.

EMPLOYEES

As of December 31, 2004, the Company had seventeen fulltime employees. None of our employees is represented by a labor union. We consider our relations with our employees to be good. We plan to add additional staff as needed to handle all phases of our business.

RISKS RELATED TO OUR BUSINESS

Our limited operating history makes evaluating our business and prospects difficult.

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

We have all the risks of a new product developer in the LED technology business.

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

There is no assurance we will achieve profitability.

To date we have not received any revenue from the OnScreen(TM) technology. We have narrowed our scope of operation from EyeCatcherPlus and traditional LED screens to the singular product line of the OnScreen(TM) LED sign technology. For the year ended December 31, 2004 we had a net loss of $7,904,229. We will need to begin generating significant revenues from the OnScreen(TM) LED architecture product line to offset current operational and development losses if the Company is to cover its current overhead expenses and cover further development and marketing expenses. There is no assurance that we will achieve profitability.

During 2004 we funded our operations with proceeds of approximately $5,707,194

we received from private offerings of our securities. The Company is adequately confident that equity financing or debt will be available to fund its operations until revenue streams are sufficient to fund operations; however, the terms and timing of such equity or debt cannot be predicted. Management expects the OnScreen(TM) LED technology to be commercialized during the first half of 2005 and to begin generating revenue from the patent protected OnScreen(TM) LED architecture product line by the late first half of 2005. The Company cannot assure that it will generate revenues by that date or 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.

We may be dependent on only a few customers for a substantial portion of our revenues.

Licensing of fabrication and marketing of the OnScreen(TM) LED technology through third-party manufacturers and distributors, will cause us to be dependent on the manufacturing and marketing expertise of a few customers rather than many end users. Because of this dependence, if there is a fault in any single manufacturer/distributor relationship the financial impact could have a materially adverse affect on the Company. Because of the competitive nature of our business and the uncertainty of success of new Company OnScreen(TM) LED architecture products, we may be unable to secure sufficient customers quickly enough to attain and sustain profitability.

We will be dependent on third parties and certain relationships to fulfill our obligations.

Because manufacturing of the OnScreen(TM) LED technology products is licensed to companies better equipped financially and technologically to fabricate and manufacture OnScreen(TM) LED technology end products, we are 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 manufacturers and other providers of raw materials and components who provide these necessary elements to fulfill our product delivery obligations at the negotiated prices.

We initially depend on commercial sales to the advertising market.

We initially intend to market OnScreen(TM) LED architecture related products to retail sales businesses such as new and used automobile dealerships, department stores, restaurants, drug stores, etc. Because our OnScreen(TM) LED architecture is innovative, it has yet to be presented to the retail advertising market; therefore, its acceptance at this time is not known. Principally, our RediAd(TM) product is designed for this purpose.

Our second marketing focus is on government agencies.

Our second marketing focus is to sell our products to government agencies, such as departments of transportation, police departments and other emergency personnel. Our RediAlert(TM) is our first product directed toward this market. Generally, the inspection, approval process and funding involved with government agencies can take many months and are subject to cancellation by the governmental agency without penalty. Our business could suffer if we are not successful in marketing our products to a significant number of governmental agencies or if contracts we enter into with such agencies are cancelled.

The market for LED signage is extremely competitive.

Because the LED signage industry is highly competitive, we cannot assure you that we will be able to compete effectively. We are aware of several other companies that offer LED products, although not identical to our OnScreen(TM)

LED technology. These competitors provide their services primarily to the billboard industry. All of these competitors have been in business longer than

we have and have significantly greater assets and financial resources than currently available to us. We expect 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 OnScreen(TM) LED architecture. We cannot assure you that we will be able to compete successfully against current or future competitors. Competitive pressures could force us to reduce our prices and may make it more difficult for us to attract new customers and retain current customers.

The use of portable emergency roadway signage is a recent development and the extent of customer acceptance is not yet known.

Portable emergency roadway signage is a relatively new and evolving industry. For the Company to be successful, government agencies must be willing to obtain government administrative approval and public results satisfaction. There is no way to be sure that a sufficient number of government agencies will utilize our product to enable us to remain profitable.

We depend on key personnel and will need to recruit new personnel as we grow.

As a small company we are currently dependent on the efforts of a limited number of management personnel. We believe that given the development stage of our business and the large amount of responsibility being placed on each member of our management team, the loss of the services of any member of this team at the present time would harm our business.

If we are successful in expanding our product and customer base, we will need to add additional key personnel as we continue to grow. If we cannot attract and retain enough qualified and skilled staff, the growth of our business may be limited. Our ability to provide services to customers and expand our business depends, in part, on our ability to attract and retain staff with professional experiences that are relevant to technology development and other functions we perform. Competition for personnel with these skills is intense. We 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 our business.

We believe our future success will depend in part on the following:

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

If we fail to adequately protect our trademarks and proprietary rights, our business could be harmed.

The steps we take to protect our proprietary rights may be inadequate. We regard our patents, trademarks, trade secrets and similar intellectual property as critical to our success. We rely on trademark and patent law, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our proprietary rights. Despite these precautions, it may be possible for a third party to copy or otherwise obtain

and use our intellectual property without our authorization. Although we have been granted registration rights for our OnScreen(TM) trademark, there is no assurance our pending trademark applications for RediAlert, RediAd, Living Window, RDES or RediDMS will be approved. Effective trademark, patent and trade secret protection may not be available in every country in which we may in the future offer our products. Therefore, we may be unable to prevent third parties from infringement on or otherwise decreasing the value of our trademarks, patents and other proprietary rights.

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If we are to remain competitive, we must be able to keep pace with rapid technological change.

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

We may infringe intellectual property rights of third parties.

Litigation regarding intellectual property rights is common in the software and technology industries. We 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, with or without merit, could be time consuming and costly to defend or litigate, divert our attention and resources, or require us 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 we believe we have the ability to use our intellectual property to operate and market our existing products without incurring liability to third parties, there is a risk that our products infringe the intellectual property rights of third parties.

Third parties may infringe on our intellectual property rights

There can be no assurance that other parties will not claim infringement by us with respect to our current or future technologies. We expect that participants in our markets will be increasingly subject to infringement claims as the number of services and competitors in our industry segment grows. Any such claim, with or without merit, could be time-consuming, result in costly litigation, cause service upgrade delays or require us to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to us, or at all. As a result, any such claim of infringement against us could have a material adverse effect upon our business, results of operations and financial condition.

RISKS RELATED TO OUR COMMON STOCK

Our Common Stock price may be volatile, which could result in substantial losses for individual stockholders.

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

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

Our 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 except for liability in certain instances. As a result of the Company's charter provisions and Colorado law, stockholders may have limited rights to recover against directors for breach of fiduciary duty.

We may be unable to meet our future capital requirements.

We are substantially dependent on receipt of additional capital to effectively execute our business plan. If adequate funds are not available to us on favorable terms we will not be able to develop new services or enhance existing services in response to competitive pressures, which would affect our ability to continue as a going concern. We do not anticipate issuing any additional shares of our Series A or Series B Convertible Preferred Stock as a source of capital. We cannot be certain that additional financing will be available to us on favorable terms when required, or at all. If we raise 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 our common stock and our 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, our 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.

We have never paid dividends on our Common Stock and do not expect to pay any in the foreseeable future. We are subject to restrictions on our ability to pay dividends.

A potential purchaser should not expect to receive a return on their investment in the form of dividends on our Common Stock. We have never paid cash dividends on our Common Stock and we do 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 Preferred Stock are entitled to annual dividends of 10% (currently aggregating $54,783 quarterly, assuming no conversion). Holders of our Series B Convertible Preferred Stock are entitled to annual dividends of $1.00 per share. Currently all Series B Convertible Preferred Stock has been converted to common shares. To date, we have fulfilled our dividend obligations on the Series A Convertible Preferred Stock through the issuance of additional shares of our Series A Convertible Preferred Stock to the holders of our series A Preferred Stock as well as cash payments. We have accrued approximately $18,000 regarding the Series B Convertible Preferred Stock dividends.

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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:

- The sale of Common Stock underlying the conversion rights of our Series A Convertible Preferred Stock and Series B Convertible Preferred Stock.
- The sale of shares of our Common Stock underlying the exercise of outstanding options and warrants.
- The sale of shares of our Common Stock, which are available for resale under Rule 144 or are otherwise freely tradable and which are not subject to lock-up restrictions.

Any sale of substantial amount 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 by such parties 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 the Series A Convertible Preferred and Series B Convertible Preferred Stock Shareholders. Such arrangements may adversely affect our future operations or may require us to make additional concessions to the holders of the Series A Convertible Preferred Stock and Series B Convertible Preferred Stock in order to enter into transactions or take actions management deems beneficial and in our best interests of the holders of

our Common Stock.

The forward-looking information in this Form 10-KSB may prove inaccurate.

This Form 10-KSB contains forward-looking statements and information that are based on management's beliefs as well as assumptions made by, and information currently available to, management. When used in this prospectus, words such as "anticipate," "believe," "estimate," "expect," and, depending on the context, "will" and similar expressions, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including the specific risk factors described above. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We do not intend to update these forward-looking statements and information.

ITEM 2. DESCRIPTION OF PROPERTY

OnScreen Technologies, Inc. owns no real estate. On March 29, 2001 the Company signed a lease with Safety Harbor Centre commencing May 1, 2001 for five years with an option for five additional years. The lease became effective August 27, 2001, the date that the Company first occupied the facility, at an initial monthly rental of $10,972.24 (Common Area Maintenance and tax not included). Effective February 1, 2004, the Company negotiated with the lessor a reduction of the office rental space with a resulting monthly gross rent reduction of $2,465.97. On October 15, 2004 the Company leased an additional office suite contiguous to the existing offices at a monthly rental of $2,814 (Common Area Maintenance and tax not included).

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ITEM 3. LEGAL PROCEEDINGS

On July 1, 2004, the Company filed a lawsuit against Mobile Magic Superscreen, Ltd. (breach of contract and civil conversion), Capitol City Trailers, Inc. (civil conversion) and another party (civil fraud) in the Court of Common Pleas of Franklin County, Ohio, Case Number 04 CVH 6884. This lawsuit relates to the 2001 contract with Mobile Magic Superscreen, Ltd. for the fabrication of a mobile LED superscreen that Mobile Magic failed to complete and deliver. Responses to the summons and complaint have been filed and the case is currently in the discovery process.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No items were submitted to a vote of security holders during the fourth quarter of 2004.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Value

Our Common Stock is traded on the OTC Bulletin Board (OTCBB) under the trading symbol "ONSC". The following table sets forth, the high and low bid prices of our Common Stock for the four quarters of 2003 and 2004 as reported by the National Quotation Bureau. The bid prices quoted on the OTCBB reflect inter-dealer prices without retail mark-up, markdown or commission and may not

represent actual transactions.

Year	Quarter	High Bid	Low Bid
2003	First Quarter	.390	.320
	Second Quarter	.260	.180
	Third Quarter	.300	.240
	Fourth Quarter	1.050	.850
2004	First Quarter	1.090	.830
	Second Quarter	.950	.650
	Third Quarter	.920	.610
	Fourth Quarter	1.070	.620

Description of Securities

During the December 18, 2003 shareholders' meeting, the shareholders voted to amend the Company's Restated Articles of Incorporation to affect an increase in the number of $0.001 par value common stock shares from 15,000,000 to 150,000,000 authorized common shares ("Common Stock"). The Company authorized 10,000,000 shares of $0.001 par value Preferred Stock ("Preferred Stock"), issuable in series. The following description of our capital stock does not purport to be complete and is subject to and qualified in its entirety by our Articles of Incorporation and Bylaws, amendments thereto, including the Certificates of Designation for our Series A Convertible Preferred Stock, and Series B Convertible Preferred Stock and by the provisions of applicable Colorado law. Our transfer agent is Computershare Trust Company, Inc., 350 Indiana Street, Suite 800, Golden, Colorado 80401.

Common Stock

As of December 31, 2004, there were 63,680,020 shares of our Common Stock issued and outstanding and subject to 7,960,000 warrants and options that were issued principally in consideration for the offering of Units as discussed hereafter and consulting services rendered by others. The exercise prices range from $0.001 to $1.50 per share. As of December 31, 2004, we had in excess of 3,000 shareholders of record.

The holders of Common Stock are entitled to one vote per share for the election of directors and all other purposes and do not have cumulative voting rights. There is a restriction on the payment of any common stock dividends because any cumulative preferred stock dividends are required to be paid prior to the payment of any common stock dividends. Also, the retained earnings of the Company would be restricted upon an involuntary liquidation by the cumulative unpaid preferred dividends to the preferred stockholders and for the $1.00 per share Series A and $240 per share Series B liquidation preferences. Holders of our Common Stock do not have any pre-emptive or other rights to subscribe for or purchase additional shares of capital stock, no conversion rights, redemption, or sinking-fund provisions.

We have not paid any dividends on our common stock since inception. We expect to continue to retain all earnings generated by our operations for the development and growth of our business and do not anticipate paying any cash dividends to our common shareholders in the foreseeable future. The payment of future dividends on the common stock and the rate of such dividends, if any, will be determined by our Board of Directors in light of our earnings, financial condition, capital requirements and other factors.

The Company entered into a stock purchase agreement on October 31, 2003 whereby the buyer agreed to purchase 1,000,000 shares of the Company's common stock for $250,000 and also received warrants to purchase up to 1,000,000 shares of the Company's common stock at an exercise price of $0.50 with an expiration date of February 28, 2004. Subsequent to year end, this subscription was not fulfilled and the warrants expired.

During 2004, the Company issued 50,000 shares of its common stock pursuant to the exercise of the rights of certain note holders granted under the default provisions of certain promissory notes. The issuance resulted in additional subscriptions receivable of $1,250 for a total issuance price of $1,250 or $0.025 per share.

During 2004, warrants to purchase 1,420,736 shares of the Company's common stock were exercised. The Company received $350,184 of cash and a note for the remaining $150,000. The $150,000 owed to the Company was not paid for the 300,000 shares that were recorded as issuable during 2004 and on October 11, 2004, the Company and investor agreed that they would not issue the 300,000 shares and would not collect the $150,000 owed for those shares. The Company issued 1,120,736 shares of its common stock for the warrants that were exercised and paid.

As part of the October 11, 2004 agreement with a certain investor, the Company also agreed to issue 100,000 shares of stock to this party for the services they provided to the Company during the Company's negotiations with a third party which included the forgiveness by the third party of dividends that accrued on 114,343 shares of Series A Convertible Preferred Stock. These shares were valued at $0.27 per share based on contemporaneous cash sales around the date of grant. The Company recorded the $27,000 as general consulting expense.

During 2004, the Company granted and issued 100,000 shares of its common stock to a research and development provider. These shares were valued at $0.27 per share based on contemporaneous cash sales around the date of grant. The $27,000 was expensed to research and development costs

During 2004, a former employee exercised an option to purchase 5,000 shares of the Company's common stock at an exercise price of $0.40 per share. The Company received $2,000 for the exercise of this option.

During 2004, the Company issued 100,000 shares of its common stock to an individual for services. These shares were valued based upon the quoted market price of $1.06 on the date of grant and the expense of $106,000 was recorded during 2004.

During 2004, the Company issued 1,666,312 shares of its common stock to its President/CEO in accordance with his employment agreement. These shares were valued based upon the quoted market price of $0.86 on the grant date and the expense of $1,433,028 was recorded during 2004.

During 2004, the Company issued 450,000 shares of its common stock to the President of its OnScreen Products Division. The Company has a right to repurchase 300,000 of these shares from the employee for $450 if the employee is terminated for cause or resigns. The amount of shares that can be repurchased by the Company declines by 150,000 shares each year, resulting in the shares being fully vested on November 1, 2006. The shares were valued at $454,500 based upon the quoted market price of $1.01 on the grant date.

Certain notes were paid in full on March 12, 2004 by paying the note holders $250,000 and issuing 12,500 shares of the Company's common stock. These shares were valued at $11,500 based on the quoted market price of $0.92 on the settlement date

During 2004, a note holder exercised the right to convert a $215,861 note into 863,442 shares of the Company's common stock.

A creditor held a convertible promissory note for $234,869 at 8% interest accruing from the note date of August 1999. The Company disputed the note; however, as a contingency, the Company recorded a total of $328,058 in accrued expenses at December 31, 2003 related to this matter. On February 5, 2004, the Company satisfied this disputed note with 60,000 shares of the Company's common stock. These shares were valued at $60,600 based upon the quoted market price of $1.01 on the settlement date.

During 2004, the Company recorded a settlement loss of $13,500 for 50,000 shares of its common stock that were issued to a third party. These shares were valued at $0.27 per share based on contemporaneous cash sales.

Convertible Preferred Stock Series A

The Company designated 5,000,000 shares of preferred stock as new Series A Convertible Preferred Stock ("Series A"). The Series A is convertible to common shares on a four-for-one ratio, is due dividends at $0.10 per share as authorized by the Board, has a liquidation value of $1.00 per share and has equivalent voting rights as common shares on a share for share basis. As of December 31, 2004 there were 2,772,205 shares of our Series A Convertible Preferred Stock issued and outstanding.

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During 2004, the Company sold and issued 25,000 shares of Series A Convertible Preferred Stock for cash at $1.00 per share for total proceeds of $25,000. Also, the Company received payment of $50,000 for the Series A Convertible Preferred Stock subscription during 2003 and issued the 50,000 shares of Series A convertible preferred stock that was issuable at December 31, 2003.

During 2004, the Company issued 12,500 shares of its Series A Convertible Preferred Stock for consulting services totaling $12,500. These shares were valued at $1.00 per share based on contemporaneous cash sales.

During 2004, the Company issued 24,000 shares of Series A Convertible Preferred Stock for services totaling $24,000 that was accrued as a liability at December 31, 2003. These shares were valued at $1.00 per share based on contemporaneous cash sales.

During 2004, the Company issued 120,000 shares of its Series A Convertible Preferred Stock to its COO/CFO in accordance with his employment agreement. These 120,000 shares were valued at $1.00 per share based on contemporaneous cash sales around the grant date. The total value of these shares of $120,000 is being expensed over the three-year employment agreement with $80,000 deferred and $40,000 expensed as of December 31, 2004.

During 2004, the Company converted 98,375 shares of Series A Convertible Preferred Stock into 393,500 shares of the Company's common stock at the request of certain Series A Convertible Preferred Stock holders.

During 2004, the Company recorded $172,000 for the intrinsic value associated with the embedded beneficial convertible feature of the Series A Convertible Preferred Stock. This amount was computed as the difference between the conversion price and the fair value of the preferred stock, which was computed as the fair value of the common stock based on the quoted trading price at the preferred stock issuance dates, multiplied by the conversion ratio of four-for-one for Series A. This intrinsic value is limited to the amount of the proceeds allocated to the preferred stock. For financial statement purposes, this $172,000 was recorded as a preferred stock dividend. Additionally during 2004, the Company recorded Series A convertible preferred stock dividends of $270,583.

Convertible Preferred Stock Series B

On February 3, 2004, the Company's board of directors designated 30,000 shares of preferred stock as Series B Convertible Preferred Stock ("Series B"). The Series B is convertible to common shares on a one thousand-for-one ratio, is due dividends at $1.00 per share, payable quarterly, as authorized by the Board and the dividends are cumulative. Series B has a liquidation value of $240 per share and has voting rights of one thousand votes per Series B share. There were no shares of Series B Convertible Preferred Stock issued as of December 31, 2004. During 2004, the Company recorded 28,568 shares of Series B Convertible Preferred Stock as issuable. This is comprised of 23,203 Series B shares issuable to the private placement unit holders during 2003 and the exercise of certain warrants during 2004 and 5,365 Series B shares issuable to private placement shareholders during 2004. The 28,568 shares of Series B were converted to 28,568,240 shares of common stock during 2004

During 2004, the Company recorded $28 for the intrinsic value associated with the embedded beneficial convertible feature of the Series B convertible preferred stock. This amount was computed as the difference between the conversion price and the fair value of the preferred stock, which was computed as the fair value of the common stock based on the quoted trading price at the

preferred stock issuance dates, multiplied by the conversion ratio of one thousand-for-one for Series B. This intrinsic value is limited to the amount of the proceeds allocated to the preferred stock. For financial statement purposes, this $28 was recorded as a preferred stock dividend. Additionally during 2004, the Company recorded Series B convertible preferred stock dividends of $17,901.

2003 Private Placement

During the fourth quarter of 2003, the Company had a private placement offering of common stock. From this offering, the Company received $1,575,000 of cash proceeds and recorded a $100,000 subscriptions receivable at December 31, 2003. The investors received 6,700,000 common stock shares, 6,700,000 common stock warrants with an exercise price of $0.50 and an expiration date of February 28, 2004 and 3,350,000 common stock warrants with an exercise price of $0.75 and an expiration date of May 30, 2004 (See Note 7H for details of warrants). The Company issued 5,900,000 shares of common stock during the first quarter of 2004 related to this private placement.

The remaining 800,000 shares from this private placement will not be issued because during July 2004, the Company and this party mutually terminated the subscription agreement and the Company paid back the $100,000 originally paid, reduced the subscription receivable of $100,000 to zero and did not issue the 800,000 shares that were recorded as issuable to this investor. The Company also

reduced its Series B convertible preferred stock issuable for the 1,433 shares of Series B related to this transaction. In addition, the Company paid $68,121 as settlement of other amounts owed to this individual. The $68,121 was recorded as a settlement loss during 2004.

On February 5, 2004, as part of the private placement the Company's Board of Directors authorized: a) 12,000 shares of Series B Convertible Preferred Stock to the private placement unit holders, b) 12,000 shares of Series B Convertible Preferred Stock upon the exercise of the $0.50 warrant holders of the private placement and c) 6,000 shares of Series B Convertible Preferred Stock upon the exercise of the $0.75 warrant holders of the private placement.

During 2004, warrants were exercised to purchase 6,700,000 shares of common stock from the private placement at $0.50 per share and warrants were exercised to purchase 355,333 shares of common stock from the private placement at $0.75 per share. The Company received $3,616,500 of cash from the exercise of these warrants.

In conjunction with raising these funds, the Company paid in cash, offering costs of $229,750 during 2003 and $482,946 during 2004. The Company also issued 630,000 warrants during 2003 with an exercise price of $0.001 per share that expire sixty days from their issuance valued at $541,170, which cost is included in warrants granted for services in the additional paid-in capital (total offering costs of $770,920 during 2003) (See Note 7H).

2004 Private Placement

During the third and fourth quarters of 2004, the Company sold some of its securities through a private placement. Each unit in the 2004 private placement was comprised of 666.67 shares of common stock and 1.194 shares of Series B Preferred Stock for each $500 received. During the third and fourth quarters of 2004, the Company received $2,246,456 of proceeds related to this 2004 private placement. The Company issued 2,995,274 shares of common stock and the 5,364.54 shares of series B convertible preferred stock were converted into common stock totaling 5,364,540 shares.

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Investment Agreement

The Company had a prior agreement with Swartz Private Equity, LLC (Swartz) to provide certain funding to the Company based upon this agreement. If the Company did not meet certain requirements in the agreement the Company was also subject to a penalty of up to $100,000 for each six month period and a $200,000 penalty if the put agreement is terminated automatically or by the Company. At January 1, 2003, the Company owed $200,000 of penalties and during 2003, the Company computed $200,000 in penalties and $300,000 in penalties was waived by Swartz which resulted in a $100,000 accrued commitment penalty at December 31, 2003.

At January 1, 2003, Swartz had warrants to purchase 541,558 shares of the Company's common stock. During 2003, the Company and Swartz entered into an amendment to this agreement which extended the terms of each of the 541,558 warrants by two additional years. On October 22, 2003, Swartz exercised all of the 541,558 warrants in a cashless exercise transaction which resulted in Swartz being entitled to receive 379,907 shares of the Company's common stock.

On February 3, 2004, the Company and Swartz entered into a settlement and termination of investment agreement. The Company agreed to: i) pay $10, ii) promptly issue the 379,907 shares of common stock from the cashless exercise of

the Swartz warrants of which Swartz agreed to limit its sales of these shares of Company stock to ten percent of the Company's trading volume for any calendar month, iii) Swartz shall retain the 100,000 shares of stock that had been issued during 2002 per the initial agreement and then were not valid as put shares as the put transaction was never executed, but the shares had been issued to Swartz and v) the investment agreement between the Company and Swartz shall terminate subject to the completion of items i - iv above. During February 2004, the Company issued the 379,907 shares of common stock (without any restrictive legends).

The 100,000 share were valued at $104,000 using the quoted marked price of $1.04 on the date of settlement. This $104,000 settled the $100,000 commitment payable that was owed to Swartz at December 31, 2003 and the remaining $4,000 was recognized as a settlement loss.

Non-Employee Stock Warrants

During 2003, the Company reset the exercise price of warrants issued in a prior year to Swartz as follows: 25,478 warrants at $0.20; and 200,000 warrants at $0.25. The result under the variable accounting method was a net charge to commitment expense of $12,349 during 2003. During 2003, the Company and Swartz entered into an amendment to their agreement which extended the terms of each of their 541,558 warrants by two additional years and the Company recorded an additional expense of $53,777 related to these extensions.

During 2003, the Company granted warrants to purchase 2,105,000 shares of the Company's common stock to certain service providers at exercise prices ranging from $0.001 to $0.75. These warrants were valued at an aggregate of $766,509. The Company recorded $541,170 of the value of these warrants as offering costs during 2003 and the remainder of $225,339 is recognized as consulting expense over the period of each consultants agreement. These warrants were valued using the Black-Schools Options Pricing Model using the following assumptions: expected life of 30 - 428 days, volatility of 161% - 253%, zero expected dividends and a discount rate of 0.91% to 1.2%. The expiration date of a warrant that was issued during 2003 for 50,000 shares was extended for one year during 2004. At December 31, 2004, 125,000 of these warrants are outstanding.

On November 12, 2003, the Company granted a warrant to purchase 50,000 shares of its common stock at an exercise price of $0.25 with an expiration date of November 11, 2004 in conjunction with a settlement of monies owed. These warrants were valued at $0.8214 per warrant, or $41,070 using the Black-Schools Options Pricing Model using the following assumptions: expected life of 1 year, volatility of 209%, zero expected dividends and a discount rate of 0.94%. These warrants expired during 2004.

During 2003 the Company granted 300,000 warrants under the default provisions of certain notes payable which were valued at $122,500 and charged to interest expense using the Black-Schools option pricing model with a 30 day expected life, volatility of 110% - 282%, zero expected dividends and a discount rate of 0.89% - 1.20%. All of these warrants were exercised during 2003.

During the fourth quarter of 2003, the Company had a private placement offering of common stock. In conjunction with this offering, the Company granted 6,700,000 common stock warrants with an exercise price of $0.50 with a February 28, 2004 expiration date and 3,350,000 common stock warrants with an exercise price of $0.75 with a May 30, 2004 expiration date. During May 2004, the Board of Directors extended the exercise date of the $0.75 warrants from May 30, 2004

to June 30, 2004. At December 31, 2004, all of these warrants had been exercised. See Note 7H

On October 31, 2003, the Company granted a warrant to purchase up to 1,000,000 shares of its common stock at an exercise price of $0.50 with an expiration date of February 28, 2004. These warrants were granted in conjunction with a stock purchase agreement dated October 31, 2003 to purchase 1,000,000 shares of the Company's common stock for $0.25 per share. These warrants were expired at December 31, 2004.

During 2004 the Company granted warrants to purchase 1,395,736 shares of the Company's common stock to certain service providers at exercise prices ranging from $0.25 to $0.50. These warrants were valued at an aggregate of $707,352 and are recognized as consulting expense over the period of each consultant's agreement. These warrants were valued using the Black-Schools Options Pricing Model using the following assumptions: expected life of 90 days - 3 years, volatility of 79% - 309%, zero expected dividends and a discount rate of 0.85% to 2.03%. At December 31, 2004, 725,000 of these warrants are outstanding.

During 2004 the Company granted warrants to purchase 50,000 shares of the Company's common stock under the default provisions of certain notes payable at an exercise price of $0.025. These warrants were valued at $46,500 and charged to interest expense using the Black-Schools option pricing model with a 30 day expected life, volatility of 74% - 100%, zero expected dividends and a discount rate of 0.85% - 0.92%. All of these warrants were exercised during 2004.

Employee Stock Options and Warrants

On June 26, 2000, the Company's Board of Directors adopted the OnScreen Technologies, Inc. 2000 Stock Option Plan (the "Plan"). The Plan provides for the issuance of incentive stock options (ISO's) to any individual who has been employed by the Company for a continuous period of at least six months. The Plan also provides for the issuance of Non Statutory Options (NSOs) to any employee who has been employed by the Company for a continuous period of at least six months, any director, or consultant to the Company. The Company may also issue reload options as defined in the plan. The total number of common shares of common stock authorized and reserved for issuance under the Plan is 600,000 shares. The Board shall determine the exercise price per share in the case of an

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ISO at the time an option is granted and such price shall be not less than the fair market value or 110% of fair market value in the case of a ten percent or greater stockholder. In the case of an NSO, the exercise price shall not be less than the fair market value of one share of stock on the date the option is granted. Unless otherwise determined by the Board, ISO's and NSOs granted under the Plan have a maximum duration of 10 years.

The Company accounts for its stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees"; accordingly, the differences between the exercise prices and the fair values of the common stock underlying the options on the dates of the grants are recorded as a compensation expense.

During the first quarter of 2004, the Company issued warrants to the COO/CFO and a director each to purchase 100,000 shares of the Company's common stock (200,000 in total). These warrants were valued at $149,000 under the intrinsic value method of APB 25 based on quoted market prices and will be recorded as compensation expense over the service period.

During 2004, a member of the Board of Directors was granted a five-year warrant to purchase 600,000 shares of common stock with an exercise price of $0.25 for services provided.

During 2004, the COO was granted a five-year warrant to purchase 500,000 shares of common stock with an exercise price of $0.25 for services provided.

For additional services to be provided, the President, OnScreen Products Division was granted a five-year warrant to purchase 2,000,000 shares of common stock with an exercise price of $0.25 for services provided. This warrant can be exercised on or after November 1, 2006. The warrant expires if the employee does not complete his full employment term through October 31, 2006.

The Director of Administration was granted a five-year warrant to purchase 600,000 shares of common stock with an exercise price of $0.25 for services provided.

During 2004, a total of 40,000 of stock options were granted to two employees. The exercise price exceeded the fair value of common stock based on contemporaneous common stock cash sales during 2004; therefore no compensation expense was recorded as there was no intrinsic value.

Certain Provisions of the Articles of Incorporation and Colorado Business Corporation Act
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Our Articles of Incorporation provides that, "To the fullest extent permitted by Colorado Business Corporation Act as the same exists or may hereafter be amended, a director of the corporation shall not be liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director."

The Company shall indemnify and advance expenses to a director or officer in connection with a proceeding to the fullest extent permitted or required by or in accordance with the indemnification sections of the Colorado Business Corporation Act that provides that, "The corporation shall indemnify a person who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the person was a party because the person is or was a director, against reasonable expenses incurred by him or her in connection with the proceeding."

Shares Eligible for Future Sale

As of December 31, 2004, we had outstanding 63,680,020 shares of Common Stock. Of these shares, 12,173,665 shares are freely tradable without restriction or limitation under the Securities Act.

The 51,506,355 shares of Common Stock held by existing shareholders as of December 31, 2004 that are "restricted" within the meaning of Rule 144 adopted under the Securities Act (the "Restricted Shares"), may not be sold unless they are registered under the Securities Act or sold pursuant to an exemption from registration, such as the exemption provided by Rule 144 promulgated under the Securities Act. The Restricted Shares were issued and sold by us in private transactions in reliance upon exemptions from registration under the Securities Act and may only be sold in accordance with the provisions of Rule 144 of the Securities Act, unless otherwise registered under the Securities Act.

As of December 31, 2004, we had issued and outstanding 2,772,205 shares of Series A Convertible Preferred Stock, all of which are "restricted" within the meaning of Rule 144 as noted above.

The possibility of future sales by existing stockholders under Rule 144 or otherwise will, in the future, have a depressive effect on the market price of our Common Stock, and such sales, if substantial, might also adversely affect our ability to raise additional capital.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

OnScreen Technologies, Inc. is a publicly traded company (OTC-BB: ONSC) focused on commercializing its innovative technology to the world of visual communications. The company concentrates on motion display solutions and seeks to develop innovative approaches to visual communication and advertising products and delivery systems. The Company is focused on the design, development, licensing and sale of LED products manufactured with the OnScreen(TM) LED technology architecture.

The Company expects delivery of the initial products in the first half of 2005. Until the initial products are delivered, the Company does not expect to record any significant increase in revenues. Although the EyeCatcherPlus and the mobile LED jumbo screen truck are believed to be economically viable, management has assigned the rights to the EyeCatcherPlus screens to a third party for 5% of the revenues generated and continues to receive revenues from the mobile LED unit. The majority of management's focus is concentrated on the Company product development and marketing. Through licensing agreements and some established accounts, the Company expects to receive some revenue from its mobile LED truck and the motion display boards during 2005. The Company wrote-off the EyeCatcherPlus screens during 2004 as the revenue generated was not sufficient enough to support the value of the screens.

A priority of management during 2004 has been and is to raise the capital needed to continue to fund the development and marketing of the Company's products. During the year ended December 31, 2004, the Company received proceeds from sales of common stock totaling $5,632,194 comprised of $3,133,554, net of offering costs from the exercise of the $0.50 and some of the $0.75 warrants that were issued to the 2003 private placement unit holders, $2,246,456 from the 2004 private placement, $352,184 from other warrants and options exercised less $100,000 that was paid back to an investor whose subscription agreement was terminated. During 2005, management is continuing to pursue private equity funding. These funds will enable the Company to develop its OnScreen(TM) LED technology products and continue the Company's operations until the Company brings the products to market.

During the year ended December 31, 2004, the Company continued to incur significant losses from operations. The Company incurred a net loss of $7,904,229 for the year ended December 31, 2004. This net loss of $7,904,229 includes non-cash charges of approximately $4.3 million for equity given to employees and consultants for services provided.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make

estimates and assumptions that have a significant impact on the results we report in the Company's financial statements. Some of the Company's accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Actual results may differ from these estimates under different assumptions or conditions.

Asset Impairment

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be recoverable. In performing the review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized as the excess of the carrying amount over the fair value. Otherwise, an impairment loss is not recognized. Management estimates the fair value and the estimated future cash flows expected. Any changes in these estimates could impact whether there was impairment and the amount of the impairment.

Valuation of Non-Cash Capital Stock Issuances

The Company values its stock transactions based upon the fair value of the equity instruments. Various methods can be used to determine the fair value of the equity instrument. The Company may use the fair value of the consideration received, the quoted market price of the stock or a contemporaneous cash sale of the common or preferred stock. Each of these methods may produce a different result. Management uses the method it determines most appropriately reflects the stock transaction. If a different method was used it could impact the expense, deferred stock and equity stock accounts.

LIQUIDITY AND CAPITAL RESOURCES

General

The Company's cash and cash equivalents balance at December 31, 2004 is $1,561,650 and its marketable securities available-for-sale is $401,233. Its working capital balance at December 31, 2004 is $1,465,819. The Company has funded its operations and investments in equipment through cash from operations, equity financings and borrowing from private parties as well as related parties. It has also funded its operations through stock paid to vendors, consultants and certain employees.

Cash used in operations

The Company's operating requirements generated a negative cash flow from operations of $3,868,265 during 2004. This includes payments to settle several existing payables and accrued expenses, which reduced the payables and accruals by $460,949 from December 31, 2003. The Company does not expect to have significant cash settlement payments during 2005.

During 2004, the Company has used stock and warrants as a form of payment to certain vendors, consultants and employees. The Company expensed approximately $4.3 million related to these equity payments.

As the Company focuses on the OnScreen(TM) technology during 2004, it will

continue to fund research and development related to the Company's products as well as sales and marketing efforts related to these products. The Company does not expect to record much revenue and will continue to use cash in its operating activities until its product line is commercialized which is expected to be during the first half of 2005. The Company will outsource the production of its products during 2005.

Capital Expenditures

During the first quarter of 2004, the Company made payments of $575,000, for the remaining OnScreen(TM) royalty payments and receipt of the inventor's contract rights, including all royalty rights in the License Agreement of which $522,500 was recorded as an investment in technology rights and will be amortized over a 20-year life.

The Company capitalized $48,657 of patent expenses during 2004. These costs will be amortized over the life of the patents once approved or expensed if not approved. The Company will continue to incur and capitalize costs associated with patenting its technology during 2005.

The Company invested approximately $118,000 in equipment which was mainly computer equipment used for sales, marketing, research and development and administration and for two automobiles during 2004. The automobiles display signage advertising the Company's products and will be used to advertise the products of the Company at trade shows. During 2005, the Company anticipates that its capital expenditures will not significantly change. The Company plans to outsource the manufacture of its products.

Financing activities

During the fourth quarter of 2003 and into the first quarter of 2004, the Company undertook a private placement of investment Units, each investment Unit consisting of 4,000 shares of our common stock, a warrant to purchase 4,000 shares of common stock at a price of $0.50 per share ("Warrant #1") and a warrant to purchase 2,000 shares of common stock at a price of $0.75 per share ("Warrant #2"). Additionally, through a 2004 amendment to the private placement, purchasers of Units received an aggregate of 23,203 shares of our Series B Convertible Preferred Stock as follows:

10,567	shares pro-rata upon purchase of Units;
12,000	shares pro-rata to investors who exercised Warrant #1; and
636	shares pro-rata to investors who exercised Warrant #2.

During 2004, the Company received $3,350,000 ($2,867,054 net of cash offering costs) of cash, related to the exercise of the $0.50 Warrants #1 and issued 6,700,000 shares of its common stock and the 12,000 shares of its Series B Preferred Stock was converted to 12,000,000 shares of common stock.

During 2004, the Company received $266,500 of cash proceeds from the exercise of some of the $0.75 Warrants #2 and issued 355,333 shares of its common stock and the 636 shares of its Series B Preferred Stock was converted to 636,402 shares of common stock.

During the second half of 2004, the Company received $2,246,456 of cash proceeds from its 2004 private placement and issued 2,995,274 shares of its common stock and the 5,365 shares of its Series B Preferred Stock was converted to 5,364,536 shares of its common stock. This 2004 private placement was comprised of 666.67

shares of common stock and 1.194 shares of Series B Preferred Stock for each $500 received.

Also during the third quarter of 2004, the Company paid an investor $100,000 that was previously received for the purchase of common stock as the agreement with that investor was mutually terminated.

During the year ended December 31, 2004, the Company received $352,184 from the exercise of other warrants and options.

During the first quarter of 2004, the company received $75,000 from the sale of Series A Convertible Preferred Stock.

During the first quarter of 2004, the Company paid certain note holders in full on March 12, 2004 by paying the note holders $250,000 and issuing 12,500 shares of the Company's common stock. Also, the Company satisfied notes of $50,000 and $2,511 during 2004.

The Company paid $257,347 of Series A Convertible Preferred Stock dividends during 2004 and the Company will have Series A Convertible Preferred Stock dividend payments going forward.

Recap of liquidity and capital resources

The Company believes that the cash generated from the late 2003 and 2004 private placements and the cash generated from operations, should be sufficient to meet its working capital requirements for the next twelve months. However, the Company anticipates expanding and developing additional technology and product lines which may require additional funding. If additional funding is needed, the Company will attempt to raise these funds through borrowing instruments or issuing additional equity.

The Company is adequately confident that equity financing or debt will be available to fund its operations until revenue streams are sufficient to fund operations; however, the terms and timing of such equity or debt cannot be predicted. Management expects the OnScreen(TM) LED technology to be commercialized during the first half of 2005 and to begin generating revenue from the patent protected OnScreen(TM) LED architecture product line by the late first half of 2005. The Company cannot assure that it will generate revenues by that date or 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.

Off-Balance Sheet Arrangements

As of December 31, 2004, we have no off-balance sheet arrangements.

RESULTS OF OPERATIONS

The accompanying financial statements reflect the operations of the Company for the fiscal years ended December 31, 2004 and 2003.

Revenue

Revenue was lower during year ended December 31, 2004 compared to the same period in the prior year due to the assignment of EyeCatcherPlus displays and the current focus on the development of the OnScreenTM LED technology products.

The revenue for the year ended December 31, 2004 was $145,988 comprised mainly of LED truck revenue of $83,580. The revenue for year ended December 31, 2003 was $308,634 comprised mainly of $62,700 from the sale of EyeCatcherPlus displays, $93,058 from the rent revenue of the EyeCatcherPlus displays and $115,204 from LED truck revenue.

During 2005, the Company may receive some indirect revenue from its assignment of the EyeCatcherPlus business. Although the Company is no longer seeking new EyeCatcherPlus customers because of the assignment of the EyeCatcherPlus business, the Company is still encouraging new business development for the mobile LED truck because it remains a source of revenue. Management does not expect the Company's revenue to increase until the shipment of the OnScreen(TM) LED technology product line during the late first half of 2005.

During 2004, 36% of revenues were derived from two customers at 25% and 11%.

Cost of revenue

There was cost of revenue of $0 and $125,021 for the years ended December 31, 2004 and 2003, respectively. The 2003 cost of sales comprised principally of $49,112 Boards Shrinkage (damage, lost and stolen boards) and $74,400 related to the EyeCatcherPlus displays.

Selling, General and Administrative Expenses

Selling, General and Administrative (SG&A) expenses includes such items as wages, consulting, general office expenses, business promotion expenses and costs of being a public company including legal and accounting fees, insurance and investor relations.

SG&A expenses increased from $2,583,857 for year ended December 31, 2003 to $6,936,155 for the same period during 2004. This increase of $4,352,298 is primarily the result of increased consulting expenses of approximately $1,711,000 and increased compensation expenses of approximately $2,377,000.

The majority of the increase in the consulting expense for the year ended December 31, 2004 compared to 2003 was paid with the issuance of common stock and warrants. The total non-cash consulting expense for the year ended December 31, 2004 is approximately $2,192,000.

The increase in compensation expense in 2004 compared to 2003 is the result of hiring the required talent to facilitate commercializing the OnScreen(TM) products and bringing these products to market by the first half of 2005 and includes compensation expense of $1,433,028 related to the stock issued to the President/CEO in accordance with his employment contract. The total non-cash compensation expense for the year ended December 31, 2004 (including the $1,433,028) is approximately $2,090,000. At December 31, 2004, the company had $438,282 remaining in its Deferred Stock Compensation Expense account which will be expensed over the remaining term of service for the employees.

The company anticipates its sales and marketing and its technology expenditures to increase during 2005 due to the commercialization and marketing of its OnScreen(TM) product by the first half of 2005 while the remaining general and administrative costs are anticipated to be similar to 2004.

Research and Development

The research and development costs are related to the OnScreen(TM) LED technology to which the Company acquired the licensing and patent rights. The $839,935 increase in research and technology costs during 2004 compared to the same period in 2003 is a result of activities to further research and develop the OnScreen(TM) LED technology and products. The Company anticipates its expenditures in research and development costs will increase during 2005.

Commitment Penalty and Warrant Modification Expense - Swartz

At December 31, 2003, the commitment penalty expense - Swartz was $266,126. The Company had an agreement with Swartz Private Equity, LLC (Swartz) to provide certain funding to the Company. If the Company did not meet certain requirements it was subject to a penalty of up to $100,000 for each six-month period. During 2003, the Company computed $200,000 in penalties. During 2003, the Company and Swartz entered into an amendment that extended the terms of their warrants by two additional years which resulted in an additional expense of $66,126. During 2004, there were no commitment penalty and warrant modification expense.

Impairment Loss

During 2004, the impairment loss was $195,398 compared to $270,355 for the same period during 2003. During 2004, the Company wrote off the remaining balance of its EyeCatcherPlus displays which resulted in an impairment loss of $195,398.

Prior to 2003, the Company incurred costs totaling $520,355 for the development of a second LED Truck to be used to generate LED Truck rental revenues. The development of this second truck experienced technical problems and delays resulting in cost increases. At December 31, 2003, the Company had not taken possession of that truck as the truck did not meet the specifications the Company required, thus the truck had not been placed into service and accordingly, no depreciation has been taken on that truck. During 2002, management evaluated the recovery of the recorded value of this truck and determined there was an impairment loss of $250,000 that was recorded in 2002. Management is currently in a dispute with the LED truck vendor and since the outcome is unknown as to whether the Company will receive the truck or any monetary recovery from the vendor, the Company wrote off the remaining balance and recorded an impairment loss of $270,355 during 2003.

Bad Debt

Bad debt expense has decreased by $120,205 from $138,667 during 2003 to $18,462 during 2004. During 2003 and 2004, the bad debt expense reflected an allowance for rent receivable and write off of uncollectible EyeCatcherPlus accounts.

Other Income

The Company recorded $14,510 and $49,198 of other income related primarily to bookkeeping services and rental income from a sublease to a related party during 2004 and 2003, respectively. This arrangement was cancelled during 2004.

Other Expense

During 2004, the Company recorded $22,768 related to loss on disposal of certain fixed assets.

Investment Income

During 2004, in order for the Company to optimize its return on the equity funds it has raised, it invested in certain liquid marketable securities. The Company recorded $20,969 of investment income related to these investments.

Settlement Gain

The settlement gain was $335,465 for the year ended December 31, 2004 compared to $314,192 for the same period in 2003. The main component of the 2004 gain was from the settlement of a disputed convertible promissory note in the principal amount of $234,869 plus 8% interest accruing from the note date of August 1999. On February 5, 2004, the Company satisfied this disputed obligation with 60,000 shares of the Company's common stock. These shares were valued at $60,600 and the Company recorded a settlement gain of $267,458 in February 2004. The main component of the 2003 gain was the forgiveness of Swartz penalties of $300,000.

Settlement Loss

The settlement loss was $139,621 for the year ended December 31, 2004 and $248,205 for the year ended December 31, 2003. During 2004, the Company paid approximately $68,000 related to services provided by a consultant that was in dispute and accrued $67,000 at December 31, 2004 related to a proposed settlement with another consultant. During 2003, settlement losses reflect the various issuances of capital stock as settlements of debt or accrued obligations or other matters where the value of the stock exceeded the recorded obligation

Interest Expense

The Company incurred $64,071 and $273,549 of interest expense during 2004 and 2003, respectively. The interest expense for the year ended December 31, 2004 includes $46,500 of non-cash interest related to the value of options issued under default provisions of certain notes and $17,571 of interest paid by the issuance of equity.

The interest expense for the year ended December 31, 2003 includes $122,500 of non-cash interest related to the value of options issued under default provisions of certain notes and $96,499 of interest paid by the issuance of equity.

Net Loss

The net loss increased $4,465,722 for the year ended December 31, 2004 compared to the same period in 2003. The increase in net loss during 2004 compared to 2003 is the result of the redirection of the Company's business focus to the OnScreen(TM) technology and the related increase in research and development, consulting and general and administrative costs to facilitate commercializing the OnScreen(TM) products and bringing these products to market during 2005.

Preferred Stock Dividends

During the year ended December 31, 2004, the Company recorded $172,000 and $28 for the intrinsic value associated with the embedded beneficial convertible feature of the Series A Convertible Preferred Stock and Series B Convertible Preferred Stock, respectively. During 2003, the Company recorded $951,765 for the intrinsic value associated with the embedded beneficial convertible feature of the Series A Convertible Preferred stock.

For financial statement purposes, the intrinsic value associated with the

embedded beneficial convertible feature of Series A and Series B Convertible Preferred Stock was recorded as a preferred stock dividend.

Additionally, during 2004, the Company recorded Series A Convertible Preferred Stock dividends of $270,583 and Series B Convertible Preferred Stock dividends of $17,901 and the Company recorded Series A Convertible Preferred stock dividends of $102,835 during 2003.

ITEM 7. FINANCIAL STATEMENTS

The Financial Statements and the report of Salberg & Company, P.A. dated March 15, 2005 are attached hereto and incorporated herein by reference.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 8A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of December 31, 2004. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective such that the material information required to be included in our Securities and Exchange Commission ("SEC") reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to OnScreen Technologies, Inc. during the period when this report was being prepared.

Changes in internal controls over financial reporting.

In addition, there were no significant changes in our internal control over financial reporting that could significantly affect these controls during fiscal year ended December 31, 2004. We have not identified any significant deficiency or materials weaknesses in our internal controls, and therefore there were no corrective actions taken.

ITEM 8B. OTHER MATTERS

There are no matters to be reported under this Item.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

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The following are officers and directors of the Company.

Name	Age	Position
John Thatch	43	Chief Executive Officer, President and Director

Mark R. Chandler	50	Chief Operating Officer and Chief Financial Officer
Russell L. Wall	61	Director
Bradley J. Hallock	46	Director
Charles Baker	50	Director

Because we are a small company, we are currently dependent on the efforts of a limited number of management personnel. We believe that because of the large amount of responsibility being placed on each member of our management team, the loss of the services of any member of this team at the present time would harm our business. Each member of our management team supervises the operation and growth of one or more integral parts of our business.

All directors hold office until the next annual meeting of shareholders of the Company and until their successors are elected and qualified. Officers hold office until the first meeting of directors following the annual meeting of shareholders and until their successors are elected and qualified, subject to earlier removal by the Board of Directors.

BUSINESS EXPERIENCE OF EXECUTIVE OFFICERS AND DIRECTORS

John "JT" Thatch, President/CEO and Director

Mr. Thatch, age 43 years, has served as, Chief Executive Officer, President and a Director of the Company since January 2000 and was elected at the June 2004 shareholders' meeting to serve an additional two year term. His responsibility is to oversee all functions of the company, including day-to-day operations. Mr. Thatch was directly responsible for securing the OnScreen licensing rights for the Company and has been instrumental in securing talent and identifying opportunities associated with the technology. Mr. Thatch has over 15 years of entrepreneurial business experience that includes executive management positions in various companies that he has founded or managed. Mr. Thatch holds positions on various boards of directors ranging from private and public companies to non-profit organizations and is an active member of the CEO Council. Mr. Thatch attended Saint Petersburg College and holds a Bachelor of Arts Degree in Business Administration from Middleham University. He brings leadership, marketing and strong management skills to the company.

Mark R. Chandler, Chief Operating Officer and Chief Financial Officer

Mark R. Chandler - Mr. Chandler joined OnScreen in January 2004 after working 23 years with Sara Lee Corporation where he held several senior positions in finance, general management and operations. He most recently was the CEO of Business Development Europe and was a member of the Board of Directors of Sara Lee Apparel Europe. Previously, he was the Group Chief Financial Officer for the $2 billion European apparel group for Sara Lee and responsible for all financial and administrative activities, IT, and strategic planning. Additionally, he led the organization and launch of a new technological breakthrough product for the European apparel market. Mr. Chandler has extensive and diversified international experience in finance, IT, strategic planning and implementation, operations and general management, treasury, business development and corporate development including acquisitions and divestments. Mr. Chandler began his career with American Express as an internal consultant and held several financial positions with General Foods. He moved to Playtex, Inc. in 1980 and actively participated in two leverage buyouts prior to the company being sold to Sara Lee in 1991. Mr. Chandler holds a Bachelor of Arts degree in mathematics

and economics from Whitman College in 1976 and a MBA in finance and marketing from Columbia University Graduate School of Business in 1978. Mr. Chandler is a member of the European Executive Council and is a Director of the non-profit Frontier Foundation.

Russell L. Wall, Director

Mr. Wall served on the Board of Directors since November 2003 and was elected at the June 2004 shareholders' meeting to serve an additional one year term. He also serves as Chairman of the Audit Committee. Mr. Wall holds a Bachelor of Science degree in Engineering from Iowa State University, a MBA degree in finance/marketing from University of Santa Clara and a Chartered Financial Analyst designation. Prior to his retirement in 2000, Mr. Wall was Chief Financial Officer for 12 years of a publicly traded company. His responsibilities included financial/accounting management, internal and external financial reporting, strategic planning and other operational duties. Mr. Wall brings 5 years experience in the financial securities industry as a consultant and portfolio manager with a Wall Street and a private investment management firm. He also brings 10 years Fortune 100 company experience in the engineering and construction industry with assignments as Analysis and Development Engineer, Planning and Control Manager and Project Manager.

Brad Hallock

Brad Hallock, age 46, was appointed to the Board of Directors in April 2004 and was elected at the June 2004 shareholders' meeting to serve an additional two year term. Mr. Hallock brings to the board over 25 years of corporate experience. Mr. Hallock was the founder and Chief Executive Officer of C and R, Ltd., a provider of wholesale services to the automobile industry with annual revenue in excess of $10,000,000. For three years, Mr. Hallock served as a Senior Executive for First America Automotive, Inc. (FAA), an $800,000,000 annual revenue company that was later acquired by Sonic Automotive, Inc. (NYSE:SAH). As a Senior Executive at FAA, he conceived and implemented the "Auto Factory" concept to vertically integrate used car operations across disparate retail franchises on a regional basis. He led the expansion of this concept into a $100,000,000 annual revenue division of FAA resulting with industry leading profitability. During his tenure at FAA, Mr. Hallock was a key member of the merger and acquisition team, where he was instrumental in the successful acquisition and integration of over 50 new car retail franchises

Charles Baker, Director

Charles Baker was appointed to the Company Board of Directors, effective March 1, 2005. Mr. Baker is an experienced global business executive with a 25 year track record of building and implementing successful business strategies. Mr. Baker is currently the President of Vesta International, the premium provider of stored value, payment and fraud solutions. Prior to Vesta, Mr. Baker was CEO/Managing Director of Starbucks Coffee Company, Australia. He also spent several years at NIKE where, as Divisional Vice President/General Manager of NIKE Global Retail, he led the growth of a $1.2 billion retail business in 16 countries. He was also a member of NIKE's Executive Leadership team which was responsible for leading the strategy of NIKE's $12 billion worldwide. In addition, he was CEO of a leading Internet company, Family Wonder, which he successfully led through its acquisition by Sega, Inc. Earlier in his career, Mr. Baker was General Manager of Britches of Georgetowne, a leading apparel company.

Steven Velte, President of the OnScreen(TM) Products Division

Mr. Velte spent 18 years with Hewlett-Packard and the HP spin-off, Agilent

Technologies. He provided first customer market placement and design input for a variety of technologies including state-of-the-art Remote Fiber Test Systems deployed in the 1996 Atlanta Olympics, PC- based instrumentation and

Hewlett-Packard's "acceSS7" system. With Mr. Velte as a key team leader, "acceSS7" system sales grew from zero to over $1 billion of installed base. For Agilent, Mr. Velte also spearheaded a variety of global partnering arrangements with companies providing leading edge solutions for telecommunications fraud and advanced telecom billing. He has been personally recognized by the CEO of Agilent for his contributions as an editor to the widely respected Telecommunications News and the creation of the first worldwide "acceSS7" User's Conference. Mr. Velte personally holds two US patents and received his electrical engineering degree from Virginia Polytchenic Institute in 1984.

AUDIT COMMITTEE

The Audit Committee is established pursuant to the Sarbanes-Oxley Act of 2002 for the purposes of overseeing the company's accounts and financial reporting processes and audits of its financial statements. An independent member of the Board of Directors, Russell L. Wall, was appointed as the Audit Committee's chairman. The Audit Committee is one of the three elements of financial reporting, with the other two being the CFO and the independent auditor. The Audit Committee's role includes oversight of the independent auditor, review of financial reporting, internal company processes of business/financial risk and applicable legal, ethical and regulatory requirements. The Audit Committee has established a procedure to receive complaints regarding accounts, internal controls and auditing issues.

ITEM 10. EXECUTIVE COMPENSATION

The following tables list the cash and option grant remuneration paid or accrued and option exercises during 2002, 2003 and 2004 to our officers, executives and directors who received compensation of $100,000 or more in 2002, 2003 and 2004.

SUMMARY COMPENSATION TABLE

					Long Term Compensat	
		Annual Compensation			Awards	
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Award(s)	Securitie Underlyin Options/ SA (#)