VERTICALBUYER INC
Form 10KSB
July 26, 2004

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

FORM 10-KSB

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

For Fiscal Year Ended: December 31, 2003

OR

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

For the transition period from ________________ to ________________

Commission File Number 333-34144

VERTICALBUYER, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	98-0216911
(State of Incorporation)	(I.R.S. Employer Identification No.)

c/o Gottbetter & Partners, LLP 488 Madison Avenue, 12th Floor New York, New York	10022
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number (212) 400-6900

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

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

Check whether the registrant (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 [X]

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. [ ]

State registrant's revenues for its most recent fiscal year: $0.

As of July 23, 2004, there were 17,391,667 shares of the registrant's common stock, par value $0.001 issued and outstanding. Of these, 15,232,076 shares are held by affiliates of the registrant. The market value of securities held by non-affiliates is $10,160 based on the last price of $0.005 of the registrant's common stock on July 23, 2004.

Transitional Small Business Disclosure Format (check one):
Yes [ ]; No [X]

Documents Incorporated By Reference: See Exhibit List

TABLE OF CONTENTS

Item Number and Caption

2

FORWARD-LOOKING STATEMENTS

Except for historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our business strategy, future revenues and anticipated costs and expenses. Such forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section "Management's Discussion and Analysis or Plan of Operation." You should carefully review the risks described in other documents we file from time to time with the Securities and Exchange Commission. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this report. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

BACKGROUND

VerticalBuyer, ("the Company") a Delaware corporation, was incorporated on September 24, 1999, and on March 1, 2000 issued 14,250,000 shares of its common stock to the shareholders of Lightseek Limited in exchange for all of the outstanding common stock of Lightseek Limited. On February 15, 2001, Lightseek Limited acquired all of the outstanding common stock of Litech Limited. Lightseek was principally engaged in the development of Internet sites designed to exploit Business-to-Business e-commerce opportunities within the global commercial electrical and lighting markets. Litech was a specialist designer and manufacturer of fiber optic lighting applications for the entertainment, commercial and retail markets. In September 2001, the Company discontinued the operations of both of its operating companies Lightseek Limited and Litech Limited.

VerticalBuyer was seeking to specialize in the creation of Internet based news sites dedicated to specific industries. Lightseek was our first website developed for the commercial lighting industry. Subsequently, other lighting sites were also tested, including an auction site for the global market. Following a consolidation of these sites, we are evaluating how to re-launch Lightseek.

Our Business

Websites

Our business-to-business website operations had specialized in the creation of web-based news portals and marketplaces. We refer to this kind of website as a vertical portal--a website dedicated to a specific industry for use by companies in that particular industry to buy and sell products and services.

We may re-launch the first vertical portal we developed, which was for the commercial lighting industry. The news portal, www.lightseek.com, was an Internet database where buyers, such as electrical contractors, lighting designers, or architects were able to search for product information from suppliers of commercial lighting products. This website also provided instant access to a comprehensive database on a wide variety of pertinent topics, such as:

- News and analysis--this provided recent news of interest to the commercial lighting industry;
- Lighting design commercial case studies--this provided access to information on recent projects in creative lighting design; and

- Employment opportunities--this posted job opportunities in the commercial lighting industry.

Our auction website for the commercial lighting industry was www.lightingbuyer.com, which was an online marketplace for professional buyers and sellers of commercial lighting equipment. This website brought together businesses to buy and sell commercial lighting equipment in all major product categories, using flexible, online transaction capabilities.

Lightseek

The site www.lightseek.com provided business-to-business online services that facilitated the exchange of information within the global lighting industry. This site was initially focused on providing news, articles, industry forums, recruitment services and product information for the lighting industry. Its revenues had been derived from advertising fees.

This site consisted of a buyers' guide containing contact information for:

- most UK lighting companies,

- shop fronts where advertisers could display information about their product lines, contacts to their websites, and

- information where they could receive online inquiries from their prospective buyers.

The site also contained a message forum where industry professionals could exchange opinions and ask questions of their peers. It also contained an events diary of industry expositions and conferences. The site www.lightseek.com shifted its focus from the UK to international. The major change was featuring international news, in particular, news from the United States, on the site. The site was also accepting international buyers' guide listings. However, as of September, 2001 all operations had ceased.

LightingBuyer

We facilitated the buying and selling of surplus stock for the lighting industry through a website located at www.lightingbuyer.com. We may consider re-launching this site to provide customers with related services in inventory evaluation, inventory cataloging and the private sale or auction of surplus equipment. If the site is re-launched, listings on this website will originate largely from overstocked, never-used inventories held by companies based mainly in the United States.

In these circumstances transaction fees will constitute our principal source of revenue. Clients seeking to accelerate the sale of surplus inventories can arrange for on-line auctions through our websites. In a general auction, bidding is permitted on equipment and products of multiple sellers for a listed period of time, and sales are consummated for the items listed at the close of bidding.

Users will be able to browse the site and review auction listings. However, we will require buyers and sellers to register in order to participate in the auction process. Upon registration, buyers will be able to place bids on products immediately. We will check sellers' credentials, including credit history, in an approval process that can take up to 48 hours. Sellers will be able to list their products for sale on our site which will guides them through the protocols of listing items for auction sale, providing details such as product description, asking price and shipping details. Sellers will be able to enter additional information such as product images, reserve pricing, product dimensions and weight. A seller will be able to publish an auction listing when the seller is satisfied with the content of the listing. If re-launched, the website will provide comprehensive categories of lighting products, such as bulbs, fixtures, ballasts (the supports for fluorescent lighting fixtures), components and controls along with detailed subcategories.

Originally, the site permitted prospective buyers to bid only in a standard auction format in which the buyer with the highest bid wins the auction. In April and May, 2000, we offered an additional auction format known as a reverse auction which allows buyers to place requests for products on which suppliers are invited to bid. In a reverse auction, a buyer sets a maximum price it wishes to pay for an item. Sellers then bid in amounts below the maximum set by the buyer. The bargain is struck at lowest price accepted by the buyer. If the site is re-launched, we intend to make these options available to our clients of Lightingbuyer once again.

LightingNews

In October, 1999, we approached Philips Lighting Company, a division of Philips Electronics North America Corporation, with a concept to create a global newswire service for the commercial lighting industry. Philips agreed to sponsor an online news forum entitled "www.lightingnews.com" which was launched in the second quarter of 2000. It allowed lighting companies and suppliers to post their press releases on a continuous as needed basis, initially free of charge. Charges were to be made for adding product images, website links and other information. Client companies or their public relations firms were able to post material directly to the site. This site is no longer operational. As of September, 2001 all operations had ceased.

FinanceBuyer

The website www.financebuyer.com was an online market for instant small business financing. We had entered into an agreement with SierraCities, Inc., an online financial institution, which allowed visitors to this website to apply for loans and equipment leases online and to obtain action on the financing request within a few minutes. We received a commission on all financing placed through the site. This site is no longer operational. As of September, 2001 all operations had ceased.

Litech

Litech was founded in March 1998 and was a specialist designer and manufacturer of fiber optic lighting applications. It was formed to exploit what we believed to be the increasing interest, application and use of fiber optic lighting. As of September, 2001 all operations had ceased.

Fiber Optic Lighting Fundamentals

The underlying technology produces multiple streams of light from a single remote light source with the possibility to create numerous special effects.

A fiber optic lighting system consists of three components: an illuminator, the fiber-optic strands encased in tubing through which the light travels and the end fitting or luminaire. The fiber optic strands are manufactured from either glass or polymer plastic. We believe that glass fiber optics has superior performance over polymer except when side-emitting effects are required. Fiber optics is used for providing remote source lighting, a technique used for passing light from a light source through a medium to a distant location.

Fiber optic lighting is well suited for situations where conventional lighting is not feasible or desirable, such as when the generation of heat from the lighting source must be avoided. For example, for museums with display cases housing historical artifacts, fiber optic lighting is an excellent option, as, opposed to conventional lighting, fiber optic lighting does not generate heat within the display case.

Numerous additional advantages of fiber optic lighting exist, including:

- Fiber optic lighting is safer, produces increased energy savings, and is aesthetically more pleasing than conventional lighting sources; there are no UV/infrared rays so it is suitable for a range of applications from lighting art masterpieces to retail chiller cabinets;

- Fiber optic lighting has decorative advantages including various color change and special effects options such as cascading for water installations;

- Fiber optic lighting is cost effective to install and maintain;

- Fiber optic lighting systems can be installed almost anywhere;

- Many original light sources can be retrofit with fiber optics.

Litech Operations

We offered a complete turnkey service for our customers. We offered design concept through specification to installation and commissioning of the application. We sub-contracted the physical manufacture of the three elements using a variety of specialists. We kept a minimum of stock working on a "just in time" basis.

We were not reliant on any one manufacturer and the key element - the fiber optic -- is sold by a number of competing manufacturers. However, by September, 2001 all operations had ceased.

The UK Marketplace

The UK electrical commercial contracting business is highly fragmented and a different company from that of the specifier normally conducts the purchasing process. Accordingly, we worked in the early stages with an architect or lighting designer at the concept and specification stage. Once the specification and price has been agreed the order was commissioned by an electrical contractor, itself generally a sub-contractor of the main building contractor.

Litech

We positioned ourselves as a premier quality specialist. We did not design or install standard lighting and as such we were perceived as a "value added" solution provider.

We marketed ourselves aggressively to both the specifier and electrical contractor market and had at one point a database in excess of 4,000 live names. These companies were regularly contacted by the sales team via mailshots and literature. We also regularly advertised in the two major lighting trade magazines. We also had a web site www.litech.co.uk. However, by September, 2001 all operations had ceased.

Competition

Other companies do operate Internet websites that currently list lighting parts and equipment for sale and auction.

Competitive websites include the following:

- Tradeout.com is a general auction site spanning many industries in that it is not industry specific or buyer targeted.

- i2i.com is a new auction/exchange site. It has very few listings and is not targeting specific categories of the business audience.

- GE SupplyLight.com is the GE Lighting e-commerce site. It only stocks GE lamps from normal stock.

- Grainger.com sells a broad range of industrial products. Its site is essentially an online catalog.

Regulation

The lack of an appropriate organization to govern the administration of the Internet infrastructure and the legal uncertainties that may follow pose risks to the commercial Internet industry and our specific website business. In addition, the effective operation of the Internet and our business is also dependent on the continued mutual cooperation among several organizations that have widely divergent interests, including the government, Internet service providers and developers of system software and software language. These organizations may find that achieving a consensus may become difficult, impossible, time-consuming and costly.

Although we are not subject to direct regulation in the United States other than federal and state business regulations generally, changes in the regulatory environment could result in the Federal Communications Commission or other United States regulatory agencies directly regulating our business. Additionally, as Internet use becomes more widespread internationally, there is an increased likelihood of international regulation.

We cannot predict whether or to what extent any new regulation affecting e-commerce will occur. New regulation could increase our costs. For example, we do not collect sales or other similar taxes with respect to the equipment, inventory and other products sold through our on-line communities. One or more states may seek to impose sales tax collection obligations on out-of-state companies like ours that engage in or facilitate e-commerce. State and local governments have made proposals that would impose additional taxes on the sale of goods and services over the Internet. A successful assertion by one or more states or any foreign country that we should collect sales and other taxes on the exchange of equipment, inventory and other goods on our system could increase costs that we could have difficulty recovering from users of our websites.

While both the UK and European Union legislative framework is extensive, particularly in relation to safety and emergency lighting, there is no requirement for lighting designers or contractors to be licensed by government agencies. All relevant electrical components (lamps, chargers, transformers) must comply with legal standards and we purchases only from reputable manufacturers principally subsidiaries of multi-nationals. The British government agency the British Standards Institute also provides codes of practices and guidelines. Although glass fibre is inherently inert to fire, the sheathing material used to protect the tails may not be and system failure may result. We adhere to these guidelines and also were a founder member of the Fibre Optic Lighting Association, a division of The Institution of Lighting Engineers, the UK's professional lighting body which creates and polices its own guidelines.

Employees

As of December 31, 2003, we had no employees and no operations. Tim Rosen remains our President and Chairman, and Leslie Kent remains our Chief Financial Officer.

Our Litech business did operate from a sales office and a small production work shop in Kingston upon Thames in south west London, United Kingdom. Prior to September, 2001 it employed three full time sales people and one full time production manager.

ITEM 2. DESCRIPTION OF PROPERTY

We have no offices. Our marketing, research and development office was located in Kingston-Upon-Thames, England, and our executive offices were relocated to there from New York, New York in June 2001. Our Litech sales operations were located in the same premises and paid the rent for the approximately 850 square feet for approximately $12,500 per year. Following the termination of operations the Company records were kept at the home office of Leslie Kent our Chief Financial Officer.

ITEM 3. LEGAL PROCEEDINGS

On February 11, 2002 there was a judgment entered against VerticalBuyer for $42,000 with post-judgment interest at the rate of ten percent (10%) per annum from the judgment date until paid and 225,000 shares of common stock in VerticalBuyer, Inc., together with all costs of Court. The judgment was in the case Intratech Capital Partners, Ltd. v. VerticalBuyer, Inc., Cause No. CC-01-06374-B, in the County Court, Dallas County, Texas.

We have no notice of any other pending litigation.

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

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has been traded on the OTCBB under the symbol "VBYR" since November 2000. Our common stock did not trade on any market or exchange prior to November 2000.

As of July 23, 2004 the closing bid price of our common stock was $0.005.

Holders

As of December 31, 2003, there were approximately 122 record holders of our common stock.

Dividends

As of the date hereof, no cash dividends have been declared on our common stock. Subject to the prior rights of the holders of any series of the preferred stock which may from time to time be outstanding, if any, payment of dividends to holders of our common stock in the future is within the discretion of our board of directors and will depend on our earnings, capital requirements, financial condition and other relevant factors. We presently intend to retain future earnings, if any, for use in our business and have no present intention to pay cash dividends on our common stock.

Recent Sales of Securities

On March 1, 2000, VerticalBuyer issued 375,000 shares of its common stock to Joseph Donahue as payment for certain fund raising related consulting services. These services were valued at $37,500. Mr. Donahue was a director of the Company until August 2001.

On March 2, 2000, VerticalBuyer entered into a Securities Purchase and Facilities Agreement with CSP Inc., a U.S. publicly traded company ("CSPI"), under which CSPI purchased two million shares of VerticalBuyer's common stock and redeemable warrants to purchase up to an additional three million shares of such stock for an aggregate purchase price of $2,000,000. In connection with CSPI's acquisition of VerticalBuyer's common stock and redeemable warrants, the Company incurred a fund raising fee of $97,500. The three classes of warrants (Class A, Class B and Class C) entitle CSPI, subject to certain conditions and the occurrence of certain events, to purchase up to one million shares each of VerticalBuyer's common stock at an exercise price of $1 per share. The Company also issued 220,000 Class D warrants in March 2000 which were exercisable at $1 per share. These options expired in October 2002. On March 2, 2000, VerticalBuyer issued options to purchase up to 1,250,000 shares of its common stock at $1 per share under its 2000 Non-statutory Stock Option Plan. These options expired in March 2004.

In September 2000, in connection with a consulting agreement with KGL Investments the Company issued 50,000 shares of common stock to KGL Investments for services rendered. The Company valued these shares at their market value on the date of issuance of $1.00 per share. KGL Investments was owned by the partners of Kaplan Gottbetter & Levenson, LLP, which was the Company's legal counsel.

On January 12, 2001, in connection with a consulting agreement the Company issued 50,000 shares of common stock to Daniel Ross for services valued at $6,000.

In February, 2001 we issued 500,000 shares of common stock to Robert Gordon in connection with the Litech acquisition.

On February 8, 2001, VerticalBuyer issued 166,667 shares of common stock to Kaplan Gottbetter & Levenson, LLP in lieu of cash payment for legal services rendered. These services were valued at $15,197.

These securities were sold under the exemption from registration provided by Section 4(2) of the Securities Act. Neither we nor any person acting on our behalf offered or sold the securities by means of any form of general solicitation or general advertising. The purchaser represented in writing that he acquired the securities for his own account. A legend was placed on the stock certificate stating that the securities have not been registered under the Securities Act and cannot be sold or otherwise transferred without an effective registration or an exemption therefrom.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this document. In addition to the information contained herein the following discussion contains forward looking statements that involve certain risks and uncertainties which may cause our actual results in future periods to differ materially from forecasted results. See "Forward Looking Statements" on page 3.

OVERVIEW

VerticalBuyer, ("the Company") a Delaware corporation, was incorporated on September 24, 1999 and on March 1, 2000 issued 14,250,000 shares of its common stock to the shareholders of Lightseek Limited in exchange for all of the outstanding common stock of Lightseek Limited. On February 15, 2001, Lightseek Limited acquired all of the outstanding common stock of Litech Limited. Lightseek was principally engaged in the development of Internet sites designed to exploit Business-to-Business e-commerce opportunities within the global commercial electrical and lighting markets. Litech was a specialist designer and manufacturer of fiber optic lighting applications for the entertainment, commercial and retail markets.

In September 2001, the Company discontinued the operations of both Lightseek Limited and Litech Limited. The Company has negative working capital of $113,345 and an accumulated deficit of $2,139,407 at December 31, 2003, and has incurred significant operating losses. We have funded our liquidity and capital requirements in the past two years primarily through the sale of our common stock in 2000.

VerticalBuyer was seeking to specialize in the creation of Internet based news sites dedicated to specific industries. Lightseek was our first website developed for the commercial lighting industry. Subsequently, other lighting sites were also tested, including an auction site for the global market. However, all operations ceased by September, 2001.

We require additional funding for working capital in order to resume operations while we seek opportunities. Such financing is expected to be through the sale of common stock and or debt issuances. However, we do not have any commitment from any sources to raise this capital. If management is unable to generate external financing, we will not be able to proceed with our business plan, and accordingly operations would have to be curtailed. As of December 31, 2003, we had no cash, no assets, no revenue and no operations.

We are a development stage company and have a limited operating history on which to base an evaluation of our business and prospects. Our prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in new and rapidly evolving markets such as online commerce.

It is difficult for us to forecast our revenues or earnings accurately. We believe that future period-to-period comparisons of our operating results may not be meaningful and should not be relied upon as an indication of future performance as we have and will have no backlog of orders. Our operating results in one or more future quarters may fall below investor expectations. Assuming our common stock trades on a recognized market, in that event, the future trading price of our common stock would almost certainly decline.

RESULTS OF OPERATIONS

The Company has no operations, no revenues, no assets and no cash.

LIQUIDITY AND CAPITAL RESOURCES

FUTURE NEEDS. We do not have existing cash or cash equivalents sufficient to fund our operating activities,
capital expenditures and other obligations now or for the foreseeable future. We must raise additional capital
in sufficient amounts and on terms acceptable to us to resume our operations. We have no arrangements to obtain funding. If additional funds are raised through the issuance of equity securities, the percentage ownership of our then-current stockholders would be reduced.

ITEM 7. FINANCIAL STATEMENTS

The financial statements and supplementary data are included beginning immediately following the signature page to this report. See Item 13 for a list of the financial statements and financial statement schedules included.

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

None.

ITEM 8A. CONTROLS AND PROCEDURES

Our principal executive officer and principal financial officer evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on this evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's controls and procedures are effective in providing reasonable assurance that the information required to be disclosed in this report has been recorded, processed, summarized and reported as of the end of the period covered by this report.

During the period covered by this report, there have not been any significant changes in our internal controls or, to our knowledge, in other factors that could significantly affect our internal controls.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Timothy Neil David Rosen Flat 3, 12 West Eaton Place, London, SW1X8LS United Kingdom	48	President, Chief Executive Officer and Chairman
Leslie Kent Winton Lodge, Winton Hill Stockbridge, Hampshire SO20 6HJ United Kingdom	50	Secretary, Chief Financial Officer and a Director

Tim Rosen has been Commercial Director of Lightseek since its inception in May, 1999 and President, Chief Executive Officer and Chairman of VerticalBuyer since February, 2000. From 1988 to date, he has been a partner, with Leslie Kent, our Chief Financial Officer, in Rosen & Kent, a management consultancy. The partnership also incubates new business ventures. Since 1988, he has also been a director of Litech Ltd., a specialist fiber optic lighting provider for the commercial lighting industry. Litech was acquired by the Company in February, 2001 and ceased operations in September 2001. From 1983 to 1988, Mr. Rosen was a director of OmniMedia plc, a digital video and CD-ROM publisher/developer which traded on the Alternative Investment Market of the London Stock Exchange. From 1983 to 1988, Mr. Rosen was a director of Oxford House College, a London-based computer training and language school which was sold to its employees. He was also a director, from 1983 to 1988 of Catalyst Communications Group plc, a marketing and media group quoted on the London Stock Exchange which was sold to another public company, Holmes & Marchant plc. Rosen & Kent founded Homeshield Warranty, Co. in 1982 as a joint venture with Pentland Industries plc, an English public company. Homeshield marketed extended warranties for household appliances and was sold to a trade buyer in 1984. Mr. Rosen received his B.Sc (Econ.) Magna cum Laude in Business Administration from the Institute of Science and Technology, University of Wales.

Leslie John Kent has been Marketing Director of Lightseek since its inception in May, 1999 and Chief Financial Officer of our company since February, 2000. From 1988 to 1999, he was a partner, with Tim Rosen, our President and Chairman, in Rosen & Kent, a management consultancy. The partnership also incubates new business ventures. Since 1988, he has also been a director in Litech Ltd., a specialist fiber optic lighting provider for the commercial lighting industry. Litech was acquired by the Company in February, 2001 and ceased operations in September 2001. From 1983 to 1988, Mr. Kent was a director of OmniMedia plc, a digital video and CD-ROM publisher/developer which traded on the Alternative Investment Market of the London Stock Exchange. From 1983 to 1988, Mr. Kent was a director of Oxford House College, a London-based computer training and language school which was sold to its employees. He was also a director, from 1983 to 1988 of Catalyst Communications Group plc, a marketing and media group quoted on the London Stock Exchange which was sold to another public company, Holmes & Marchant plc. Rosen & Kent founded Homeshield

Warranty, Co. Ltd. in 1982 as a joint venture with Pentland Industries plc, an English public company. Homeshield marketed extended warranties for household appliances and was sold to a trade buyer in 1984. Mr. Kent received his Master of Arts in Philosophy, Politics and Economics from St. Edmund Hall, Oxford University.

Board Committees

None

Compensation Committee Interlocks and Insider Participation

None.

12

Director Compensation

Our directors do not receive cash compensation for their services as directors but are reimbursed for their reasonable expenses for attending board and board committee meetings.

ITEM 10. EXECUTIVE COMPENSATION

The following table shows compensation earned during the fiscal years ended December 31, 2003, 2002 and 2001 by our President and our executive officers who made $100,000 or more last year.

Summary Compensation Table

NAME & PRINCIPAL POSITION	YEAR	SALARY ($)
Timothy Rosen, President, CEO and Chairman	2003	0
	2002	0
	2001	55,000
Leslie Kent, CFO, Treasurer	2003	0
	2002	0
	2001	55,000

Option Grants in Last Fiscal Year

None

Options Exercised in Last Fiscal Year and Fiscal Year-End Option Values

None

Compensation Arrangements

None

Nonstatutory Stock Option Plan

In March 2000, our board adopted our Nonstatutory Stock Option Plan. A total of 2,000,000 shares of common stock are currently reserved for issuance under the plan. The plan provides for the grant of options to our officers, employees, consultants and advisors. As of July 13, 2004, all stock options granted have expired.

The plan permits the granting of nonstatutory options, which are not intended to qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code. The plan is administered by our board or a committee appointed by our board. Subject to the limitations set forth in the plan, our board or committee has the authority to:

- select the eligible persons to whom grants are to be made,
- designate the number of shares to be covered by each stock option grant,
- establish vesting schedules,
- specify the option exercise price and the type of consideration to be paid upon exercise, and
- subject to certain restrictions, specify other terms of options granted under the plan.

Under the plan, shares subject to stock options that have expired or otherwise terminated without having been exercised in full again become available for grant. Upon certain changes in control, all outstanding stock options under the plan must either be assumed or substituted by the surviving entity. In the event the surviving entity does not assume or substitute such stock options, such stock options will be terminated to the extent not exercised prior to such change in control.

Indemnification of Directors and Executive Officers and Limitation of Liability

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act. As permitted by the Delaware General Corporation Law, our amended certificate of incorporation includes a provision that eliminates the personal liability of our directors for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to our company or our stockholders, (2) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (3) under section 174 of the Delaware General Corporation Law (regarding unlawful dividends and stock purchases) or (4) for any transaction from which the director derived an improper personal benefit.

As permitted by the Delaware General Corporation Law, our Bylaws provide that we are required to indemnify our directors and officers, consultants and employees to the fullest extent permitted by the Delaware General Corporation Law. Subject to certain very limited exceptions, we are required to advance expenses, as incurred, in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to certain very limited exceptions. The rights conferred in our Bylaws are not exclusive. We have not obtained directors' and officers' liability insurance.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of December 31, 2003. The information in this table provides the ownership information for:

- each person known by us to be the beneficial owner of more than 5% of our common stock,
- each of our directors,
- each of our executive officers, and
- our executive officers, directors and director nominees as a group.

Beneficial ownership has been determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to the shares. Unless otherwise indicated, the persons named in the table below have sole voting and investment power with respect to the number of shares indicated as beneficially owned by them. Unless otherwise indicated, the address of each person named below is c/o VerticalBuyer, c/o Gottbetter & Partners, LLP, 488 Madison Avenue, 12th Floor, New York, New York 10022.

Name and Address of Owner	Amount of Beneficial Ownership	Percentage Owned*
Timothy Rosen (1)	7,225,000	42% (of actual outstanding share
Leslie Kent (1)	7,225,000	42% (of actual outstanding share
CSP, Inc.(2) 40 Linnell Circle Billerica, MA 01821-3901	4,282,078	25% (of actual outstanding share
All Executive Officers and Directors a group(2 persons)(3)	14,450,000	8

(1) Includes 250,000 shares of common stock issuable upon exercise of stock options at an exercise price of $1.00 per share. (However, as of July 23, 2004 all stock options granted have expired.)

(2) Includes 3,000,000 shares of common stock issuable upon exercise of warrants at an exercise price of $1.00 per share. (However, as of July 23, 2004 all stock options granted have expired.)

(3) Includes 750,000 shares of common stock issuable upon exercise of stock options at an exercise price of $1.00 per share. (However, as of July 23, 2004 all stock options granted have expired.)

We have not contacted stock brokerage firms holding shares of our common stock in "street name" to determine whether there are additional substantial holders of our common stock.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On March 1, 2000, VerticalBuyer issued 375,000 shares of its common stock to Joseph Donahue as payment for certain fund raising related consulting services. These services were valued at $37,500. Mr. Donahue was a director of the Company until August 2001.

Lightseek Acquisition

On March 2, 2000, we purchased all the capital stock of Lightseek from its owners, including Tim Rosen, our President and Chairman, and Leslie Kent, our Chief Financial Officer, for an aggregate of 14,250,000 shares. On that date, we also paid for consulting services, including structuring our acquisition of LightSeek, introduction to CSP and structuring the relationship with CSP, for 375,000 shares of our common stock, 150,000 Class D warrants and $140,000, of which Joseph Donahue, our former director, received the 375,000 shares of common stock and $70,000. Joseph Donahue was a director of the Company until August 2001, at which time he resigned.

Stock Options

We have awarded an aggregate of 1,000,000 nonqualified stock options exercisable at $1.00 pursuant to our Year 2000 Option Plan to our directors and

an aggregate of 350,000 options to members of our Technical Committee, an advisory committee to our Board, which is comprised of the members of CSP's board of directors, other than Alexander Lupinetti, our former director, and CSP's controller. Alexander Lupinetti was a director of the Company until July 2001, at which time he resigned.

CSP Inc. Investment

On March 2, 2000, we sold 2,000,000 shares of our common stock and common stock purchase warrants (Class A, Class B, Class C and Class D) carrying the right to purchase in the aggregate 3,075,000 of our shares to CSP. The options are exercisable at $1.00 and expire two years after the date of an effective registration statement relating to the underlying shares of our common stock. The Class A warrants are redeemable in the event there is an effective registration statement relating to the underlying shares of our common stock; the Class B warrants are redeemable if the closing price of our common stock on the market on which it trades exceeds $2.00 for a period of twenty consecutive days; and the Class C warrants are redeemable if the closing price of our common stock on the market on which it trades exceeds $3.00 for a period of twenty consecutive days. CSP has distributed as a dividend 717,620 of our shares ratable to the holders of its common stock. The Class D warrants are not redeemable, but are otherwise identical to the other classes of warrants.

In September 2000, in connection with a consulting agreement with KGL Investments the Company issued 50,000 shares of common stock to KGL Investments for services rendered. The Company valued these shares at their market value on the date of issuance of $1.00 per share. KGL Investments was owned by the partners of Kaplan Gottbetter & Levenson, LLP, which was the Company's legal counsel.

On January 12, 2001, in connection with a consulting agreement the Company issued 50,000 shares of common stock to Daniel Ross for services valued at $6,000.

On February 8, 2001, VerticalBuyer issued 166,667 shares of common stock to

Kaplan Gottbetter & Levenson, LLP, our legal counsel, in lieu of cash payment for legal services rendered. These services were valued at $15,197.

Litech Acquisition

On February 15, 2001, we completed the acquisition of all of the outstanding capital stock of Litech Limited, a UK company. Prior to the acquisition, Litech was owned equally by Robert Gordon, Timothy Rosen and Leslie Kent. Mr. Rosen is our President, Chief Executive Officer and Chairman of the Board and Mr. Kent is our Chief Financial Officer, Secretary and a Director. Under the terms of the share sale agreement, Mr. Gordon was issued 500,000 shares of our common stock. Mr. Rosen and Mr. Kent received 50p (1/2 pound, or 92 U.S. cents) each for their interest in Litech. In addition, Messrs. Gordon, Rosen and Kent will divide equally additional shares of our common stock issued to them under the deferred purchase consideration provisions under the share sale agreement. They shall receive shares of our common stock equal to six times the average of the total after tax profits of Litech for each of the three years ending December 31, 2001, 2002 and 2003 based upon a price of $1.00 per share of our common stock.

Under the share sale agreement, if we or Litech goes into a threatened liquidation, receivership or bankruptcy or similar events, any time before the deferred purchase consideration is paid, and Litech fails to achieve six times after tax profits of at least $1,000,000 in each of the three years ended December 31, 2001, 2002, and 2003, or prior to March 31, 2004, then Messrs. Gordon, Rosen and Kent have the option to repurchase their interest in Litech for the same consideration the actually received from us.

We believe that these transactions were on terms as favorable as could have been obtained from an unaffiliated third party. All future transactions we enter

16

into with our directors, executive officers and other affiliated persons will be on terms no less favorable to us than can be obtained from an unaffiliated party and will be approved by a majority of independent, disinterested members of our board of directors, and who had access, at our expense, to our or independent legal counsel.

We believe that the terms of the above transactions are commercially reasonable and no less favorable to us than we could have obtained from an unaffiliated third party on an arm's length basis. To the extent we may enter into any agreements with related parties in the future, the board of directors has determined that such agreements must be on similar terms.

ITEM 13. EXHIBITS, AND REPORTS ON FORM 8-K

Exhibits

The following exhibits are included as part of this report:

Exhibit Number	Title of Document
3.1	Certificate of Incorporation (1)
3.2	Amendment to the Certificate of Incorporation (1)
3.2	By-Laws (1)

4.1	Specimen Certificate of Common Stock (1)
4.2	Form of "A" Warrant (1)
4.3	Form of "B" Warrant (1)
4.4	Form of "C" Warrant (1)
4.5	Form of "D" Warrant (1)
10.1	Securities Purchase and Facilities Agreement (1)
10.2	Registration Rights Agreement (1)
10.3	Voting Agreement (1)
10.4	Share Sale Agreement by and between Tim Rosen, Leslie Kent, Robert Gordon, Lightseek Limited and VerticalBuyer, Inc. dated February 15, 2001 (2)
10.5	Deed of Indemnity dated February 15, 2001 (2)
10.6	Service Agreement by and between Litech Limited and Robert Gordon dated February 15, 2001 (2)
21.1	List of Subsidiaries (1)
31.1	Rule 13(a)-14(a)/15(d)-14(a) Certification of Principal Executive Officer*
31.2	Rule 13(a)-14(a)/15(d)-14(a) Certification of Principal Financial Officer*
32.1	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer *

----
* Filed herewith

(1) Incorporated by reference to Form SB-2, as amended, filed with the Securities and Exchange Commission (SEC File No. 333-34144); see filings on April 5, 2000, June 13, 2000, August 22, 2000 and September 15, 2000.

(2) Incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on March 1, 2001.

17

Reports on Form 8-K

None.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

(1) Audit Fees

The aggregate fees billed for professional services rendered by Sherb & Co., LLP for the audit of the Registrant's annual financial statements and review of the financial statements included in the Registrant's Forms 10-QSB or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for fiscal year 2003 were $8,667.

(2) Audit Related Fees

The aggregate fees billed for professional services rendered by Sherb & Co., LLP for audit related fees for fiscal year 2003 were $0.

(3) Tax Fees

The aggregate fees billed for professional services rendered by Sherb & Co., LLP for the preparation of the Registrant's tax returns, including tax planning for fiscal year 2003 were $0.

(4) All Other Fees

The aggregate fees billed for professional services rendered by Sherb & Co., LLP for all other services for fiscal year 2003 were $0.

(5) Audit Committee Policies and Procedures

The Registrant does not have an audit committee. The Board of Directors of the Registrant approved all of the services rendered to the Registrant by Sherb & Co., LLP for fiscal year 2003.

(6) Audit Work Attributed to Persons Other than Sherb & Co., LLP Full-time, Permanent Employees.

Not applicable.

18

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this December 31, 2003 10-KSB report to be signed on it behalf by the undersigned, thereunto duly authorized.

Dated: July 23, 2004

VERTICALBUYER, INC.

By: /s/ Timothy Rosen
Timothy Rosen
President, Chief Executive Officer
and Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this December 31, 2003 10-KSB report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on this 23rd day of July, 2004.

By: /s/ Timothy Rosen
Timothy Rosen
President, Chief Executive Officer
and Chairman of the Board

By: /s/ Leslie Kent
Leslie Kent
Chief Financial Officer and Director

19

VERTICALBUYER, INC.

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS:	Page Numbe

INDEPENDENT AUDITORS' REPORT

Board of Directors
VerticalBuyer, Inc.

We have audited the accompanying consolidated balance sheet of Verticalbuyer, Inc. as of December 31, 2003, and the related consolidated statements of operations, stockholders' deficit and cash flows for the years ended December 31, 2003 and 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects the financial position of Verticalbuyer, Inc. as of December 31, 2003, and the results of its operations, stockholders' equity (deficit) and its cash flows for the years ended December 31, 2003, and 2002, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has negative working capital of $113,345 and an accumulated deficit of $2,139,407 at December 31, 2003, and has incurred significant recurring operating losses which raise substantial doubt about its ability to continue as a going concern without the raising of additional debt and /or equity financing to fund operations. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Sherb & Co., LLP
Sherb & Co., LLP
Certified Public Accountants

New York, New York
May 28, 2004

F-1

VERTICALBUYER, INC.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2003

ASSETS

Current Assets:	
Cash	$ -
	$ -

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable and accrued expenses	$ 113,345
Total current liabilities	113,345
Stockholders' deficit:	
Common stock, $.001 par value; 50,000,000 authorized, 17,391,667 issued and outstanding	17,392
Additional paid-in capital	2,008,670
Accumulated deficit	(2,139,407)
Total stockholders' deficit	(113,345)
	$ -

See notes to consolidated financial statements

F-2

VERTICALBUYER, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2003	Year Ended December 31, 2002
Revenues	$ -	$ -
Cost of Sales	-	-
GROSS PROFIT	-	-
Expenses:		
Sales and marketing	-	-
Product development	-	-
Selling, general and administrative	-	-
Interest income, net	-	-
Total operating expenses	-	-
Loss from continuing operations	-	-
Loss from discontinued operations	-	-
NET LOSS	$ -	$ -
NET LOSS PER WEIGHTED AVERAGE SHARES OUTSTANDING - Basic and diluted		
Continued operations	$ -	$ -
Discontinued operations	$ -	$ -
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	17,033,334	17,033,334

See notes to consolidated financial statements

VERTICALBUYER, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

	Common stock Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	S
Balance, January 1, 2002	17,391,667	$17,392	$ 2,008,670	$ (2,139,407)	$ -	$
Net loss	-	-	-	-	-	
Balance, December 31, 2002	17,391,667	$17,392	$ 2,008,670	$ (2,139,407)	$ -	$
Net loss	-	-	-	-	-	
Balance, December 31, 2003	17,391,667	$17,392	$ 2,008,670	$ (2,139,407)	$ -	$

See notes to consolidated financial statements

F-4

VERTICALBUYER, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ -	$ -
Adjustments ro reconcile net loss to net cash flows used in operating activities:		
Loss from discontinued operations	-	-
Changes in assets and liabilities:		
Accounts payable and accrued liabilities	-	-
NET CASH USED BY OPERATING ACTIVITIES	-	-
Effect of exchange rate differences on cash and cash equivalents	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, beginning of year	-	-

CASH AND CASH EQUIVALENTS, end of year	$ -	$ -
	=====	=====

See notes to consolidated financial statements

F-5

VERTICALBUYER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 1 - ORGANIZATION, NATURE OF BUSINESS AND BASIS OF PRESENTATION

Vertical Buyer, ("the Company") a Delaware corporation, was incorporated on September 24, 1999 and on March 1, 2000 issued14,250,000 shares of its common stock to the shareholders of Lightseek Limited in exchange for all of the outstanding common stock of Lightseek Limited. On February 15, 2001, Lightseek Limited acquired all of the outstanding common stock of Litech Limited. The acquisition of Litech has been accounted for under the purchase method, and, accordingly, Litech's operations have been included in the Company's consolidated financial statements from its date of acquisition. Lightseek is principally engaged in the development of Internet sites designed to exploit Business-to-Business e-commerce opportunities within the global commercial electrical and lighting markets. Litech is a specialist designer and manufacturer of fiber optic lighting applications for the entertainment, commercial and retail markets. In September 2001 the Company discontinued the operations of both Lightseek Limited and Litech Limited

Basis of Presentation

The Company has negative working capital of $113,345 and an accumulated deficit of $2,139,407 at December 31, 2003, and has incurred significant recurring operating losses.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid short-term investments, with a remaining maturity of three months or less when purchased, to be cash equivalents.

Fair value of financial instruments

The carrying amounts reported in the balance sheet for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, loans and amounts due to related parties approximate their fair market value based on the short-term maturity of these instruments.

Principles of Consolidation

The consolidated financial statements of the Company include those of the Company and of each of its subsidiaries for the periods in which the subsidiaries were owned/held by the Company. All significant intercompany accounts and transactions have been eliminated in the preparation of the consolidated financial statements.

Stock Options

Statement of Financial Accounting Standards No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure, an Amendment of FASB Statement No. 123," amends the disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), to require more prominent disclosures in both annual and interim financial statements regarding the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

The Company accounts for stock-based compensation to employees and directors using the intrinsic value method of accounting as prescribed under Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and related Interpretations. Under the intrinsic value method, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized in the Company's Consolidated Statements of Operations

Earnings per share

Earnings per share has been determined based on the Company's net income divided by the weighted average number of common shares outstanding. Warrants and options to purchase 4,470,000 shares of common stock were outstanding at December 31, 2002, but were not included in the computation of diluted loss per share because the effect of their inclusion would be antidilutive.

Income taxes

Deferred income taxes are provided on a liability method whereby deferred tax assets are established for the difference between the financial reporting and income tax basis of assets. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

NOTE 2 - NEW ACCOUNTING PRONOUNCEMENTS

In August 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit, or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities. The adoption of SFAS 146 had no significant impact on the Company's financial statements. This statement is effective for exit or disposal activities initiated after December 31, 2002.
In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-An Amendment of FASB Statement No. 123." This Statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The the adoption of SFAS 148 had no significant impact on the Company's financial statements. This statement is effective for interim periods beginning after December 15, 2002 and for fiscal years ending after December 15, 2002.

In April 2003, the Financial Accounting Standards Board issued SFAS No. 149, "Amendment of FASB Statement No. 133 on Derivative Instruments and Hedging Activities." This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Company believes the adoption of SFAS 149 will have not significant impact on its financial statements. The statement is effective for contracts entered into or modified after June 30, 2003.

In May 2003, the Financial Accounting Standards Board issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and, otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. We are currently evaluating the impact that the adoption of SFAS No. 150 will have on our financial position and results of operations, however at June 30, 2003 the Company has approximately $805,300 in Redeemable Warrants that may be classified as a liability.

In December 2003 the FASB issued FASB Statement No. 132 (revised 2003), Employers' Disclosures about Pensions and Other Postretirement Benefits, that improves financial statement disclosures for defined benefit plans. The project was initiated by the FASB earlier this year in response to concerns raised by investors and other users of financial statements about the need for greater transparency of pension information. The change replaces existing FASB disclosure requirements for pensions. In an effort to provide the public with better and more complete information, the standard requires that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant information. These disclosures will provide investors with greater visibility into plan assets and a clearer picture of cash requirements for benefit payments and contributions to fund pension and other postretirement benefit plans. We do not have a pension fund and therefore do not expect to be impacted by Statement No. 132 or be required to make any additional disclosures.

NOTE 3 - INCOME TAXES

At December 31, 2003, the Company had net operating loss carryforwards available to offset future Federal and New York State taxable income of approximately $1,815,000. If not utilized, these carryforwards will expire at various dates through 2021.

Deferred assets are comprised of the following:

	December 31,	
	2002	2001
Net operating loss carryforwards	726,000	726,000

Valuation allowance	(726,000)	(726,000)
Net deferred tax assets	$ - 0 -	$ - 0 -