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WORLDTEQ GROUP INTERNATIONAL INC
Form 10KSB
April 20, 2004

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

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR FISCAL YEAR ENDED DECEMBER 31, 2002
 TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934

Commission file number 000-_____

WORLDTEQ GROUP INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Nevada

03-7392107

(State or other
jurisdiction of
incorporation or
organization)

(I.R.S. Employer
Identification
No.)

30 West Gude Drive, Rockville, Maryland

20850

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number, including area code: (240) 403-2000

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

Securities registered under Section 12(g) of the Exchange Act:
COMMON STOCK, \$0.001 PAR VALUE
(Title of Class)

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Documents incorporated by reference: Portions of several 8K announcements during the year are incorporated by reference in Part III hereof.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE) YES NO

The Index of Exhibits filed with this Report begins on page XX .

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WorldTeq Group International Inc.'s revenues for its most recent fiscal year ended December 31, 2003 were \$820,933.

On December 31, 2003, the aggregate market value of the voting stock of WorldTeq Group International, Inc. (consisting of common stock, \$0.001 par value) held by non-affiliates of the Registrant (approximately 21,000 shares) was approximately \$2,284,075 based on the closing price for such common stock (\$0.11) on said date as reported by the OTC Bulletin Board.

As of December 31, 2003, there were 29,561,746 outstanding common shares of WorldTeq Group International, Inc. common stock.

WORLDTEQ GROUP INTERNATIONAL, INC.

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PART I

FORWARD LOOKING STATEMENTS

In addition to historical information, this Report contains forward-looking statements. Such forward-looking statements are generally accompanied by words such as "intends," "projects," "strategies," "believes," "anticipates," "plans," and similar terms that convey the uncertainty of future events or outcomes. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in ITEM 6 of this Report, the section entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof and are in all cases subject to the Company's ability to cure its current liquidity problems. There is no assurance that the Company will be able to generate sufficient revenues from its current business activities to meet day-to-day operation liabilities or to pursue the business objectives discussed herein.

The forward-looking statements contained in this Report also may be impacted by future economic conditions. Any adverse effect on general economic conditions and consumer confidence may adversely affect the business of the Company.

WorldTeq Group International, Inc. undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Factors that could cause actual results or conditions to differ from those anticipated by these and other forward-looking statements include those more fully described in the "Risk Factors" section and elsewhere in this report. In addition, readers should carefully review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission.

ITEM 1. DESCRIPTION OF BUSINESS

CORPORATE HISTORY

WorldTeq Group International, Inc. was incorporated under the laws of Nevada on October 13, 1997, and was originally named Halo Holdings of Nevada, Inc. On October 15, 2001, we amended our articles of incorporation to adopt our current name, which we believe more accurately reflects the business in which we are now engaged.

From the date of our incorporation in 1997 until early 1999 our company was engaged in skydiving and related business ventures. Between February and April 1999 we sold our skydiving business and acquired three companies which were providers of Internet connectivity and related products and services. Specifically, in February 1999 we acquired Virtual Information Express, Inc. a Maryland corporation, which provided outsourced Internet services such as e-commerce applications and collaborative technologies. In March 1999, we acquired Computer Ease LLC, a Maryland limited liability company which provided Web design and development services to corporate clients and associations. Computer Ease was merged into our subsidiary A1 Internet Services, Inc., a Delaware corporation. In April 1999 we acquired Networld Ohio, Inc., an Ohio corporation, which is an Internet service provider ("ISP") based in Freemont, Ohio. In March 1999 we wound down Virtual Information Express. In November of 2000 we formed WorldTeq Corporation, a Delaware Corporation, to focus on adding

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Long Distance services to our product line. In May of 2003 Networld Ohio, Inc., a wholly owned subsidiary of WorldTeq Group International, Inc., was sold to our former president, Bruce Bertman for \$1. WorldTeq recorded the sale as a credit to additional paid in capital for the net liabilities totaling approximately \$435,000. In September of 2003 WorldTeq added financial services to its product line in the form of Payroll services through its stored-value debit card

product, MonEcard. As a result of these transactions, our principal business now is providing Payroll solutions to small to medium sized companies, as well as Long Distance Service and related products and services to both business and residential customers alike.

Our principal offices are located at 30 West Gude Drive, Rockville, MD 20850 (telephone # 301-530-2662).

OVERVIEW

We are a switch-less and facilities-based provider of Internet protocol and traditional fiber-based communications services, including voice and data, along with toll free and related services. We market our services to groups specializing in specific ethnic demographics, residential communities located in major metropolitan areas, associations, network marketing organizations, and multi-level-marketing organizations (MLM's). Our goal is to become a leading provider of payroll services and communication services, including voice, data and Internet services to our targeted markets, comprised of affinity communities. We provide our services through a flexible network of owned, contracted facilities and resale arrangements. We have an extensive network available to us of IP gateways, international gateways, and domestic switches.

Through our subsidiary WorldTeq Corporation we provide agents, associations, and businesses with opportunities to generate revenues by supplying those associations, individuals, and businesses with Internet technology and communications solutions and services. Our products and services enable the agents and affinity groups to offer their members, customers and others a variety of revenue producing solutions and services without making large investments in technology, infrastructure or staff. The principal products and services which we offer are:

- Long Distance Service
- Toll Free Products
- Financial Services / Corporate Payroll Solutions
- Billing Services
- Web site creation and design; and
- Web site hosting.

RECENT DEVELOPMENTS

In February of 2003, the former CEO of the company resigned and was immediately replaced on February 6th by Jeffrey Lieberman, the former Vice President Operations. Additionally, on February 26, 2003 Mr. Lieberman assumed the duties of Chairman of the Board. In May of 2003, the Board of Directors and Management approved the sale of Networld Ohio, Inc. to our former CEO, Bruce Bertman. In September of 2003 the Board of Directors and new Management decided to modify our business plan to better focus on our core competencies, in addition to concentrating on reducing debt, reducing operational overhead, and reducing

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expenses by outsourcing key components of sales and operations. As part of our modified business plan, in September of 2003, Management pursued making the MonEcard available.

The revised plan called for a complete restructuring of the company that included: 1) a change in our staff to increase experience in our industry, 2) accelerated migration of direct customer sales staff to that of contracted agents and direct telemarketing organizations, 3) discontinuation of unprofitable, low-margin business lines, 4) implementation of certain cost reduction procedures such as complete sales automation for its communication products (commenced in the third quarter of 2003), 5) the sale of one of our subsidiaries, NetWorld Ohio, Inc., and 6) launching of our financial services product, MonEcard.

2003 KEY ACCOMPLISHMENTS

During 2003, WorldTeq has overcome many obstacles. WorldTeq survived during a year where there were changes in leadership and attacks on our customer base, from competitors of our staple long distance business. The company

credits the reason for its survival and improved performance on the following accomplishments, which are all centered on four key ideas: Cost Reduction, New Products, Sales Automation, and an Expanded Sales Department.

- Signed three new agents for the telecom business
- Sold subsidiary of the company without significantly impacting revenues
- Reduced long term debt by \$600,000
- Reduced annual overhead expenses by \$300,000
- Reorganized management to concentrate on efficiencies and sales growth
- Launched MonEcard product and signed first contracts
- Increased exposure in the financial marketplace
- Enhanced end-user website to include digital signatures for online ordering
- Launched a new enhanced billing system

INDUSTRIES BACKGROUND

The last few years have been challenging. Many telecom organizations have been overspending and accruing a significant amount of debt. However, the need for telephony products remains. While there are pricing pressures on the industry as a whole, for those organizations that can properly manage their infrastructure costs, we believe there are profits to be made. WorldTeq has been able to take advantage of its vendor's under-utilization of their capacity, allowing us to buy capacity at a fraction of the cost of creating the capacity as a stand alone provider. By leveraging this overcapacity, combined with a properly structured marketing campaign, we believe profits can be achieved even in a price sensitive market. In addition, by linking other offerings with phone service, WorldTeq aims to create customer retention.

In 2003 WorldTeq began offering business customers the MonEcard, its branded, stored value card, to be used to distribute payroll to the business customers' employees. While there are a number of competitors in this industry, most are small and no dominant player has yet emerged. WorldTeq is targeting companies with 50-500 employees. With 12 million small businesses in the U.S. and nearly 1/2 million new businesses each year, this is a growing market segment. While payroll cards have been on the market since 1996, the market penetration is less than 2%. However, we feel that general acceptance of payroll cards has been increasing within the last few months. We speculate the reason for the acceptance recently is the cost savings to employers and the benefits to employees are being better communicated and many companies are starting to use

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the product. With gift cards, phone cards and retailer electronic cards becoming more commonplace in the last year or two, people are more accepting of the technology. Many companies are evaluating payroll cards as a payroll solution. Celent Communication, a research-marketing firm, which closely follows the industry, expects 2-3 million new payroll cards on the market in the next 12 months with continued acceleration in 2005 and 2006. According to their market research, by the end of 2005, there will be 7 million new payroll cards on the market. This is still a small percentage of the 70 million employed Americans with no direct deposit and the 30-40 million with no bank accounts.

OUR BUSINESS STRATEGY

Our business strategy is to combine the global scale of tier one providers with the local presence of regional and local resellers of Long Distance and voice services. We provide affordable connectivity on a global scale by contracting with Global Crossing, a leading tier one provider, for access to their fiber network on a wholesale level, with greatly discounted per-minute fees. We enable associations, membership sales organizations and other affinity groups to create revenue and sales programs by offering their members high quality communications products and services without the investment in technology, equipment and personnel that would ordinarily be required. In effect, we enable associations, membership sales organizations and the like to become virtual communications resellers who market under their own name products and services, which they purchase from us.

CUSTOMERS

We provide long distance and toll free services to both residential and business customers. In 2003 WorldTeq decided to concentrate on business customers as we have found there is a much greater retention rate as opposed to residential clients. In the last 18 months, the Tier one communications providers have been offering residential customers unlimited long distance bundled with the provider's local services. Keeping this in mind, it is our experience that there are fewer major competitors in the B2B marketplace. On December 31, 2003 we had approximately 450 direct business customers, compared to approximately 100 at the end of December 2002. During these same periods we have maintained about the same level of residential customers. We suspect this is due to less customer retention and increased competition from the unlimited plans offered by the Tier One Providers. We have seen the same trend with our wholesale clients as their business customers have increased by almost 200% with only about a 10% increase on residential customers. As for our payroll services, we target our MonEcard sales to small to medium sized businesses, with the number employees being between 50 and 500. Additionally, we have found the most success when speaking to owners of companies in specific industries that have a higher percentage of immigrant workers. Such industries include but are not limited to, construction, landscaping, manufacturing, commercial farming, and trucking. We find that we get greater interest from companies that have a higher immigrant workforce, because it is those employees who find the card more useful as many of these individuals do not have checking accounts.

COMPETITION

Because there are little barriers of entry, the business of providing Long Distance services and Payroll solutions is a highly competitive one. We believe that competition will intensify in the future, and our ability to successfully compete depends on a number of factors, including the:

- Capacity, reliability and security of the Tier One providers with which we interconnect;

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- Pricing structures of our services;
- Expansion of the variety of products and services we offer;
- Ability to adapt our products and services to new technological developments and market trends;
- Ability to build and maintain a larger, knowledgeable and effective sales force;
- Our ability to implement broad and effective distribution channels; and
- Principal market and economic trends.

Current and prospective competitors include:

- Long distance and local telecommunications providers;
- National Payroll services, such as ADP.

Major long distance companies and cable companies currently offer Internet access services. Companies using wireless terrestrial and satellite-based technologies are expected to offer Internet connectivity and related services in the near future. Such competitors have the ability to bundle Internet connectivity with other services such as local and long distance telecommunications. This bundling could adversely affect our ability to compete and could result in a downward pressure on our prices that could adversely affect our business, financial condition and results of operations.

We do not have available information that would permit us to accurately measure our market share. However, several major long distance service providers reported that they have millions of end-users each; compared to the approximately 700 direct residential and business users and almost 1,500 users through our wholesale customers, we have at present. In the area of payroll services, and more directly the area of payroll distribution, a number of our competitors report significantly greater revenues, and we believe that we represent substantially less than 1% of these market sectors. We strive to differentiate ourselves from our competitors by:

- offering low prices made possible by our low overhead
- focus on superior customer service; and
- our ability to quickly adapt to new developments in our industry resulting from the small size of our organization.

EMPLOYEES

As of December 31, 2003 we had 5 full time employees categorized as follows:

- 1 full time employee in sales and marketing;
- 1 full time technical staff member;
- 1 full time employee in product development; and
- 2 full time employees in administration staff.

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There are no collective bargaining agreements in effect. We believe the relationships with our employees are good.

INTELLECTUAL PROPERTY

We have no patented technology that would preclude or inhibit competitors from entering our market. We have entered into confidentiality and invention assignment agreements with our employees to limit access to and disclosure of our proprietary information. We intend to apply for copyrights as we develop new products and solutions. There can be no assurance that these measures will prove sufficient to prevent misappropriation of our intellectual property or to deter independent third-party development of similar products.

The FCC has jurisdiction over all U.S. telecommunications common carriers to the extent they provide interstate or international communications services. While WorldTeq acts as a carrier reseller we still can be subject to the rules and regulations set, so that the FCC's current and future policies could have a material adverse effect on our business, operating results and financial condition.

In accordance with the FCC's Detariffing Order, our rates, terms and conditions for interstate and international services are no longer set forth in tariffs filed with the FCC. Nonetheless, we remain subject to the FCC's general requirements that rates must be just and reasonable, and not unreasonably discriminatory, and are also subject to the FCC's jurisdiction over complaints regarding our services. The detariffing of domestic interstate and international services may pose additional risks for us because we will no longer have the benefit of the "filed rate doctrine." This doctrine enabled us to bind our customers to the terms and conditions of the tariff without having each customer sign a written contract and enabled us to change rates and services on one day's notice. Since the rates and terms of service are no longer tariffed, we may be subjected to increased risk of claims from customers involving terms of service and rates that could impact our financial operations.

RISK FACTORS

You should consider carefully the risks described below and other information in this Form 10-KSB. If any of the events identified in the following risk factors actually occur, they could materially adversely affect our business, financial condition and results of operations.

WE HAVE A HISTORY OF LOSSES AND CANNOT BE CERTAIN WE WILL ACHIEVE POSITIVE CASH FLOW

Since inception, we have incurred significant operating losses and negative cash flow from operations. Although we have made significant steps toward profitability, we can give no assurances that we will not have continuing operating losses in the future. In the third quarter of 2003, we had our first profitable quarter in a year and a half; however, there are no assurances that this will continue.

Even thereafter, we cannot be certain that we will achieve or sustain positive cash flow or profitability from our operations. Our net losses and negative cash flow from operating activities are likely to continue even longer than we currently anticipate if:

- We cannot establish and maintain a customer base that generates sufficient revenue;

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- Prices for our products or services decline faster than we have anticipated;
- We cannot remain competitive in the innovation and quality of our products; and
- We cannot attract and retain qualified personnel.

OUR ABILITY TO ACHIEVE OUR OBJECTIVES IS SUBJECT TO FINANCIAL, COMPETITIVE, REGULATORY, LEGAL, TECHNICAL AND OTHER FACTORS, MANY OF WHICH ARE BEYOND OUR CONTROL.

PURCHASES AND SALES OF OUR STOCK ARE SUBJECT TO PENNY STOCK REGULATIONS

Our stock has had a market price of less than \$5.00 per share. The SEC has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price less than \$5.00 per share, subject to certain exceptions. During periods when our common stock does not qualify for inclusion on the NASDAQ Small Cap Market or is removed there from, the common stock may become subject to rules that impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a disclosure schedule prepared by the SEC relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Consequently, the "penny stock" rules may restrict the ability of broker-dealers to sell our common stock and may affect the ability of investors to sell our common stock in the public market.

OUR LIMITED OPERATING HISTORY MAKES IT DIFFICULT TO ASSESS OUR PAST PERFORMANCE AND FUTURE PROSPECTS

We have limited historical operating and financial information, which may make our performance and our prospects difficult to evaluate. We have acquired five companies since the beginning of 1999 and disposed of substantially all of the businesses in which we were engaged in prior years. This limits the comparability of our operating and financial information from period to period.

Our prospects need to be considered in light of the substantial risks, expenses, uncertainties and difficulties frequently encountered by companies in the new and rapidly evolving markets for Internet products and services. Such risks include the possibility that:

- We may be unable to increase and sustain levels of interest in our products and services by Associations, membership marketing companies and ISPs;
- We may fail to sell our products successfully through our direct sales force;

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- Our competitors may develop services or products similar or superior to our own;
- Market prices for our products and services may fall as a result of competition or other factors;
- We may be unable to identify, attract, motivate and retain qualified personnel; and
- We may fail to fully integrate our existing operations the technology and operations with any of the businesses that we might acquire.

We cannot be sure that we will be successful in addressing such risks, and the failure to do so could have a material adverse impact on our business, financial condition and results of operation.

WE ARE DEPENDENT ON GLOBAL CROSSING FOR LONG DISTANCE AND OTHER VOICE SERVICES

Our ability to offer end-user access to a tier one Voice network on an affordable basis is dependent upon our relationship with Global Crossing. If this relationship were to be terminated, or if the terms were to be substantially amended, we might be required to enter into arrangements for services with other providers on less favorable terms. There is no assurance that we would be able to purchase voice services on comparable terms, and there is no assurance that we would be able to pass on additional costs to our customers. Our inability to obtain minutes on comparable terms could materially and adversely affect our business, financial condition and results of operations.

WE RELY ON OTHERS TO MARKET OUR PRODUCTS AND SERVICES TO END-USERS

We believe that we may derive the majority of our recurring revenues from subscription fees and fees for value added services paid by end-users of our products and services. The amount of these revenues is dependent upon the level of success achieved by resellers, membership marketing companies and multi-level market organizations (MLM's) in marketing our products and services to their members and customers. If sales to end-users do not meet our expectations, our business would be adversely affected and we would be required to develop alternate marketing and sales strategies.

WE ARE SUBJECT TO RISKS AS WE MAKE ACQUISITIONS AND ENGAGE IN STRATEGIC ALLIANCES

As part of our business strategy, we may acquire, make investments in, or enter into strategic alliances with companies in complementary businesses, so as to optimize our market presence in the regions we presently serve and expand into other regions. In particular, we intend to acquire local and regional ISPs and E-commerce companies. Any such future acquisitions, investments or strategic alliances would involve risks, such as:

- Incorrect assessment of the value, strengths and weaknesses of acquisition and investment opportunities;
- Underestimating the difficulty of integrating the operations and personnel of newly acquired companies;
- Potential disruption of our ongoing business, including possible diversions of resources and management time;
- Potential inability to maintain uniform standards, control, procedures and

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policies; and

- The threat of impairing relationships with employees and customers as a result of changes in management or ownership.

We cannot assure that we will be successful in overcoming these risks. Moreover, we cannot be certain that any desired acquisition, investment or strategic alliance could be made in a timely manner or on terms and conditions acceptable to us. Neither can we assure that we will be successful in identifying attractive acquisition candidates. We expect that competition for such acquisitions may be significant. Competition for Internet companies is based on a number of factors including price, terms and conditions, size, access to capital, and ability to offer cash, stock or other forms of consideration. We may compete with others who have similar acquisition strategies, many of whom may be larger and have access to greater financial and other resources than those available to us at any given time.

An additional risk associated with acquisitions is that many attractive acquisition candidates do not have audited financial statements and have varying degrees of internal controls. Although we may believe that the available financial information for a particular business is reliable, we cannot guarantee that a subsequent audit would not reveal matters of significance, including but not limited to those in connection with liabilities, contingent or otherwise. We expect that, from time to time in the future, we will enter into acquisition agreements, the pro forma effect of which are not known and cannot be predicted.

WE MAY HAVE DIFFICULTY MANAGING OUR RAPID GROWTH

Our growth strategy has placed, and will continue to place, a significant strain on our customer support, sales and marketing, administrative resources, network and operations, and management and billing systems. Such a strain on our administrative and operational capabilities could adversely affect the quality of our services and our ability to collect revenues. To manage our growth effectively, we will have to enhance the efficiency of our operational support, all back office processes and financial systems and controls. We cannot assure that we will be able to maintain adequate internal operating, administrative and financial systems, and procedures and controls.

Managing our growth will become even more challenging as we expand our target markets and our product and service offerings. Promotion and enhancement of our products and services will depend largely on our success in continuing to provide high quality Internet communications services, solution and product support. We cannot guarantee that we will be able to maintain those levels of quality. If we are unable to do so or otherwise fail to promote and maintain our products or services, or if we incur excessive expenses in an attempt to improve our services or promote and maintain our products, then our business, results of operations and financial condition could be materially and adversely affected.

In addition, as we continue to grow we will have to expand and train our employee base to handle the increased volume and complexities of our business. We cannot assure that we will be able to attract, train and manage sufficient personnel to keep pace with our growth.

SALES OF SHARES BY OUR SHAREHOLDERS COULD DEPRESS OUR STOCK PRICE

The market price of our common stock could drop as a result of sales of a large number of our shares in the public market. The perception that such sales may occur could have the same effect. As of January 31, 2004, our executive officers, directors and affiliates owned, directly or indirectly, less than 1% of our common stock.

WE ARE SUBJECT TO SECURITY AND FRAUD RISKS

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Despite our efforts to implement network security measures, such as limiting physical and network access to our computers, our Internet infrastructure is vulnerable to computer viruses, break-ins and similar disruptive problems caused by customers, employees or other Internet users. Computer viruses, break-ins or other disruptive or security problems could lead to interruptions, delays or cessation in service to our Internet customers. Further, such inappropriate or unauthorized use of the Internet could also potentially jeopardize the security

of confidential information stored in the computer systems of our customers and other parties connected to the Internet, which may deter potential customers and give rise to liability to users whose security or privacy has been violated. The security and privacy concerns of existing and potential customers may inhibit the growth of the Internet service industry in general and our customer base and revenues in particular. A significant security breach could result in a loss of customers, damage to our reputation, direct damages, costs of repair and detection and other expenses. In addition, our revenues for any given period may be adversely affected by fraud or debt collection problems that we experience. The occurrence of any of these events could have a material adverse effect our business, results of operations and financial condition.

WE MAY BE HURT BY SYSTEM FAILURES

Our success is largely dependent upon our ability to deliver high speed, uninterrupted access to the Internet. Any system failure that causes interruptions in our operations could have a material adverse effect on us. We currently rely upon our vendor's Internet Network. Failures in this or any other telecommunications network on which we rely would result in customers' receiving no or diminished access to the Internet.

WE COULD BE HELD LIABLE FOR INFORMATION DISSEMINATED OVER OUR NETWORK

The law relating to the liability of ISPs for information and materials carried on or disseminated through their networks has not been completely clarified. The possibility that courts could impose liability for information or material carried on or disseminated through our network could require us to take measures to reduce our exposure to such liability. Such measures may require us to spend substantial resources or to discontinue certain product or service offerings. Any of these actions could have a material adverse effect on our business, operating results and financial condition.

Due to the increasing use of the Internet, it is possible that additional laws and regulations may be adopted with respect to the Internet covering issues such as user privacy, pricing, taxes, defamation, obscenity, intellectual property protection, consumer protection, technology export and other controls. Changes in the regulatory environment relating to the Internet services industry could have a material adverse effect on our business, results of operation and financial condition.

WE ARE SUBJECT TO INTELLECTUAL PROPERTY RISKS

Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in Internet-related industries are uncertain and still evolving and we cannot be certain as to the future viability or value of any of our intellectual property rights or those of other companies within the IT industry. We cannot assure that the steps we have taken to protect our intellectual property rights will be adequate or that third parties will not infringe or misappropriate our proprietary rights. Any such infringement or misappropriation, should it occur, could have a material adverse effect on our business, results of operations and financial condition. Furthermore, we cannot

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be certain that our business activities will not infringe the proprietary rights of others or that such other parties will not assert infringement claims against us. We anticipate that we may be subject to claims in the ordinary course of our business, including claims of alleged infringement of the trademarks and other intellectual property rights of third parties due to the dissemination of our content or the provision of access by our online services to content made available by third parties. Such claims and any resultant litigation, should it occur, could subject us to significant liability for damages and could result in invalidation of our property rights and, even if not meritorious, could be time-consuming and expensive to defend, and could result in the diversion of management time and attention, any of which could have a material adverse effect on our business, results of operations and financial condition.

We regard substantial elements of our products and services as proprietary, and we attempt to protect them by relying on trademark, service mark, trade dress, copyright and trade secret laws and restrictions on disclosure and transfer of title. We also enter into confidentiality agreements with our employees, suppliers, distributors, consultants, vendors and customer and license agreements with third parties and generally seek to control access to and distribution of our technology, documentation and other proprietary information. We are pursuing the registration of our service marks, but we currently have no patents or applications for patents pending for our products or services. Effective service mark, copyright and trade secret protection may not be available.

WE ARE SUBJECT TO THE RISKS ASSOCIATED WITH RAPID INDUSTRY CHANGES

The Internet services industry in which we operate is characterized by rapidly changing technology, evolving industry standards, emerging competition and frequent new service, software and other product innovations. We cannot guarantee that we will be able to identify new service opportunities successfully and develop and bring new products and services to market in a timely and cost-effective manner, or that product, software and services or technologies developed by others will not render our products and services non-competitive or obsolete. In addition, we cannot provide any assurance that our product or service developments or enhancements will achieve or sustain market acceptance or be able to address effectively the compatibility and interoperability issues raised by technological changes or new industry standards.

WE DO NOT EXPECT TO PAY DIVIDENDS

The Company does not anticipate paying cash dividends in the foreseeable future.

ITEM 2. DESCRIPTION OF PROPERTY

Our headquarter is located at 30 West Gude Drive, Suite 470, Rockville, Maryland 20850, where we share approximately 13,000 square feet of office space. The month-to-month term of the lease commenced on August 1, 2002 and the monthly rent is \$3000.00.

We previously leased 450 square feet of office space in Sandusky, Ohio at an annual rental of \$3,750, and approximately 2,800 square feet in Fremont, Ohio at an annual rental of \$16,800. The properties were subject to one-year leases that expired on July 31, 2002 however they continued on a month-to-month basis until December 31, 2003 and are no longer being utilized. This property is no longer the responsibility of WorldTeq Group as it is now the responsibility of Networld Ohio since the sale of that subsidiary.

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ITEM 3. LEGAL PROCEEDINGS

From time to time we are involved in litigation incidental to the conduct of our business. We are not currently a party to any lawsuit or proceeding which, in the opinion of management, is likely to have a material adverse effect on our business, financial condition or results of operations. We are pursuing through legal channels the collection of several cases, one in the amount of \$3,400,000 where we have a default judgment against St. Andrews Telecommunications and are investigating the possibility of pursuing the management and shareholders to collect. We have filed in District Court in Montgomery County MD a suit to collect \$337,000 by Zenex Telecommunications; this debt has a signed promissory note and guarantee from the public company parent Zenex International.

In the beginning of 2003, our former President and Chief Executive Officer, Mr. Bruce Bertman, was convicted in the Southern District of Florida for wire, mail and securities fraud and conspiracy in connection with the sale of WorldTeq Group International common stock. There are no allegations of financial statement impropriety, unlike recent actions taken against companies such as WorldCom. We have no reason to believe our financial statements as filed with the SEC are in any way inaccurate or will in any way require restatement.

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

No matters were submitted during the fourth quarter of the fiscal year covered by this Report to a vote of security holders, through the solicitation of proxies or otherwise. The annual shareholder meeting has been postponed to a date in the near future.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On October 10, 1998 shares of our common stock, par value \$.001, were initially available to the public on the OTC Bulletin Board under the symbol "HALO". On May 24, 1999 the board of directors and shareholders approved a name change to A1 Internet.com Inc. and the symbol was changed to "AWON".

On January 4, 1999, the SEC approved amendments to Rules of the National Association of Securities Dealers that limit quotations on the OTC Bulletin Board to the stock of companies that are registered with the SEC under the Securities Exchange Act of 1934. The letter "E" is affixed to ticker symbols of those companies that have not completed the registration process with the SEC as of a certain date and indicates that the affected company will be removed from the OTC Bulletin board within 30 days. On November 19, 1999, an "E" was affixed to our OTC Bulletin Board trading symbol and our common stock began trading under the symbol "AWONE." Our common stock was removed from the OTC Bulletin Board on December 16, 1999, because we had not then completed the registration process, and began trading on the "Pink Sheets" of the National Quotation Bureau, LLC. The closing price of our common stock on the OTC Bulletin Board \$4.125 as of December 15, 1999.

In March 2000, we completed our registration under the Securities Exchange Act of 1934, as amended. On March 20, 2000, our common stock was once again listed on the OTC Bulletin Board and began trading under the symbol "AWON." In late 2000 an "E" was affixed to our OTC Bulletin Board trading symbol and our common stock began trading under the symbol "AWONE." The closing price of our common stock on the "Pink Sheets" of the National Quotation Bureau, LLC was \$.26 as of

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December 31, 2001. On March 22, 2002 our common stock was again listed on the OTC Bulletin Board and began trading under the symbol "WTEQ" to reflect our name change. The closing price of our common stock on the OTC was \$0.11 as of December 31, 2003.

The following table sets forth, on a per share basis, the high and low sale prices for our common stock as reported by the OTC Bulletin Board Market, for the periods indicated. Such prices reflect inter-dealer prices, without retail mark-up, mark-down or commission, and do not necessarily represent actual transactions.

	HIGH	LOW
	-----	-----
2002		
1st Quarter.....	0.110	0.300
2nd Quarter.....	0.170	0.430
3rd Quarter.....	0.040	0.330
4th Quarter.....	0.050	0.130
2003		
1st Quarter.....	0.090	0.040
2nd Quarter.....	0.090	0.020
3rd Quarter.....	0.110	0.010
4th Quarter.....	0.130	0.050

We have not declared any cash dividends on the common stock. We intend to retain future earnings, if any, for use in our business and do not anticipate paying regular cash dividends on the common stock.

Approximately 12,941,866 shares of common stock issued to stockholders are available for resale under Rule 144, subject to notice, volume and manner of sale restrictions under that rule. As of March 5, 2004, the Company had approximately 33,606,190 shares issued and outstanding of the common stock. As of March 5, 2004, we had approximately 79 holders of our common stock. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies. The transfer agent for the Company is Corporate Stock Transfer, Inc. at 3200 Cherry Creek Drive South, Suite 430, Denver, Colorado 80209.

RECENT SALE OF UNREGISTERED SECURITIES:

We made the following sales of unregistered common stock during the year ended December 31, 2003.

During September 2003 we issued 5,343,511 shares of our common stock to Bruce Bertman, the previous CEO of WorldTeq Group International, Inc., in exchange for forgiveness of debt in the amount of \$100,000. During October 2003 we issued 588,235 shares of our common stock to Howard Lieberman, father of the current CEO, Jeffrey Lieberman, in exchange for forgiveness of debt in the amount of \$50,000.

No underwriters were involved in the foregoing stock transactions. The securities issued in connection with each of the above financings were private transactions, in reliance on an exemption from registration under Section 4(2) and Rule 506 of Regulation D of the Securities Act, promulgated thereunder, because each offering was a non-public offering to accredited investors. The shares are subject to registration restrictions for a period of two

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years.OPTIONS AND WARRANTS:

In September 2003, in exchange for investment banking services, we issued stock purchase warrants to Aero Financial, Inc. to purchase 1,000,000 shares of common stock at a purchase price of \$0.10 per share. These shares later were registered under the Form S-8 filed in October 2003.

In October of 2003 we completed a Form S-8, which registered five million shares according to the 2003 Stock Option Plan. In October 2003, in exchange for investor relations services we issued stock purchase warrants to Jim Price and Tim Rieu to purchase 4,000,000 shares of common stock at a purchase price of \$0.05 per share under this plan. In October 2003, Jim Price and Tim Rieu each exercised 1,000,000 shares underlying the warrants. Additionally, in January 2004, they exercised the remaining 1,000,000 shares underlying their warrants.

In February 2004, we registered 3,350,000 shares under our 2004 Employee Stock Option Plan on a Form S-8. We granted our CEO, Jeffrey Lieberman an option to purchase 2,000,000 shares at an exercise price of \$0.13 per share. We also granted our VP of Sales, Brian Rosinski an option to purchase 350,000 shares at an exercise price of \$0.13 per share. For both options, 16.667% of the Shares subject to the Option shall vest six months after February 25, 2004, and 1/36 of the Shares subject to the Option shall vest each month thereafter, subject to the Optionee continuing to be a Service Provider on such dates.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the financial statements, related notes, and other detailed information included elsewhere in this Form 10-KSB. Certain information contained below and elsewhere in this Form 10-KSB, including information regarding our plans and strategy for our business, are forward-looking statements. See "Note Regarding Forward-Looking Statements."

RECENT DEVELOPMENTS

In February of 2003, the former CEO of the company resigned and was immediately replaced on February 6th by Jeffrey Lieberman, the former Vice President Operations. Additionally, on February 26, 2003 Mr. Lieberman assumed the duties of Chairman of the Board. In May of 2003, the Board of Directors and Management approved the sale of Networld Ohio, Inc. to our former president and CEO, Bruce Bertman. In September of 2003 the Board of Directors and new Management decided to modify our business plan to better focus on our core competencies, in addition to concentrating on reducing debt, reducing operational overhead, and reducing expenses by outsourcing key components of sales and operations. As part of our modified business plan, in September of 2003, Management pursued making the MonEcard available.

The revised plan called for a complete restructuring of the company that included 1) a change in our staff with more experience in our industry, 2) accelerated migration of direct customer sales staff to that of contracted agents and direct telemarketing organizations 3) discontinuation of unprofitable, low-margin business lines and 4) implementation of certain cost reduction procedures such as complete sales automation for its communication products. Implementation of this plan commenced in the third quarter of 2003 and 5) the previous sale of one of our subsidiaries, NetWorld Ohio, Inc and 6) launching of our financial services product, MonEcard.

2003 KEY ACCOMPLISHMENTS

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During 2003, WorldTeq has overcome many obstacles. WorldTeq survived and grew during a year where there were changes in leadership and attacks on our customer base from competitors of our staple long distance business. The company credits its survival and improved performance on the following accomplishments, which are all centered on four key ideas: Cost Reduction, New Products, Sales Automation, and an Expanded Sales Department.

- Signed three new agents for the telecom business
- Sold subsidiary of the company without significantly impacting revenues
- Reduced long term debt by \$600,000
- Reduced annual overhead expenses by \$300,000
- Reorganized management to concentrate on efficiencies and sales growth
- Launched MonEcard product and signed first contracts
- Increased exposure in the financial marketplace
- Enhanced end-user website to include digital signatures for online ordering
- Launched a new enhanced billing system

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL CONDITION

We have limited financial resources after our restructuring. We have eliminated non-productive assets and pared down our workforce to reduce overhead, we sold one of our subsidiaries which reduced our debt by nearly \$400,000. We have little long-term debt. Although our operating cash flow was negative in the fourth quarter of 2003; we believe it may be positive for 2004. We raised \$100,000 of capital through the exercise of warrants in 2003, which was used to greatly reduce both long and short-term debts during WorldTeq's restructuring phase. In 2002, we financed \$154,887 negative operating cash flow with \$150,524 in key shareholder loans and contributions to capital. As our base continues to grow each month, slowly we hope we can reduce our reliance on any single customer. In addition, our new billing system provides us with improved tracking ability for receivables and a reduced occurrence of billing errors.

RESULTS OF OPERATIONS

Total sales for the year ending 2003 decreased from 2002 by 80% to \$820,933. This was largely due to the reorganization of the company that included the discontinuation of unprofitable business segments, such as the wholesale telecommunications business and the sale of a subsidiary during the year, Networld. The company concentrated its efforts during the first three quarters of the year on automating back office processes to allow us to greatly reduce monthly expenses. Additionally, we spent most of the year developing new products that should be much more profitable. We created new plans and refocused our sales efforts from residential long distance to business long distance. We began the early stages of developing MundoTeq, a Spanish Internet web portal and the development of our own proprietary VOIP network. As a result of the change of focus, our telecommunications revenue accounted for 70% of our total revenue for 2003. Our net loss for the year ending 2003 was \$298,418 or \$0.01 per share, compared to \$536,797 for 2002, an improvement of 44% over the period ending December 31, 2002. Our total operating loss for the period ending December 31, 2003 was \$368,880

Cost of sales for 2003 decreased from 2002 by 79%. This is due to the sale of Networld and the removal of the unprofitable wholesale telecommunications business.

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Selling, General and Administrative expenses for the period ending December 31, 2003 decreased by \$1,199,217 or 65% compared to the same period ending 2002. The sale of Networld greatly reduced these expenses. Additionally, because of our reorganization efforts in WorldTeq Corporation and the automation of our back office we were able to greatly decrease our monthly expenses. We do anticipate a slight increase in 2004 due to the fact we are launching new products in 2004. While costs will be kept to a minimum because of our back office automation, we are expecting additional costs with our new MundoTeq and VoIP products. These new costs will be directly related to new revenues. Our bad debt expense for 2003 totaled \$24,920 compared to \$667,981 in 2002. This is due to the fact that while we had one large customer last year who defaulted, the improvements in our new billing system make sure non paying customers are no longer running long distance traffic through us.

Interest expense dropped by 73% to \$12,107 and depreciation expense dropped 22% and totaled \$37,091 for the period ending December 31, 2003.

In May of 2003 we successfully concluded the sale of our subsidiary NetWorld Ohio and we realized a one-time gain in 2003 plus a reduction in our overall debt total by approximately \$400,000.

To meet our growth expectations, we anticipate that we will need to add up to 6 to 8 additional employees in the areas of sales, marketing, and sales support over the next twelve months. However, we do not see a need to invest further in our back office infrastructure such as servers, office equipment, and software to sustain our growth projections for the next 2 years, based on the infrastructure need for current product offerings.

ITEM 7. FINANCIAL STATEMENTS

Information with respect to this item is contained in the Consolidated Financial Statements beginning on page F-1 of this Report. Such information is incorporated herein by reference.

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

None

PART III

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

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

The following table sets forth information regarding the executive officers and directors of the Company as of March 5, 2004.

Name	Age	Position	Since
Jeff Lieberman	36	President, Treasurer and Chairman of the Board of Directors	February 2003
Brian Rosinski	29	Secretary and Director	April 2003
Timothy Carnahan	36	Director, and Chairman	October 2003

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Of the Compensation
Committee

Mark Butler

28 Director, and member of February 2004
The compensation committee

JEFF LIEBERMAN - Mr. Lieberman serves as our President, Treasurer and Chairman of the Board of Directors. Mr. Lieberman has more than 10 years of experience in the high technology industry. He has been with the company since its inception as a private company through its acquisition by HALO Holdings in 1999 until today. He graduated from the University of Maryland in 1991 with a Bachelor of Science Degree in Personnel Management and Labor Relations. After completion of his degree he studied for and passed his Series 6, 63, and series 7 tests to become a fully licensed stockbroker and financial planner. After a short internship with a small firm he accepted a position in 1991 with Robinson & Lukens, a conservative brokerage house located in Washington D.C. There he worked very closely with many retired clients with a structured focus on income and money preservation investment strategies.

TIMOTHY CARNAHAN - Mr. Carnahan serves as Director and Chairman of the Compensation Committee. Mr. Carnahan is the President and Founder of CYIOS Corporation, a Washington DC based firm, founded in 1994. CYIOS is a defense contractor offering services and products that reduce the time frame for achieving mission-critical goals. With the Department of Defense being CYIOS's major customer, Mr. Carnahan has security clearance at the Pentagon. CYIOS built the Army Knowledge Online (AKO) to facilitate greater knowledge transfer amongst Army personnel. Mr. Carnahan attended Old Dominion University in Norfolk, VA from 1985 to 1989. He graduates with a Bachelors degree in Computer Science.

BRIAN ROSINSKI - Mr. Rosinski serves as our Vice President of Sales, Secretary and Director. Mr. Rosinski has more than 7 years of experience in the high technology and customer service industries. He has been with the company since 2001. Prior to his involvement with WorldTeq, Mr. Rosinski managed a customer service call center for Teligent, Inc. from September 1999 until March 2001.

MARC BUTLER - Mr. Butler Serves as Director and member of the Compensation Committee. Mr. Butler is an Electrical Engineer who has been in the field since 1999. He began his career in the United States military in August 1993. He served in active duty for 3 years in the 82nd Airborne until March of 1996 and continue on with his service in the Army National Guard for an additional 2 years. Mr. Butler currently serves as a reservist. During his time with the service he was rewarded with the Army National Achievement Medal. After serving Mr. Butler began an apprenticeship at Star Electric in January of 1999. While working there for 4 years he was enrolled in school where he received his Electrical Apprenticeship. As of January 2004 he works for Martin Technology where he is the General Contractor of several major construction projects.

KEY CONSULTANTS

The following lists the key consultants to WorldTeq as of March 5, 2004:

Name	Field
XCL Partners	Investment Banking Consultant
Chesapeake	Investor Relations Consultant

There are no other officers or significant employees.

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FAMILY RELATIONSHIPS.

No family relationships exist between the directors and the officers.

LEGAL PROCEEDINGS.

CURRENT DIRECTORS, EXECUTIVE OFFICERS AND THOSE NOMINATED TO BECOME A DIRECTOR OR OFFICER:

During the past five years, no current director, current executive officer, person nominated to become a director of the Company:

(1) was a general partner or executive officer of any business against which any bankruptcy petition was filed, either at the time of the bankruptcy or two years prior to that time; The officers and directors of the Company due to the Operating Subsidiary filing a voluntary petition under Chapter 11 of the Bankruptcy Code.

(2) was convicted in a criminal proceeding or named subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) was subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

(4) was found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

CONTROL PERSONS:

In the beginning of 2003, our former CEO and current control person, Bruce Bertman, was convicted in the Southern District of Florida for wire, mail and securities fraud and conspiracy in connection with the sale of WorldTeq Group International common stock. There are no allegations of financial statement impropriety, unlike recent actions taken against companies such as WorldCom. We have no reason to believe our financial statements as filed with the SEC are in any way inaccurate or will in any way require restatement.

OUTSTANDING ISSUES INVOLVING PRIOR DIRECTORS AND/OR BOARD MEMBERS:

On March 30, 1999, our wholly-owned subsidiary, Skydive USA, was sold to Larry Kerschenbaum and Thomas Keese, two of our founding shareholders, officers and directors. In consideration for Skydive USA, Messrs. Kerschenbaum and Keese returned to us a total of 400,000 shares of our outstanding common stock.

The company has a confessed judgment on file from Mr. Kerschenbaum in the amount of \$262,213.21 and has perfected its position in the state of Florida. The company feels there is little chance of collection and has written this amount off.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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Section 16(a) of the Securities Exchange Act of 1934 and the rules thereunder require WorldTeq's officers and directors, and persons who beneficially own more than ten percent of a registered class of WorldTeq's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and to furnish WorldTeq with copies.

Based on its reviews of the copies of the Section 16(a) forms received by it, or written representations from certain reporting persons, WorldTeq Group International, Inc. believes that, during the last fiscal year, the following individuals satisfied their Section 16(a) filing requirements however on an untimely basis: Jeff Lieberman and Brian Rosinski.

CODE OF ETHICS

On March 31, 2004, the Board of Directors of the Company adopted a written Code of Ethics designed to deter wrongdoing and promote honest and ethical conduct, full, fair and accurate disclosure, compliance with laws, prompt internal reporting and accountability to adherence to the Code of Ethics. This Code of Ethics has been filed with the Securities and Exchange Commission as an Exhibit to this Form 10-KSB.

ITEM 10. EXECUTIVE COMPENSATION

(a) GENERAL. No salary or regular compensation is paid to our directors. Pursuant to our By-laws, directors are eligible to be reimbursed for their actual out of pocket expenses incurred in attending Board of Directors meetings and other director functions, as well as fixed fees and other compensation to be determined by the Board of Directors. No such compensation or expense reimbursements have been requested by the directors or paid to date. Salary amounts paid and stock options granted to our executive officers are detailed in subsection (b) below.

(b) SUMMARY COMPENSATION TABLE. The following table sets forth certain summary information concerning the compensation paid to the Chief Executive Officer and certain executive officers for the fiscal years ended December 31, 2002 and 2003.

SUMMARY COMPENSATION TABLE

(a) Name and Principle Position	(b) Year	Annual Compensation			Long Term Compensation	
		(c) Salary (\$)	(d) Bonus (\$)	(e) Other Annual Compensation (\$)	(f) Awards Restricted Stock Award(s) (\$)	(g) Securities Underlying Options/SARs (#)
Jeff Lieberman, CEO, President, Treasurer and Chairman of the Board	2002	96,000	(5)			50,000
	2003	51,321				50,000

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Brian Rosinski, (1) Secretary and Director	2002	27,000				
	2003	30,113				
Tim Carnahan, (2) Director	2002	N/A				
	2003	0				
Donald Dea (3)	2002	0				100,000
	2003	0				
Lori Samuelson (4)	2002	48,000				50,000