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VISTA EXPLORATION CORP  
Form POS AM  
September 08, 2004

As filed with the Securities and Exchange Commission on September 8, 2004  
Securities Act File No. 333-65208; Exchange Act File No. 0-27321

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Post Effective Amendment No. 2

FORM SB-2/A  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

VISTA EXPLORATION CORPORATION

-----  
(Exact name of registrant as specified in its charter)

|   |   |                             |
|---|---|-----------------------------|
| -----   | -----   | -----                       |
| Colorado  | 1311  | 84-1493152                  |
| -----   | -----   | -----                       |
| (State or other jurisdiction of<br>incorporation or organization) | (Primary Standard Industrial<br>Classification Code Number) | (IRS Employer<br>ID Number) |

11011 King Street, Suite 260  
Overland Park, KS 66210  
(913) 338-5550

-----  
(Address and telephone number of principal executive offices  
and principal place of business)

David C. Owen  
11011 King Street, Suite 260  
Overland Park, KS 66210  
(913) 338-5550

-----  
(Name, address and telephone number of agent for service)

Copies of Communications to:  
Roger V. Davidson, Esq.  
Ballard, Spahr, Andrews & Ingersoll, LLP  
1225 17th Street, Suite 2300, Denver, Colorado 80202  
(303) 292-2400

Approximate date of commencement of proposed sale to public: as soon as  
practicable after the registration  
statement becomes effective.

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

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

If this form is a post-effective amendment filed pursuant to Rule 462(d) under  
the Securities Act, check the following box and list the Securities Act

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registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

### CALCULATION OF REGISTRATION FEE

| Title of Securities to Be Registered | Amount to be Registered(1) | Proposed Maximum Offering Price per Share(2) | Proposed Maximum Aggregate Offering Price |
|--------------------------------------|----------------------------|--|---|
| No Par Value Common Stock            | 790,000                    | \$1.00                                       | \$790,000                                 |

- (1) This registration statement covers an additional indeterminate number of shares of the Registrant's common stock which may be issued in accordance with Rule 416.
- (2) For purpose of computing the registration fee in accordance with Rule 457(c), the price shown is based upon the price of \$1.00 per share, which is the price at which the selling shareholders will sell their shares until the Registrant's shares are quoted on the OTC Bulletin Board. The Registrant's common stock is not currently listed or quoted on any quotation medium.
- (3) Calculated under Section 6(b) of the Securities Act as \$.000250 of the aggregate offering price.
- (4) \$90 was previously paid upon the initial filing of this Registration Statement, calculated using 1,440,000 shares registered and an estimated offering price of \$0.25 per share. An additional \$107.50 was deposited with this filing.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We have filed a resistration statement with the Securities and Exchange Commission relating to this offering. Neither we nor selling security holders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any

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state where the offer or sale is not permitted.

Subject to Completion - Dated September 8, 2004

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PROSPECTUS

VISTA EXPLORATION CORPORATION

790,000 Shares of Common Stock

We are registering 790,000 shares of our common stock, all of which are being offered by the selling shareholders listed under the heading "Selling Security Holders." We will not receive any of the proceeds from the sales of the shares of common stock by the selling shareholders. The selling shareholders will sell at prevailing market prices on the OTC Bulletin Board or privately negotiated prices.

There are certain risks involved with the ownership of our common stock, including risks related to our new business and the market for our common stock. (See "Risk Factors" beginning on page 2.)

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

The information in this prospectus is not complete and may be changed. The selling security holders may not sell these securities until the registration statement filed with the SEC is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

The date of this prospectus is \_\_\_\_\_, 2004

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### PROSPECTUS SUMMARY

This is only a summary and does not contain all the information that may be important to you. You should read the more detailed information contained in this prospectus, including but not limited to, the risk factors beginning on page 3.

#### About Us

We were formed as a development stage (blank check) company on April 9, 1998 with the purpose of acquiring or merging with a privately owned company. In March 2001 we began preparation to engage in the oil and gas business. The company leased oil and gas properties in Southeast Kansas to drill for coal bed methane gas, but as a result of our inability to fund oil and gas operations, management determined effective March 31, 2003 to revise our plan of operations back to the original plan of seeking a merger with, or an acquisition of, an operating business desiring to become a public company. In December 2003, our management identified ICOP Digital, Inc. as a potential acquisition candidate and on January 13, 2004, we concluded the acquisition of ICOP Digital, Inc., a Nevada corporation, which merged with and into a transitory wholly-owned subsidiary of the Company, thereby becoming a wholly-owned subsidiary of ours. As a result of the merger, our principal business became that of ICOP, whereby we are now principally engaged in the business of designing, developing and marketing an innovative in car digital video recorder system for use in the law and enforcement industry (with applications to rail, bus and airlines) and in the sale of other equipment used by the law enforcement industry.

Immediately prior to the merger, there were 790,000 shares of our common stock outstanding. 14,677,000 shares of our no par value common stock were issued to acquire all of the issued and outstanding shares of ICOP on a one share for one share basis resulting in the total shares outstanding at closing being 15,467,000 shares. Our principal business office is located at 11011 King Street, Suite 260, Overland Park, Kansas 66210 and our telephone number at that address is (913) 338-5550.

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### Capital Structure

Shares of common stock authorized: 50,000,000  
Shares of common stock outstanding prior to this offering: 16,042,000  
Shares of preferred stock authorized: 5,000,000  
Shares of preferred stock outstanding prior to this offering: 183,333  
Options to acquire common stock outstanding prior to this offering: 2,300,000  
Warrants to acquire common stock outstanding prior to this offering: 1,466,664

### The Offering

Certain of our selling security holders are offering for sale 790,000 shares of common stock. We will not receive any of the proceeds from the sales of the shares of common stock by the selling shareholders.

We have been issued the trading symbol of "VXPL" but at the present time our shares are not quoted on any market. The selling shareholders will sell at a price of \$1.00 per share until our shares are quoted on the over-the-counter bulletin board, or OTC Bulletin Board, established by the National Association of Securities Dealers, Inc., and thereafter at prevailing market prices or privately negotiated prices. To help start a market for our stock, selling shareholders owning an aggregate of 44,000 shares (approximately 5.5% of the shares being offered for resale) have indicated to us their willingness to offer their shares at \$1.00 per share until our shares are quoted on the OTC Bulletin Board. Once our shares are quoted on the OTC Bulletin Board, any selling security holder may sell his or her shares at prevailing market prices or privately negotiated prices. Although we hope to have our common stock quoted on the OTC Bulletin Board, our common stock is not currently listed or quoted on any quotation service.

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### Summary Financial Information

The following tables set forth summary financial information and other equity information about us. You should read this summary information in conjunction with "About Us and Our Current Plan of Operation" which includes a discussion of factors materially affecting the comparability of the information presented, and in conjunction with our financial statements included elsewhere in this prospectus.

|                                       | Fiscal Year<br>Ended<br>12/31/02(1) | Fiscal Year<br>Ended<br>12/31/ 03(1) | Six Months<br>Ended<br>6/30/03 |
|---------------------------------------|-------------------------------------|--------------------------------------|--------------------------------|
| Statement of Operations Data<br>----- |                                     |                                      |                                |
| Net Loss                              | (\$537,615)                         | (\$4,343,042)                        | (\$809,244)                    |
| Loss per Share                        | (\$0.07)                            | (\$0.32)                             | (\$0.06)                       |
| Weighted Average Shares Outstanding   | 7,341,944                           | 13,435,832                           | 12,799,048                     |

(1) On January 13, 2004, we changed our fiscal year-end to December 31 as a result of the reverse merger with ICOP.

### Balance Sheet Data -----

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|                                |            |               |           |
|--------------------------------|------------|---------------|-----------|
| Cash                           | \$20,782   | \$118,780     | \$66,848  |
| Total Assets                   | \$68,400   | \$403,139     | \$753,014 |
| Total Liabilities              | \$149,815  | \$2,138,110   | \$91,672  |
| Stockholders' Equity (Deficit) | (\$81,415) | (\$1,734,970) | \$661,342 |

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### RISK FACTORS

The purchase of our common stock is a substantial transaction involving a high degree of risk. Prior to making an investment decision, you should carefully consider, together with the other information contained in this prospectus, the following risk factors. The order in which these risk factors are presented is not necessarily indicative of the magnitude of the risk described.

Investors should assume that if any of the following risks actually materialize, our business, financial condition or results of future operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

#### RISKS RELATED TO THE COMPANY

Our limited operating history makes it difficult for investors to evaluate our business.

Although the Company was founded in 1998, prior to its acquisition of ICOP in January 2004, it had no operating history in the law enforcement industry. Further, ICOP was founded in May 2002 and has, as of yet, not had any revenue. Thus we have a very limited operating history upon which an evaluation of our business and prospects can be based.

We have never shown a profit and it is questionable as to whether we will be able to in the future.

To date no revenues have been generated from sales of our principal product, the ICOP Model 20/20(TM). There can be no assurance that our products can be manufactured at an acceptable cost and with acceptable quality, that any products can be successfully marketed or that we can establish suitable internal financial controls and other infrastructure necessary to conduct substantial commercial operations. We expect to incur operating losses through at least the fourth quarter of 2004, and there can be no assurance that losses will not continue thereafter.

If our plan of operation is not successful in addressing our auditor's doubt regarding our ability to continue as a going concern, our shareholders may lose their entire investment in us.

Our auditors have included an explanatory paragraph in their opinion of our financial statements for the year ended December 31, 2003, stating that our losses, working capital deficit and net shareholder deficit at December 31, 2003, raise substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon raising additional capital and achieving profitable operations through the manufacture and sale of our principal products. We cannot assure you that our business plans will be successful in addressing these issues. If we cannot successfully continue as a going concern, our shareholders may lose their entire investment in our stock.

The failure of outside manufacturers producing the ICOP Model 20/20(TM) to

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perform satisfactorily could have a material adverse effect on the value of your investment.

A key to our overall business strategy is the outsourcing of manufacturing operations of the ICOP Model 20/20(TM) and certain of our other products. We also depend on subcontractors and sole or limited source suppliers. Failure by such manufacturers, subcontractors or suppliers to perform satisfactorily may prevent us from delivering an acceptable product on a timely basis. Our reliance on subcontractors gives us little control over the manufacturing process and exposes us to significant risks such as inadequate capacity, late delivery, substandard quality and high costs. If a supplier were to become unable to provide parts in the volumes needed or at an acceptable price, we would have to identify and qualify acceptable replacements from alternative sources of supply. While we believe that alternative manufacturers exist in the event of a substantial interruption in these manufacturing arrangements, there can be no assurance that alternative arrangements could be made on a timely basis or on terms acceptable to us. If we were unable to secure the services of alternative providers and others needed to manufacture and deliver our products and services, we would not be able to sell our products and services and you could lose all or part of your investment.

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If we are unable to protect our proprietary rights it could have a material adverse impact on the value of your investment.

Our failure to protect our proprietary rights could have a material adverse effect on our business, financial condition and results of operation. We cannot assure you that any patents, trademarks or copyrights issued to or licensed by us, or our other proprietary rights, will not be challenged, invalidated or circumvented, or that the rights granted thereunder will provide competitive advantages to us. Furthermore, we cannot assure you that others will not independently develop substantially equivalent or superseding proprietary technology or that an equivalent product or system will not be marketed in competition with our products, thereby substantially reducing the value of our proprietary rights. Nor can we assure you that we will be able to protect our proprietary technology from duplication. Many successful technology companies have had their systems and methods of operation duplicated, almost entirely, by competitors. We cannot assure you that a competitor will not attempt to duplicate and improve upon the products that we may develop. Additionally, the prevention or unauthorized use and disclosure of our intellectual property will likely become more difficult as our business grows. We could incur substantial attorneys' fees and other legal costs in defending any patent, trademark, copyright or other infringement claims or in asserting any patent rights, copyrights or other proprietary rights, including those granted by third parties, in a suit with another party. If we are unsuccessful in our efforts to protect our intellectual property and proprietary technology, you could lose all or part of your investment.

Successful infringement claims by third parties could result in substantial damages, lost product sales, and the loss of important proprietary rights.

There has been substantial litigation regarding patent and other intellectual property in various high technology industries. In the future, we may be notified of allegations that we may be infringing on intellectual property rights possessed by others. Should litigation be brought against us, such litigation could be extremely expensive and time consuming and could materially adversely affect our business, financial condition and results of operations, regardless of the outcome of the litigation. Such litigation could also result in loss of certain proprietary rights, significant monetary liability, and barriers to product manufacturing. Any of these outcomes could

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materially harm our business and have a material negative impact on the value of your investment.

Government agency budget constraints could limit our sales.

Our principal customers will be local police forces and other emergency agencies that work with limited locally funded budgets, and federal or state grants, and they are limited to how much they can spend in any one fiscal year. Such budget constraints may prevent many government agencies from purchasing our products.

This causes most agencies to be under funded to purchase all they need of any one product. By the time the agency has enough money to equip all of their cars, many times the equipment purchased years earlier is already outdated or not working properly.

Our products are technologically complex, and our inability to improve our products would adversely impact our ability to compete long-term in our market.

To be competitive in our market, we must continually improve our product line. Our success depends on our ability to anticipate technological advances, enhance our existing products, and develop and introduce new products and product line extensions to meet customer requirements and achieve market acceptance. This involves highly complex processes and will include components for which we have not yet demonstrated technical feasibility. Difficulty in development of new products or improvements to existing products could delay or prevent the creation and release of such products, which would result in a material adverse effect on our business, operating results, financial condition and future growth. In addition, the introduction of new, protected technology could materially affect our ability to compete.

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Pressure by our customers to reduce prices and agree to long-term supply arrangements may cause our net sales or profit margins to decline.

Our potential customers, especially in the law enforcement industry, are under pressure to meet budget limits and typically do so by attempting to reduce prices they pay for their equipment. Therefore, we expect to experience pressure from our customers to reduce the prices of our products. We believe our customers will frequently negotiate supply arrangements with us well in advance of delivery dates, thereby requiring us to commit to price reductions before we can determine if we can achieve the assumed cost reductions. We believe that if this happens we may have to reduce our third-party manufacturing costs and obtain higher volume orders to offset declining average sales prices. If we are unable to offset declining average sales prices, our gross profit margins will decline. This could have a material negative affect on the value of your investment.

We have a limited number of product offerings, so a reduction in purchases of any one product, particularly our projected sales of the ICOP Model 20/20(TM), will negatively impact our business.

We anticipate that sales of the ICOP Model 20/20(TM) will account for the substantial majority of our revenues prior to the introduction of our ICOP On Watch product line. Our long-term success will depend, in significant part, on our ability to achieve market acceptance of the ICOP Model 20/20(TM). The failure to do so would have a material adverse effect on our business, financial condition and results of operations.

If we are unsuccessful in competing against our competitors, you may lose all or part of your investment.



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Our market is highly competitive and is characterized by highly fragmented markets. Many of our direct competitors have a number of significant advantages over us, including greater financial, technical, marketing, and manufacturing resources, preferred vendor status with our existing and potential customer base, more extensive distribution channels, larger customer bases, and faster response times to new or emerging technologies and changes in customer requirements. As a result, our competitors may develop superior products or beat us to market with products similar to ours. If we are not successful in competing against our current and future competitors, you could lose your entire investment.

Customer order estimates may not be indicative of actual future sales.

Some of our customers will provide us with forecasts of their requirements for our products over a period of time. We will make many management decisions based on these customer estimates, including purchasing materials, hiring personnel, and other matters that may increase our production capacity and costs. If a customer reduces its orders from prior estimates after we have increased our costs and production capabilities or committed to third-party manufacturers, this reduction may decrease our net sales and we may not be able to reduce our costs to account for this reduction in customer orders. Such increases in costs without increases in sales will likely reduce our profitability and have a material adverse affect on the value of your investment.

We may lose potential sales because of our inability to timely produce certain orders.

At the present time, we expect to use third party offshore manufacturers to produce our products. Many customers will not provide us with forecasts of their requirements for our products. If those customers place significant orders, we may not be able to increase our production quickly enough to fulfill the customers' orders. The inability to timely fulfill customer orders could damage our relationships with customers and reduce our net sales. This could have a material adverse affect on the value of your investment.

The loss of our key management personnel could result in a material adverse effect on our business.

We are dependent on our senior management, Charles A. Ross, Sr., Chairman, David C. Owen, President/CEO, John C. Garrison our Chief Financial Officer, and Laura E. Owen, Vice President of Administration and Marketing. Mr. Ross has significant expertise in developing and selling law enforcement products and maintains important relationships with key members of the law enforcement industry. Mr. Ross, Mr. Owen, Ms. Owen and Mr. Garrison have each been instrumental in establishing our business plan. The loss of the services of any of these officers would adversely affect the conduct of our business and our future prospects.

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If we are unable to effectively manage rapid growth our operating results could be adversely affected.

Our business strategy involves rapid growth for the foreseeable future. This anticipated growth will place significant strain on our administrative, operational and financial resources and increase demands on our systems and controls. To manage our future growth, we will need to attract, hire and retain highly skilled and motivated officers and employees and improve existing systems and/or implement new systems for: (i) information processing; (ii) operational

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and financial management; and (iii) training, integrating and managing our growing employee base. If we are unable to manage growth effectively, our operating results could be adversely affected. This could have a material negative affect on the value of your investment.

Disappointing annual results could cause the value of our stock to fall substantially.

Our annual revenues and operating results are difficult to predict and may fluctuate significantly from year to year. If our annual revenues or operating results fall below our expectations, the value of our stock and thus, your investment, could fall substantially. Moreover, our expense levels are based, in part, on our expectations regarding future revenue increases. As a result, any shortfall in revenues in relation to our expectations could cause significant changes in our operating results from year to year and could result in increased annual losses.

Defects in our products could impair our ability to sell our products or could result in litigation and other significant costs.

Detection of any significant defects in our products may result in, among other things, delay in time-to-market, loss of market acceptance and sales of our products, diversion of development resources, injury to our reputation, or increased warranty costs. Because our products are complex, they may contain defects that cannot be detected prior to shipment. These defects could harm our reputation and impair our ability to sell our products. The costs we may incur in correcting any product defects may be substantial and could decrease our profit margins. Additionally, errors, defects, or other performance problems could result in financial or other damages to our customers, which could result in litigation. Product liability litigation, even if it were unsuccessful, would be time consuming and costly to defend. Our product liability insurance may not be adequate to cover claims.

### RISKS RELATED TO THE OFFERING

We are controlled by a small group of stockholders, and will continue to be so controlled after this offering.

A small number of large stockholders will, by virtue of their percentage share ownership and the lack of cumulative voting, be able to elect all of the members of the Board of Directors, amend our Articles of Incorporation, and establish our policies and generally direct our affairs. Please also see "Principal Stockholders."

There currently exists no liquid trading market for the Company's securities, and we do not anticipate one in the foreseeable future. Accordingly, you may be required to hold your investment in the Company for an indefinite period of time.

There will be no trading market for our securities until the SEC declares the registration statement, of which this prospectus forms a part, effective. Furthermore, while the Company's Common Stock has received a trading symbol ("VXPL") it is not currently listed on the OTCBB, there is currently no trading market for its Common Stock and none is expected to develop in the foreseeable future. As a result, an investment in our Common Stock should be considered as illiquid.

The initial trading market for our common stock will be limited due to the applicable SEC "Penny Stock" regulations.

The SEC's penny stock regulations will apply to our common stock. Penny stocks generally are equity securities with a price of less than \$5.00 which are

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not quoted on a national exchange, such as the American Stock Exchange, or the NASDAQ system, or which do not qualify for other exemptions from the definition.

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Our common stock currently does not qualify for those exemptions since it will be quoted on the OTCBB. The penny stock rules require a broker/dealer to deliver before a transaction in a penny stock a standardized risk disclosure document prescribed by the SEC and provide the potential purchaser of a penny stock the following information:

- o information about penny stocks;
- o the nature and level of risk in the penny stock market;
- o the bid and offer quotations for the stock; and
- o other burdensome and detailed information.

Those delivery and disclosure requirements tend to reduce the level of interest of broker/dealers in dealing with penny stocks, which could have the effect of reducing the level of trading activity in the secondary market for our common stock. The penny stock regulations could reduce the liquidity of our common stock and make it more difficult for investors to sell our common stock.

We do not intend to issue dividends on our common stock.

We have not previously paid any cash or other dividends on our common shares and do not anticipate payment of any dividends for the foreseeable future. We anticipate that any earnings would be retained by us to finance our operations and future growth and expansion. Accordingly, holders of our common stock will probably not derive any profits from their investment for the foreseeable future other than through potential price appreciation of their shares.

IN ADDITION TO THE ABOVE RISKS, BUSINESSES ARE OFTEN SUBJECT TO RISKS NOT FORESEEN OR FULLY APPRECIATED BY MANAGEMENT. IN REVIEWING THIS PROSPECTUS, YOU SHOULD KEEP IN MIND OTHER POSSIBLE RISKS THAT COULD BE IMPORTANT.

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### USE OF PROCEEDS

We will not receive any proceeds from the sale of the common stock sold by the selling security holders.

### FORWARD-LOOKING STATEMENTS

Some of the statements under "Risk Factors" and elsewhere in this Private Offering Memorandum constitute forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any anticipated results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, those listed under "Risk Factors" and elsewhere in this Private Offering Memorandum and the following:

- o the availability of project financing on favorable conditions,
- o the ICOP Model 20/20(TM) not being accepted by the law enforcement

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industry,

- o difficulty meeting demand for in-car video technologies at a cost that results in a profit,
- o ability to improve our products,
- o our ability to bring our ICOP On Watch product to market,
- o ability to develop follow-up products necessary to compete in the industry,
- o ICOP Model 20/20(TM) being replaced by more advanced technologies and thereby becoming obsolete,
- o budget cuts in the law enforcement industry affecting purchasing levels,
- o criminal procedure court rulings regarding right to privacy,
- o our lack of profitability and operating history,
- o our limited ability to control interruptions in production by the outside manufacturers that produce the ICOP Model 20/20(TM),
- o successful infringement claims and our ability to protect proprietary rights,
- o limited number of product offerings,
- o a highly competitive and fragmented market,
- o loss of key management personnel,
- o ability to manage rapid growth,
- o general economic and business conditions in the United States, and
- o defects in products could result in litigation and other significant costs.

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In some cases, you can identify forward-looking statements by words such as "may," "will," "should," "could," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of such terms or other comparable words or phrases. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such forward-looking statements. We are under no duty to update any of the forward-looking statements after the date of this Private Offering Memorandum.

ABOUT US AND OUR CURRENT PLAN OF OPERATION

Our History

We were incorporated in Colorado on April 8, 1998 as a "blank check" company for the purpose of evaluating, structuring, and completing a merger with or acquisition of a privately owned corporation. Our purpose was to provide a method for a foreign or domestic private company to become a reporting (or public) company whose securities would be qualified for trading in the United States secondary market. In furtherance of these goals, on September 13, 1999, our management voluntarily filed a Registration Statement on Form 10-KSB with the Securities and Exchange Commission, and we became a reporting company. Our management also actively sought a suitable acquisition or merger candidate, but did not find one.

On or about March 3, 2001, we and our largest shareholder at the time, Corporate Management Services, Inc. ("CMS"), entered into an Agreement for the Purchase of Common Stock whereby CMS sold a controlling interest in the Company to Charles A. Ross, Sr. for the purpose of converting us from an inactive company to an oil and gas company. Prior to entering into the Stock Purchase Agreement, Mr. Ross was not affiliated with us and did not own any of our common stock. In connection with the sale, our then sole officer and director, Mr. George Andrews, resigned and Mr. Ross became our president and sole director. We moved our principal place of business from Littleton, Colorado to Shawnee Mission, Kansas, and we changed our fiscal year-end from April 30 to March 31 of each year. Subsequently, we changed our name from Bail Corporation to Vista Exploration Corporation, our current name, and commenced operations towards investing in oil and gas properties.

In the spring of 2001, we investigated acquiring 125,000 acres in the northeast region of Alabama, but dropped the project when we were unable to get comfortable with the title to the properties at which we were looking. Subsequently, we attempted to acquire drilling interests on approximately 3,500 acres in Uintah County, Utah, but later determined that we did not have the financial resources to adequately determine the appropriate drilling locations and determined to pass on this opportunity as well. Subsequently, we became interested in a coalbed methane play in southeast Kansas. As of February 1, 2002, we had entered into 115 separate leases covering approximately 15,388 acres in Coffey and Lyon Counties, Kansas. All of the leases required annual payments of \$10.00 per acre to maintain the lease. However, as a result of our very poor financial condition as discussed hereinafter, we were unable to make the annual lease payments during 2003 and our leases expired. At the present time, we no longer have any oil and gas properties under lease, active drilling sites or any other interests in oil and gas properties.

Following Mr. Ross's acquiring control of the Company in the spring of 2001, we sold 4,760,000 Common Shares in three private offerings for net proceeds of \$217,543 after deducting offering costs of approximately \$35,457. During July 2001, the Company filed a Registration Statement to register for

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resale certain of the Common Shares sold to the original shareholders of Vista and a majority of the shares sold in the private placements in the Spring of 2001. That registration statement was declared effective in April of 2002 immediately followed by an application by the Company for a trading symbol with the NASD which would allow us to commence trading on the Over The Counter Bulletin Board ("OTCBB"). As part of the process to obtain the trading symbol, the NASD objected to certain of the Company's shareholders who it was determined had prior regulatory problems with the NASD and SEC. As part of this procedure, it also was determined that several non-offensive shareholders were introduced to the Company by some of the shareholders who had regulatory issues. As a result of the objections imposed by the NASD, the Company determined to rescind the sales of most of the private placement shares sold during 2001 and entered into settlement agreements with a total of ten shareholders owning a total of 4,400,000 shares of the 4,760,000 sold in the private offerings. Our management was able to essentially repurchase the shares in exchange for the original purchase price of a total of \$158,696.80 which was paid by the issuance of corporate promissory notes in that amount as the Company had no cash available to it. The notes were repayable on November 14, 2002, but the payment of the notes was prohibited pursuant to the terms of Section 7-106-401 of the Colorado

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Business Corporation Act that restricts a company's ability to pay for a stock redemption during any period of time when such a redemption would cause it to be insolvent. As a result, pursuant to the terms of the notes, the due date of the notes was automatically extended without interest until August 14, 2003. Because we were not able to repay the notes on that date due to the restrictions of Colorado law, the due date of the notes was again extended but the notes began to accrue interest at the lowest available applicable federal rates. The notes were guaranteed by Mr. Ross; however, the guaranty was not enforceable until such time as the notes could be repaid pursuant to Colorado law but were not repaid. At the time of the issuance of the above-referenced notes, the Company received back all 4,400,000 shares of its Common Stock being repurchased which shares were cancelled back into authorized but unissued capital of the Company. Immediately upon confirmation of the stock repurchase, the NASD approved the Company's request for a trading symbol and the Company received a trading symbol of "VXPL." The notes were paid in full on January 20, 2004.

In November and December 2003, our management identified ICOP Digital, Inc. as a potential acquisition candidate. At the time, ICOP Digital was a privately owned, Kansas-based company engaged primarily in the design, development and marketing of an innovative in-car digital video recorder system for use in the law enforcement industry. Mr. Ross, the principal stockholder and sole officer and director of Vista, and Mr. Owen, an optionholder of Vista, were also affiliated stockholders, officers and directors of ICOP Digital. (See, "Certain Relationships and Related Party Transactions").

On January 13, 2004, ICOP Digital, Inc., a Nevada corporation, merged with ICOP Acquisition Corporation, a wholly-owned subsidiary of Vista Exploration Corporation. This merger was proposed and completed in order to enhance the capital formation objectives of ICOP Digital, Inc. and to satisfy the stated business objectives of Vista Exploration Corporation. Prior to the merger, Vista Exploration Corporation received additional capital investments sufficient to satisfy all of its outstanding debts at the time of the merger. ICOP Acquisition Corporation, as a newly formed entity, had no independent assets or liabilities. Therefore, following the merger, the assets and liabilities of Vista Exploration Corporation and its affiliates were only those of ICOP Digital, Inc. and its subsidiaries prior to the merger.

In February 2003, ICOP had acquired all of the issued and outstanding shares of McCoy's Law Line, a distributor of law enforcement equipment and

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products located near Kansas City, Kansas for 700,000 shares of ICOP common stock. The purpose of this acquisition was to integrate the ICOP product line with the McCoy's existing product line in an established distribution network. During March 2004, however, management revised its plan of operation and determined to spin McCoy's back off to its prior owners in exchange for the return of all 700,000 shares, the cancellation of an option to purchase 500,000 shares of our common stock and the contribution by us of \$450,000 to McCoys.

### Our Current Business

Currently, we are a Kansas-based company that delivers innovative mission-critical security, surveillance, and communications solutions that provide timely and accurate information for security for the public and private sectors. ICOP Digital is a development stage company, committed to providing surveillance and communications solutions that help our customers improve their safety and security, through effective deployments of innovative technologies.

The Company focused initially on the design, development and marketing of an innovative in-car digital video recorder system, the ICOP Model 20/20(TM), for use in the law enforcement industry. ICOP Digital then expanded its vision to develop video surveillance and communications solutions for the worldwide Homeland Security market: (1) critical infrastructure (ports, borders, bridges, energy, telecom, etc.), (2) the private sector, and (3) first responders (law enforcement, fire, and emergency medical personnel).

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### Our Products

#### ICOP Model 20/20(TM)

Law enforcement has long recognized the value of documenting critical incidents by means of recorded videotape. These benefits include, but are not limited to, accurately portraying events as they occur, documenting police contacts with the public, providing strong evidence in court, training refinement, and protecting law enforcement against false claims of police misconduct. The result is improved criminal prosecutions, less officer overtime in court, enhanced training, fewer citizen complaints and reduced exposure to liability.

In-car video systems in police vehicles first received national attention in 1991 when a police officer in Texas had a camcorder-type device in his police vehicle and was filming during a traffic stop. While being recorded, a struggle ensued between the officer and the violator, which resulted in the officer being shot and killed. This tape highlighted the usefulness of video in police vehicles and launched its market due to the national attention the incident received.

According to Mr. Grady Baker, Director of Research for the International Association of Chiefs of Police (IACP), video technology has had a significant impact on law enforcement. Law enforcement agencies across the United States employ video cameras in patrol vehicles in a variety of ways to serve multiple purposes.

- o Documentation of incident activity (i.e., DWI tests)
- o Increase likelihood of successful prosecution through video evidence in court
- o Protection from frivolous lawsuits

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- o Increased officer safety
- o Record suspect behavior
- o Record and track initial violations/reasons for stop
- o Reduce officer time in court, increasing productivity/realizing financial savings
- o Officer training

Law enforcement applications of video technology have grown substantially during the past decade. The advent of the videotape camera in the early 1980s and the improvements made in the field since that time have given rise to many new applications of video technology being utilized by law enforcement. Many agencies in the United States and other nations are applying video technology to police operations including equipping vehicles with video recorders, monitoring public areas, and recording booking and other police procedures. The most highly employed application is the in-car video.

Although there have been advances in video technology, nearly all applications in law enforcement today still rely on antiquated VHS technology. In a March 2001 Executive Brief prepared by the International Association of Chiefs of Police, law enforcement agencies were asked to rank problems with their current in-car video technologies. Among them were:

- o Poor tape quality that makes identification difficult
- o Lack of effective zoom capabilities
- o Poor design, not adaptable to the operation environment

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- o Excessive time required to evaluate/catalog recorded material
- o Limited area the cameras cover when in a fixed state

Our proprietary digital in-car video system, the "ICOP Model 20/20(TM)", addresses all of these issues. The ICOP Model 20/20(TM) consists of a digital video recorder, with display monitor, up to three video cameras, wireless audio, GPS component to fix latitude and longitude readings instantaneously, radar interface and all of the software and integrated architecture to support the system. This technology should render tape quality issues obsolete. It provides multiple angles and zoom capabilities, is designed to endure the most extreme conditions, and will allow efficient storage and viewing capabilities. By introducing this state-of-the-art technology to the mobile unit, additional expansion capabilities are numerous and may even include real-time uplink for remote monitoring of "at the scene" action by supervisory personnel at the station.

Los Angeles, CA; Kansas City, MO; and Chicago, IL, are among the large metropolitan areas that have adopted in-car video (ICV) technology. The Chicago Police Department (CPD) has completed two pilot programs to evaluate the technology, which they used to videotape driving-under-the-influence cases. Two issues in implementing ICV in Illinois are State laws regarding audio recording and eavesdropping, and how to "police the police" and build confidence with patrol officers. Video technology could provide evidence of crimes or attacks against officers, streamline the truth-finding process by providing the best evidence, and encourage the humane treatment of suspects. ICV systems have the potential to add a layer of accountability and trust between the police and the



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public. (Source: The National Criminal Justice Reference Service) [insert specific issue information]

States and municipalities are moving toward digital video technology. For example, the State of Texas authorized \$18.5 million for the purchase of police in-car video equipment, through Senate Bill 1074, 77th Legislature. An RFP was issued in May 2002, and the entire contract was awarded to a competitor in August 2002.

The ICOP Model 20/20(TM) product has a competitive advantage over the VHS format for the following reasons:

- o Digital video storage is compact
- o Digital video playback by computer is random access, not sequential as with tape systems
- o Improved resolution (picture quality)
- o Indexing (file locating) by date, time, officer- in- charge, location etc. is automatic
- o Lat/Long information is valuable to track discarded items (i.e., drugs, weapons) from fleeing suspects
- o Simultaneous dual camera recording
- o No image degradation due to copying
- o Continuous loop cache memory, saves up to one minute of video per camera, prior to pushing RECORD

### ICOP On Watch Camera

There is a substantial demand for security solutions worldwide. Never before has there been a greater need for early warning of threats. The growing use of CCTV, biometrics, access control, radar, and GPS technologies is accelerating at remarkable rates. New applications for these technologies are being adopted at military installations, borders, airports, nuclear facilities, power plants, and pipelines.

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Video surveillance systems are currently undergoing a transition where more and more analog solutions are being replaced by digital. The number one factor driving the demand for video surveillance sales today is the replacement of analog equipment with digital equipment (J.P. Freeman Co, Inc.: 2003 Worldwide Report on CCTV and Video Surveillance Market). Digital technology enables audio-video data compression that minimizes transmission bandwidth and storage requirements and permits security cameras to operate on standard data networks without the expense of bulky coaxial cables.

An "intelligent camera" is a machine vision camera that does not require a separate PC to operate, and all the needed functionality is built into the unit. We are developing an intelligent camera, called ICOP On Watch, which can continuously monitor an at-risk site, such as a border. The system can detect motions and distinguish between naturally occurring movements (leaves waving in the wind) and a human being. Alerts are issued automatically to appropriate security personnel, to facilitate further investigation. With this automated monitoring and recognition of possibly hostile intruders, large areas can be efficiently monitored, with minimal man-power, enabling a site to be warned

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quickly.

The ICOP "On Watch" intelligent video surveillance camera, currently under investigation for development, is projected for completion in the third quarter of 2005. ICOP On Watch includes proprietary technologies for a video surveillance camera for use in video surveillance for at-risk facilities (such as airports, borders, seaports, utilities, private industry, etc.). Using proprietary intelligent cameras and surveillance image analyzing software, and a standard cellular phone network, the system will provide a comprehensive view of a defined area, centrally monitor contracted sites 24/7 in real time, and detect threats and issue warnings when there is an intrusion, thereby improving security and reducing overall security costs.

A few key benefits of the ICOP On Watch camera will include:

- o Reduced security costs
  - o Fewer images to archive (reduced storage needs)
  - o Facilitates fast searches through recorded material
  - o Lower bandwidth to support networked cameras
  - o All-digital "intelligent camera" adds advanced capabilities such as motion detection and stabilization, with encryption
    - = Minimum monitoring requirements
    - = Enhanced security
  - o High-compression ratio for storage of high-resolution images
    - = High integrity of data
    - = High speed data transmission
    - = Lower storage requirements
- o Design flexibility for development of multiple products for multiple applications, multiple price points
- o Reduction of human error and human oversight
  - o Wired, fiber, and wireless media
    - = Infinitely expandable

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### The Market for our Products

The security industry is a growing, rapidly evolving industry sector. The growth is spurred by the continual evolution of technology that provides both security and convenience and the fact that prices for security services are very reasonable. Crime also drives the security industry. While crime rates have dropped, the random nature of crime, combined with competitive process and built-in convenience features with security systems, make them attractive for purchase. The electronic security business is a business that constitutes more than \$30 billion per year. When you factor in other security services such as guards, fences and the like, the industry climbs to more than \$100 billion. (Security Industry Association; [www.siamline.org](http://www.siamline.org))

We believe we have three core business (customer) segments, which include:

(1) First Responders includes law enforcement, military, fire departments, and emergency medical personnel.

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(2) Critical Infrastructure are those assets and facilities needed to support commerce and the lives of citizens (banking and financial institutions, energy and chemical sites (gas, electric power, water, and nuclear power plants), transportation (rail, road transportation, marine transportation, and airports), telecommunications, government facilities, bridges, dams, border patrol, seaports, federal monuments and national icons.

### (3) Private Industry

There are more than 18,000 law enforcement departments in the U.S., and it is estimated that there are 440,000 police vehicles currently in service in the U.S. alone. Approximately 70,000 new vehicles are leased and/or purchased by law enforcement agencies each year. Due to varying budgets and replacement schedules, it is difficult to project the size of the annual market and of course it is not possible to estimate how much of the Market we can expect to receive. This application is also useful in many other special use vehicles including fire trucks, EMT vehicles, passenger buses, passenger and cargo rail, etc.

As new technology for in-car video becomes available, departments will want to upgrade old-style systems. In addition, old systems will be dropping out of warranty, needing service, etc. allowing for the purchase of replacement, upgraded models.

The market for video recording technology in public and private sector applications has realized only about 10 percent of its potential, estimates Michael Shanahan, co-chairman of the International Association of Chiefs of Police (IACP) Private Sector Liaison Committee and a retired University of Washington police chief. "The market opportunity is vast. We're in the infancy of the use of this technology on a broad basis."

"It is projected that there will be 9 million video surveillance cameras in operation in the U.S. by 2005, however, there will not be 9 million security personnel monitoring those cameras. This gap demands that new technologies perform much of the monitoring work themselves, providing "auto alerts" to security personnel as needed." (Kirk Evans, PhD, Program Manager - Border and Transportation Security Directorate, U.S. Department of Homeland Security - 2004 Department of Homeland Security Industry Forum)

In addition to the hardware and servicing we offer, we also will offer financing options to our customers, such as installment payment plans, and lease options for our equipment through a wholly-owned, indirect subsidiary, ICOP Financial Services, Inc., a Nevada corporation.

### Marketing

#### ICOP Model 20/20(TM)

The Company markets the ICOP Model 20/20TM directly to law enforcement agencies, calling on all levels of city, county, state, and federal law enforcement agencies thereby affording the Company efficient representation in

all fifty states, as well as abroad. Digital in-car video systems require an experienced technical support team to respond to customer questions and to assist with their particular application. The ICOP Digital sales team is backed up with dedicated engineering support to meet this need.

Through its website, prospects can view the ICOP Model 20/20TM and request product literature. The Company is currently developing a demo video CD, and an

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interactive video for its website which will demonstrate the ICOP Model 20/20TM, a powerful tool for bringing the unit into every police department around the world.

Direct mailings to law enforcement agencies and magazine advertising in police publications educate the marketplace about the unique features of our product. The Company may consider affiliating with distributors who have significant market share and proven technical resources.

### ICOP On Watch Camera

The ICOP On Watch camera will be marketing through strategic partnerships with best-in-class product and service providers around the world - solutions providers of complimentary technologies and/or consulting services, to meet the growing demands for our heightened security awareness. The Company may also license its technology to third party vendors.

ICOP Digital will forge partnerships and alliances in the private sector to deliver surveillance and communications solutions to our three core market segments, to provide end-to-end surveillance and communications solutions, to mitigate risk exposure, better respond to emergencies, and reduce operational costs for customers. Our partners will benefit by enhanced profitability and innovative customer solutions. Partners will be able to enhance the value of their security products and services by allowing ICOP's surveillance and communications solutions to complement their existing security strategies. ICOP Digital will provide our partners with the support needed in order to present our products to prospective customers - a team of professional engineers, sales executives, and marketing materials.

Potential partners include, but are not limited to organizations with expertise in threat assessments, social contingency planning, crisis management, architectural and personal safety and security, and information and intelligence management.

We Also Plan On Marketing To IT Integrators: While operatives in this field have historically been oriented toward the sale of computer and software systems to integrate enterprise functions, their knowledge of computer technology easily equips them to sell video surveillance systems. Many IT integrators include video security in their product offering. Integrators are better skilled than dealers or distributors. They also tend to focus on system sales rather than recurring revenue generated by monitoring contracts. Systems Integrators do not normally market their own name-branded equipment. They are the fastest growing sales by distribution channel for video surveillance systems. Integrator video surveillance system sales increased 44% from 2000 to 2002. (J.P. Freeman Co., Inc. 2003 Report on the Worldwide CCTV and Digital Video Surveillance Market).

### Competition

The digital in-car video market has several key competitors, including Kustom Signals (estimated to be in excess of 50% of the market for in-car video), Motorola, Mobile-Vision, and IBM. Starting with just a few manufacturers with very few sales of in-car video systems, the industry has now grown into several manufacturers and millions of dollar per month in sales. It is estimated that less than 40% of the police vehicles in the United States have video systems, though this figure is growing rapidly.

Currently, there are four different types of in-car recording devices being sold:

- o Camcorder Type Units: These are priced at the low end of the market. The disadvantages of these systems are that they are mounted on the dash and are not very secure and, as such, can be

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a projectile in an accident or chase. The only advantage other than price is that they can be removed from the vehicle to record other events. There are three companies selling this type of system to law enforcement.

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- o Trunk Mounted, Two or Three Piece Units with VCR: This is the leading type of unit being sold as it has been in the market the longest. The disadvantages of this system include: difficult installation, takes up too much trunk space, uses old technology, tape storage problems, and temperature sensitive (heat and cold affect it). The advantage is that it is the most well known and fully accepted system at this time. There are approximately 8-10 companies selling this type of system to law enforcement.
- o One-Piece Hi-8 Systems: The big advantage of this type of unit is that it is in one piece that mounts on the headliner of the police vehicle. Installation is quick and easy, it is not as vulnerable to temperature extremes, and the storage tapes are smaller and easier to store. The disadvantages include the inability for it to fit in all vehicles, ongoing tape management, and old technology. There are currently three companies offering this system to law enforcement.
- o Digital Systems: These are the newest technology available for in-car video systems in the marketplace. Digital systems are what police departments are asking for today. Some of the digital units offered by the competition have been developed for installation of the main unit in the trunk of the vehicle, resulting in prolonged installation time, and inefficient servicing of the units. ICOP's new digital system was developed based on our surveys of the law enforcement industry. Our system addresses and resolves many problems inherent in the products we compete against.

The video surveillance market is poised for explosive growth. Many companies are entering this space. Key competitors in the video surveillance camera market include Pelco, Panasonic, Sony, Sanyo, and Philips. This product category is much more a wide open market than it had been previously with many brands at market share levels of 4% or less.

We face competition in all geographic markets and each industry sector in which we operate. We expect aggressive competition from video, GPS and radar technology industry companies. We also face aggressive competition from the traditional product lines in this industry. In addition, relatively few barriers prevent entry into the video technology, GPS and radar markets by others. The effect of this competition could reduce our revenues, limit our ability to grow, increase pricing pressure on our products, and otherwise affect our financial results.

### Employees

At the present time, we have a total of eight full-time employees of which three are in management and administration and two are in sales and marketing. We also currently utilize the services of two full-time engineers, as well as outside engineering consultants.

### Manufacturing Operations

The Company does not intend to expend significant operating capital for

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in-house manufacturing capabilities but plans to take advantage of the availability of offshore and domestic high-tech contract manufacturing firms. Our personnel have considerable experience in negotiating purchasing contracts with such firms.

### Inventory Systems

Inventory warehousing and shipping is managed out of the Overland Park, KS facility. The Company utilizes standard warehousing systems to store, retrieve, monitor and manage its inventory. The Company does not warehouse the multitude of smaller component pieces thereby reducing the inventory carrying cost, effort, space and control features necessary to facilitate such an effort.

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### Intellectual Property

Wherever possible and applicable, the Company will protect its technology, processes and designs with patents and trademarks. The Company has engaged the services of Blackwell Sanders Peper Martin, LLP to assist in the protection of its intellectual properties. Patent applications were filed with the U.S. Patent and Trademark Office for the ICOP Model 20/20(TM) in August 2003. Trademarks have been approved for both the "ICOP" name and for the stylistic use of the logo.

ICOP Digital currently has the following patent applications:

Ref # 16967.10002 - Non-Provisional Application - Data Acquisition and Display system and method of operating same; filed 8/26/2004.

Ref # 16967.10004 - PCT Application - Data Acquisition and Display system and method of operating same; filed 10/1/2003 with a priority date of 8/26/2003.

Ref # 16967.10001 - Provisional Application - Data Acquisition and Display System/Method of Establishing Chain of custody; file 10/22/2003.

### Material Contracts.

ICOP Digital has a \$2,500,000 letter of credit facility with Bank of America which requires full cash collateral before letters of credit may be issued under it.

The Company has arranged to have its principal product, the ICOP Model 20/20(TM), produced by a manufacturer in Japan. We currently owe the manufacturer approximately \$1.25 million. While the Japanese manufacturer has assisted in the development of the ICOP Model 20/20(TM), the Company maintains the intellectual property rights necessary to produce this product. However, this manufacturer has the intellectual property rights to a method of data compression used in the ICOP Model 20/20(TM). If this data compression technology were no longer available to the Company, the ICOP Model 20/20(TM) could still be produced by another manufacturer; however, a partial redesign would be required and likely result in a production delay. Production of the ICOP Model 20/20(TM) is expected to increase as additional manufacturing capacity is dedicated to this product, as additional purchase orders are received and as working capital becomes available.

### Property.

The Company offices are located at 11011 King Street, Suite 260, Overland Park, Kansas 66210 in approximately 4,500 square feet of leased office space. The Company has an arrangement with a contract management group in Japan for

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turn-key production of the ICOP Model 20/20(TM). Other products marketed by the Company are manufactured in the U.S. by third party manufacturers. All of our space is leased from third party landlords and we believe our leased space and our leases are adequate for the terms of the leases for our current and expected needs.

### PLAN OF OPERATION

#### Change of Fiscal Year and Name

As a result of the acquisition of ICOP Digital, Inc. on January 13, 2004, we have changed our fiscal year end to December 31 from March 31. Also, at its next shareholder meeting, management intends to propose an amendment to the Company's Articles of Incorporation, among others, to change the Company's name from Vista Exploration Corporation to ICOP Digital, Inc.

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#### Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of the contingent assets and liabilities at the date of the financial statements and revenue and expenses for the period reported. Estimates are based upon historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates are evaluated periodically and form the basis for making judgments regarding the carrying values of assets and liabilities and the reported amount of revenue and expenses. Actual results may differ from these estimates under different assumptions.

The Company's critical accounting policies are those that it believes are the most important in determining its financial condition and results, and requires significant subjective judgment by management. A summary of the Company's significant accounting policies, including the critical accounting policies discussed below, is set out in the notes to the financial statements.

#### Basis of Presentation

The Company is a development stage enterprise in accordance with Statement of Financial Accounting Standard (SFAS) No. 7. The Company has been in the development stage since inception in May 2002 and has had no operating revenues or earnings from operations. The Company's success is dependent upon developing or acquiring commercial products and developing commercial markets adequate to achieve profitable operations. There is no assurance that the Company can achieve such products and markets. These factors, among others, raise substantial doubt about its ability to continue as a going concern.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As shown in the accompanying consolidated financial statements, the Company has suffered significant losses since inception and has a deficit working capital position and a net capital deficiency at December 31, 2003 and at June 30, 2004. These factors, among others, may indicate that the Company will be unable to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash

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flow to meet its obligations on a timely basis and ultimately to attain profitability. During the years ended December 31, 2003 and 2002, the Company raised capital through the sale of common stock. In 2004, the Company also raised capital through the sale of preferred stock. The Company plans to seek additional funding to maintain its operations through debt and equity financing. There is no assurance that the Company will be successful in its efforts to raise additional working capital or achieve profitable operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company's continuation as a going concern is dependent upon its ability to meet its obligations on a timely basis, and ultimately to attain profitability.

### Investment in Unconsolidated Subsidiary

We made a 100% investment in the voting stock of a marketing company in February 2003 and terminated the investment in March 2004. This investment was accounted for using the equity method of accounting for investments because it was subsequently rescinded. It is reflected on the balance sheet as "Investment in unconsolidated subsidiary" and in the statement of operations as "Equity in losses of equity-method investee." The amount of the charge to the 2003 statement of operations of \$450,000 was the net cost of ownership of the subsidiary for the period of time that it was owned and the amount that was paid to reduce the debt of the subsidiary in March 2004 to allow termination of the investment.

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### Business Restructuring

Effective December 31, 2003, ICOP Digital, Inc. exchanged all of its outstanding shares of common stock for shares of common stock of Vista Exploration Corporation, representing 89 percent of the outstanding shares of the combined company. The combination has been treated as a recapitalization of ICOP, with Vista as the surviving entity. Since Vista had no assets, net liabilities and no operations at the time of the combination, the recapitalization has been accounted for as the sale of 1,790,000 shares of ICOP common stock for the net liabilities of Vista. The historical financial statements presented herein are those of ICOP.

### Research and Development Costs

Research and development costs are charged to expense as incurred. No costs are deferred since the requirements that a product under development be clearly defined, have identifiable costs, be technically feasible, and have a clearly defined market or use, and the Company have the financial resources to complete the project are not objectively assured. If the costs associated with the project were deferred, any deferred costs would be recovered as charges against earnings in future periods.

### Foreign Currency Translation

The company outsourced certain research and development to a Japanese firm. Services and products were billed to the Company in the local currency. Liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date. Costs and expenses are translated into US dollars at average exchange rates for the period. Gains and losses resulting from translation are accumulated as a component of other comprehensive income (loss). Realized gains and losses from foreign currency transactions are recognized as other income.

### Our Revenue Goals



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We are in the final design stages to commence manufacturing of the ICOP Model 20/20(TM) digital camera device for installation in police and other emergency vehicles. We expect to begin receiving revenues from the sales of the ICOP Model 20/20(TM) commencing in the fourth quarter of 2004. Based on our current estimates, we believe initially we will be able to generate gross margins of approximately 40% of all sales from this product line, which should permit us to reach the break even mark from operations during the first quarter of 2005, based on our perceived product demand.

### Our Twelve Month Plan of Operations

We expect to execute a manufacturing agreement to produce up to 1,100 ICOP Model 20/20(TM) units over the following six months. Under the terms of this agreement, the manufacturer will be responsible for purchasing the components to be utilized in the units and manufacturing the units, and we will be required to pay for the units when they are shipped. We will provide an advance deposit to the manufacturer to be used to purchase components after they have completed approximately 400 units. We are presently pursuing and taking orders for the units.

As of this date, we believe we will have a need for at least \$5,000,000 in additional financing to cover our outstanding engineering expenses, continued operations pending delivery of the first orders and ongoing deposit and inventory costs. Our expenses continue to exceed our cash flow by approximately \$200,000 per month, principally related to product development of the ICOP Model 20/20(TM). Any proceeds in excess of the minimum financing necessary of \$3,000,000 will be used to build inventory. We expect our capital raising efforts to be completed by not later than September 15, 2004, which will allow us to conclude sales orders, accelerate the manufacturing process, and accelerate delivery of the ICOP Model 20/20(TM) to the fourth quarter of 2004. We believe the time from when we release product for manufacturing until units are completed and can be delivered to our customers will be approximately four to six weeks, depending on the availability of certain of the components.

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Currently, our "burn rate" is \$200,000 per month. Prior to the receipt of material revenue from sales of the ICOP Model 20/20(TM), we believe the burn rate should increase to approximately \$250,000 per month. When unit sales of the ICOP Model 20/20(TM) increase to 200 per month, we should be operating at a break even level. During the 12 months after achieving this level, we anticipate spending approximately \$1,500,000 on research and development to make enhancements to the ICOP Model 20/20(TM) device and a new product, the ICOP On Watch (TM) Camera. We have also anticipated annual expenses for warranty service of approximately \$150,000 for the next 12 months, which should remain reasonably constant during follow-on years as an expected decrease in the number of warranty claims results from our ongoing research and development and debugging of the system, offsetting the increased sales volumes that are expected. We do not expect to increase our administrative staff substantially in the near term, since all of our manufacturing of the ICOP Model 20/20(TM) will be handled by third parties. We will need to increase our sales and marketing staff in anticipation of production of the products and as our sales volume grows.

The timing of additional activities and the penetration of other markets beyond those described above, depends on the speed with which we penetrate the digital video market in the police and other emergency vehicle units. Additionally, while it is not likely, it is possible that we might consider manufacturing our own systems once the process is substantially automated and should we be able to determine that we can do so cost effectively.

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### Results of Operation

Since the Company was formed on the 24th of May, 2002, the period reported through December 31 of 2002 is essentially seven months versus the full twelve month period ended December 31, 2003. Including stock based compensation, selling, general and administrative expenses increased from \$358,000 for the short period ended December 31, 2002 to \$1,055,000 for the year ended December 31, 2003 as a result of the greatly stepped up activity in preparation for the marketing of the ICOP Model 20/20(TM) system. Research and development expense increased from \$178,000 in the period ended December 31, 2002 to \$2,828,000 in the 12 months ended December 31, 2003. This increase in research and development cost was created by the additional investment received during the year 2003 and the approximately \$1,700,000 owed to the development contractor at December 31, 2003. The Company incurred limited marketing expenses in 2002 due to the focus on development of the product, but incurred additional marketing expense of \$450,000 in 2003 through its unconsolidated marketing subsidiary. The subsidiary was divested early in 2004 and the Company resumed those marketing activities directly. Total operating expenses and loss from operations increased from \$536,000 in the period ended December 31, 2002 to \$4,333,000 for the year ended December 31, 2003. The Company recorded no revenue during either period. The basic and diluted weighted average common shares outstanding increased from 7,341,944 for the period ended December 31, 2002 to 13,435,832 shares for the year ended December 31, 2003. The increase in weighted average common shares outstanding reflects principally our success in raising capital through the sale of common shares.

Selling, general and administrative expenses increased from \$397,000 for the six month period ended June 30, 2003 to \$860,000 for the six months ended June 30, 2004 as a result of the continuing increase in activity in preparation for the marketing of the ICOP Model 20/20(TM) system. Research and development expense for the six month periods increased from \$313,000 in 2003 to \$606,000 in 2004, reflecting the higher level of activity as the product is completed, tested and prepared for production. The Company also incurred marketing expenses of \$97,000 in 2003 through its unconsolidated subsidiary that did not recur in 2004. The subsidiary was divested early in 2004 and the Company resumed those marketing activities directly. Total operating expenses and loss from operations increased from \$807,000 for the six months period ended June 30, 2003 to \$1,465,000 for the six months ended June 30, 2004. The Company recorded no revenue during either period. During 2004, the Company negotiated a reduction in a liability owed to a supplier at December 31, 2003 in the amount of \$485,000, which is recorded as non-operating income during the period.

Looking forward, as set forth elsewhere in this report, management expects to commence receipt of revenues from the sale of its ICOP Model 20/20(TM) systems during the fourth quarter of 2004. If sales meet management expectations, it is expected that we could reach a break even level of operations during the first quarter of 2005. Of course, there are several unknowns including general economic conditions, geopolitical matters and fluctuations in currencies which could impact this projection negatively.

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### Liquidity and Future Capital Requirements

As of December 31, 2003, we had cash of \$119,000 and current liabilities of \$2,138,000. As of June 30, 2004, we had cash of \$6,000 and total current liabilities of \$2,167,000.

Our auditors included an explanatory paragraph in their opinion on our financial statements for the year ended December 31, 2003, to state that our losses, working capital deficit, and net shareholder deficit at December 31,

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2003 raised substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon raising additional capital and achieving profitable operations through the manufacture and sale of the ICOP Model 20/20(TM) product. We cannot assure you that our business plans will be successful in addressing this issue.

Since the inception of our current business plan in 2002, we have financed our operations primarily through the private sale of our common stock and preferred stock and with trade debt and shareholder loans. Through December 31, 2003, we raised approximately \$2,441,000 from the sale of our common shares. During the first six months of 2004, we raised approximately an additional \$275,000 from the sale of common shares and \$1,100,000 from the sale of preferred stock. Through June 30, 2004 we had also accumulated approximately \$1,500,000 in payables to development suppliers and approximately \$400,000 in liabilities to other suppliers and employees. We have the immediate need for approximately an additional \$5,000,000 to pay our outstanding engineering costs, begin the manufacturing of our product, promote sales, and support our operations in the near term, as described in our 12 month plan of operation. We have agreements to pay \$600,000 of the outstanding engineering costs, totaling approximately \$1,500,000, over a period of time as units are manufactured and sold, leaving \$4,400,000 to be raised from other sources. If we are unable to close the sale of this additional financing before the end of September 2004, it would place us in a very hazardous position and we would be required to, at the very least, discontinue the product development of the ICOP Model 20/20(TM). The additional funds may take the form of debt or equity securities, or a combination or both. Holders of debt or equity, or equity securities issued in the future, could have rights, preferences and privileges senior to holders of our common and preferred stock, and the terms of any debt could restrict our operations. Furthermore, the sale of additional equity or convertible debt securities could result in additional dilution to our existing shareholders.

The timing of additional activities and the penetration of other markets beyond those described above, depends on the speed with which we penetrate the digital video market in the police and other emergency vehicle units. Additionally, while it is not likely, it is possible that we might consider manufacturing our own systems once the process is substantially automated and should we be able to determine that we can do so cost effectively. We do not expect to increase our administrative staff substantially in the near term, since all of our manufacturing of the ICOP Model 20/20(TM) will be handled by third parties.

We currently do not have any commitment for, or readily available source of this additional financing, nor can we assure you that additional financing will be available to us on commercially reasonable terms. We cannot estimate at what price we may be able to sell our securities, or what type of security may be sold; however, our last private offering prior to filing this registration statement, was at a price of \$6.00 per share of convertible preferred stock. Each share of this preferred convertible stock can be converted into eight shares of common stock and includes a warrant for the same number of additional shares of common stock at a price of \$1.80 per share. We will need to increase our sales and marketing staff in anticipation of production of the products and as our sales volume grows.

### Legal Proceedings

We do not know of any pending or threatened legal proceedings to which we are a party. We also are not aware of any proceedings being contemplated by governmental authorities against us, or any of our executive officers or directors, relating to their services on our behalf.

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## MANAGEMENT

### Directors and Officers

The following table sets forth the name, age and position of each of our officers and directors as of the date of this prospectus.

| Name                 | Age | Position   | Term                     |
|----------------------|-----|--|--------------------------|
| ----                 | --- | -----  | ----                     |
| Charles A. Ross, Sr. | 64  | Director and President and<br>Chief Exec. Officer                      | April 2001<br>to present |
| David C. Owen        | 66  | President, CEO and Director  |                          |
| Laura E. Owen        | 46  | Vice President Administration and<br>Marketing and Corporate Secretary |                          |
| Roger L. Mason       | 52  | Director   |                          |
| John C. Garrison     | 52  | Chief Financial Officer  |                          |

Charles A. Ross, Sr. -Chief Executive Officer and Director and Chairman of the Board:

Charles A. Ross, Sr. has been our Chief Executive Officer and a Director since April 10, 2001 and since May of 2002, CEO and a director of ICOP Digital, Inc., a development stage company developing electronic surveillance equipment for law enforcement agencies. Mr. Ross resigned his duties as CEO in July 22, 2004 and was appointed Chairman.

From January 2001 through March 2001, Mr. Ross was exploring opportunities in the oil and gas business, which led to his investment in us. From July 1999 until December 2000, he owned and operated a business that supplied recruiting and business cards to a number of multi-level marketing companies. From June 1998 through July 1999, Mr. Ross was self-employed designing musical instrument amplifiers, an industry in which he has been involved since the 1960's.

From August 1995 until May 1998, he was the President and CEO and a director of Edgerton Technology, Inc. and from July 1996 until May 1998 he was the Chairman of the Board, President, CEO and Treasurer of Edgerton Musical Amplifiers, Inc. From August 1992 to August 1995, Mr. Ross was a self-employed consultant and investor.

Other public companies in which Mr. Ross served as an officer or director include Copilot Electronic Products, Inc. from 1989 to 1992, Birdview Satellite Communications, Inc. from 1981 to 1986, and Kustom Electronics, Inc. from 1965 to 1973. In 1968 he was named Kansas Small Businessman of the Year by the Small Business Administration.

David C. Owen -- President, CEO and Director:

Mr. Owen has been an officer and director of ICOP and Vista since January of 2003 and CEO since July, 2004. Mr. Owen has been president of Owen & Associates, Inc. since 1998, a private investment and management entity. He has more than 40 years experience in the financial industry having served as Chairman, President and CEO of two banks in the Kansas City area and Regional Manager for Stephens, Inc. an investment banking firm located in Little Rock, Arkansas.

Mr. Owen has extensive experience in mergers and acquisitions and in the financial reporting requirements of public companies. He is active in the community having served as State Senator and Lt. Governor of Kansas. He is a graduate of Ottawa University, Ottawa, Kansas with a degree in Economics. He

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also received post graduate training at Ohio State University and Rutgers University in conjunction with the American Bankers Association. He is currently a member of the Board of Trustees of Ottawa University, Member of the Executive Committee and Board of the Greater Kansas City Fellowship of Christian Athletes.

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Laura E. Owen -- Vice President of Administration and Marketing and Corporate Secretary:

Ms. Owen has been with ICOP since May of 2002 and is responsible for shareholder relations, assisting with the strategic development of the Company, the management of leasing operations, and corporation administration. From 1998, until coming on board with ICOP she served as President of Unicard.com, a privately held travel business. She has worked in large corporations, owned small businesses, and worked in investment banking. Ms. Owen was the first woman to be appointed Secretary of Commerce (KDOC) for the State of Kansas, the state's leading economic development agency. She has served on numerous state boards and commissions, including KTEC (Kansas Technology Enterprise Corporation), a public/private organization whose mission is to increase the presence of technological companies in the State of Kansas. Ms. Owen has a degree in Business Administration from Delaware Valley college in Philadelphia, Pennsylvania. She also studied at the Sorbonne University in Paris, and has traveled extensively abroad in support of business projects. She currently serves on the board of Heart To Heart International, a humanitarian organization which delivers pharmaceuticals and medical supplies worldwide to those in need. Ms. Owen is the wife of David C. Owen.

Roger L. Mason -- Director

Mr. Mason has been a director of ICOP since May of 2002. Mr. Mason has owned his own real estate development business since 1995 in Olathe, Kansas. He also has twenty years of experience (Road Electronics, Birdview Satellite Communications, Cobalt Boats, and Mason Electronics) in various capacities centering around corporate purchasing and manufacturing management, which provides him a solid base of understanding as it pertains to the various methods and procedures in manufacturing and purchasing departments for a high technology company.

John C. Garrison -- Chief Financial Officer

Mr. Garrison is a certified public accountant with over twenty-five years of progressive experience in accounting, auditing and financial management. He served as corporate secretary, director or chief accounting officer of various private and public companies. He is licensed to practice public accountancy in Kansas and Missouri and has been involved in an active practice since 1976. Mr. Garrison graduated with a degree in business administration and accounting from Kansas State University.

Mr. Ross was elected to serve a three-year term at our annual meeting which occurred in 2001 as a Class A director. Mr. Ross will be up for reelection at our next annual meeting. At the first board of directors meeting held subsequent to the acquisition of ICOP, Mr. Ross appointed our Chairman and Chief Financial Officer, David C. Owen, to join him as a Class A director whose term will also expire at the next annual meeting. Roger L. Mason, our independent director, was appointed to serve as a Class C director whose term will expire after our annual meeting held in 2006.

Staggered terms tend to protect against sudden changes in management and may have the effect of delaying, deferring or preventing a change in our control without further action by our shareholders, such as removing directors from our

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board as provided under Colorado law.

Our officers are elected by the board of directors at the first board of directors meeting after each annual meeting of our shareholders and hold office until their successors are duly elected and qualified in accordance with our Bylaws. Our next annual meeting of shareholders should be held during October, 2004.

Laura E. Owen and David C. Owen are husband and wife.

At the present time, we have one independent director, Roger L. Mason who does not qualify as a financial expert. The Registrant is not a listed issuer, has no audit committee, nomination committee or executive compensation committee.

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### EXECUTIVE COMPENSATION

This section sets out the annual compensation paid to our officers for the last fiscal year and includes the historic income received from ICOP. No executive officer of ours received annual compensation in excess of \$100,000 during the last fiscal year.

| Name and Principal<br>Position                            | Fiscal<br>Year<br>Ending | Annual Compensation |               |                          | Long-Term Compensation<br>Awards   |  |
|---|--------------------------|---------------------|---------------|--------------------------|------------------------------------|--|
|   |                          | Salary<br>(\$)      | Bonus<br>(\$) | Other<br>Annual<br>Comp. | Restricted<br>Stock Awards<br>(\$) | Securities<br>Underlying<br>Options/<br>SARs (#) |
| Charles A. (Bud) Ross,<br>Sr., Chief Executive<br>Officer | 2003                     | \$60,000            | 0             | 0                        | 0                                  | 0  |
|   | 2002                     | 95,000              | 0             | 0                        | 0                                  | 500,000 (1)                                      |
|   | 2001                     | 40,000              | 0             | 0                        | 0                                  | 0  |

(1) Cancelled by Agreement effective January 13, 2004.

| Name and Principal Position       | Option/SAR Grants in last Fiscal<br>Year(1) (Individual Grants)<br>Number of Securities Underlying<br>Options/SARs granted (#) | Percent of total<br>options/SARs granted to<br>employees in fiscal year |
|-----------------------------------|--|---|
| Owen Enterprises, LLC.(2)         | 1,000,000  | 40%   |
| Kenneth L. McCoy,<br>President(3) | 500,000  | 20%   |

(1) This information is as of December 31, 2003

(2) Owen Enterprises, LLC. is managed by our CEO David Owen.

(3) This grant was cancelled during March 2004 when McCoy Law Line was sold.

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### Officer Compensation

David C. Owen, President and Chief Executive Officer, had a base salary, pursuant to his Executive Employment Agreement commenced on March 24, 2003, of \$60,000 per year. Effective January 1, 2004, the annual compensation increased to \$90,000 per year. Mr. Owen entered into a new Executive Employment Agreement on April 1, 2004 with annual compensation of \$180,000 per year. Mr. Owen is also entitled to participate in the Company's Stock Option Plan and 401(k) Plan.

Charles A. (Bud) Ross, Sr., Chairman, had a salary pursuant to his Executive Employment Agreement commenced on March 24, 2003, of \$60,000 per year. Effective January 1, 2004, the annual compensation increased to \$90,000 per year. Mr. Ross entered into a new Executive Employment Agreement on April 1, 2004 with annual compensation of \$180,000 per year. Mr. Ross is also entitled to participate in the Company's Stock Option Plan and 401(k) Plan.

Laura E. Owen, Vice President of Administration/Marketing and Corporate Secretary commenced employment with the Company in June 2003 with annual compensation of \$24,000 per year. Effective August 1, 2003 the annual compensation increased to \$60,000 per year. Effective January 5, 2004 the annual compensation increased to \$75,000 per year. Effective April 1, 2004 the annual compensation increased to \$120,000 per year and on August 1, 2004 to \$150,000 per year. Ms. Owen is also entitled to participate in the Company's Stock Option Plan and 401(k) Plan.

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### Long-Term Incentive Plans

We have a Stock Option Plan that authorizes the grant of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and nonqualified stock options for the purchase of an aggregate of 5,000,000 shares of Common Stock, subject to adjustment for stock splits and similar capital changes. Employees and, in the case of nonqualified stock options, directors, consultants or any affiliate are eligible to receive grants under our plans. As of August 15, 2004, there are 2,300,000 outstanding options under our Stock Option Plan.

We also have established a 401(k) plan which will enroll employees April 1, 2004, with an effective date of January 1, 2004. It is a 3% Safe Harbor Plan, which also allows individual optional employee deferrals. This plan also includes an optional Profit Sharing Plan, which is funded annually at the discretion of the Board of Directors.

### Employment Contracts and Termination of Employment Arrangements

Except as set forth above under Officer Compensation, there are no other compensatory plans or arrangements, including payments to be received from us, with respect to the resignation, retirement or other termination of the employment of any executive officer or related to a change in control in us.

### Director Compensation

None of our directors received any compensation during our most recent fiscal year for serving in their position as directors. If we do have funds available in the future, we likely will reimburse our directors for expenses incurred by them in their duties as a director.

### Limitation of Liability and Indemnification

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Our Articles of Incorporation contain a provision eliminating our directors' liability to us or our shareholders for monetary damages for a breach of their fiduciary duty. However, a director's liability is not eliminated in circumstances involving certain wrongful acts, such as the breach of a director's duty of loyalty or acts or omissions that involve intentional misconduct or a knowing violation of law. Our Articles of Incorporation also obligate us to indemnify our directors and officers to the fullest extent permitted under Colorado law. While we believe that these provisions are very standard and necessary to assist us in attracting and retaining qualified individuals to serve as directors, they could also serve to insulate our directors against liability for actions which damage us or our shareholders. Furthermore our assets could be used or attached to satisfy any liabilities subject to such indemnification.

### SECURITY OWNERSHIP OF CERTAIN OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of August 18, 2004 by (i) each of our executive officers, directors and director nominees, (ii) all executive officers, directors and director nominees as a group, and (iii) each person who beneficially owns more than 5% of our common stock (each a "Principal Stockholder"). As of August 18, 2004, there were 16,042,000 shares of our common stock issued and outstanding.

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| Name and Address of<br>Beneficial Owner<br>-----                          | No. of Shares of<br>Common Stock<br>Beneficially Owned<br>----- | Percent of Class<br>Beneficially<br>Owned<br>----- |
|---|---|--|
| Charles A. Ross, Sr.(1)<br>11952 Farley,<br>Overland Park, Kansas 66213   | 2,500,000   | 15.6%  |
| David C. Owen(2)(3)<br>27085 West 102nd Street<br>Olathe, Kansas 66061    | 2,994,000   | 17.2%  |
| Laura E. Owen(2)(3)<br>27085 West 102nd Street<br>Olathe, Kansas 66061    | 2,994,000   | 17.2%  |
| Roger L. Mason<br>14950 South St. Andrews Avenue,<br>Olathe, Kansas 66061 | 600,000   | 3.7%   |
| John C. Garrison<br>7211 High Drive<br>Shawnee Mission, KS 66208          | 150,000   |  |