

Edgar Filing: EASYWEB INC - Form 10KSB

EASYWEB INC  
Form 10KSB  
April 14, 2004

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

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT  
OF 1934 For the fiscal year ended: DECEMBER 31, 2003  
-----

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE  
ACT OF 1934  
For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-32353

EASYWEB, INC.  
-----

(Name of small business issuer in its charter)

COLORADO  
-----

84-1475642  
-----

(State or Other Jurisdiction of  
Incorporation or Organization)

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

6025 S. Quebec Street, Suite 135, Englewood, Colorado  
-----

80111  
-----

(Address of Principal Executive Office)

(Zip Code)

Issuer's telephone number: (720) 493-0303

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

Common Stock, No Par Value  
-----

Title of Class

Indicate whether the registrant (1) has filed all reports required to be filed  
by Section 13 or 15(d) of the Securities 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 X No \_\_\_

Indicate if disclosure of delinquent filers pursuant to Item 405 of Regulation

## Edgar Filing: EASYWEB INC - Form 10KSB

S-B is not contained in this form, and will not 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. [ ]

The registrant had no revenue for the most recent fiscal year.

As of December 31, 2003: (a) 4,706,200 common shares, no par value, of the registrant were outstanding; (b) approximately 731,200 common shares were held by non-affiliates; and (c) the aggregate market value of the common shares held by non-affiliates was \$36,560 based on the price at which the common equity was most recently sold in March 2003.

Note: If determining whether a person is an affiliate will involve an unreasonable effort and expense, the issuer may calculate the aggregate market value of the common equity held by non-affiliates on the basis of reasonable assumptions, if the assumptions are stated.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 4,706,200 common shares issued and outstanding as of March 31, 2004.

Transitional Small Business Disclosure Format: Yes \_\_\_ No X

2

EASYWEB, INC.

INDEX TO ANNUAL REPORT  
ON FORM 10-KSB

	Page
	----
PART I	
Item 1. DESCRIPTION OF BUSINESS.....	4
Item 2. DESCRIPTION OF PROPERTY.....	12
Item 3. LEGAL PROCEEDINGS.....	12
Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.....	13
PART II	
Item 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES...	13
Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR	

Edgar Filing: EASYWEB INC - Form 10KSB

PLAN OF OPERATION .....	13
Item 7. FINANCIAL STATEMENTS.....	17
Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.....	17
Item 8A. CONTROLS AND PROCEDURES.....	17
PART III	
Item 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.....	17
Item 10. EXECUTIVE COMPENSATION.....	19
Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.....	21
Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.....	23
Item 13. EXHIBITS AND REPORTS ON FORM 8-K.....	24
Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.....	25
SIGNATURES .....	26

ADDITIONAL INFORMATION

Descriptions in this Report are qualified by reference to the contents of any contract, agreement or other documents and are not necessarily complete. Reference is made to each such contract, agreement or document filed as an exhibit to this Report, or previously filed by the Company pursuant to regulations of the Securities and Exchange Commission (the "Commission"). (See "Item 13. Exhibits and Reports of Form 8-K.")

Reference in this document to "us", "we", "our", "the Company", or "the Registrant" refer to EasyWeb, Inc.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained herein constitute "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward looking statements include, without limitation, statements regarding the Company's plan of business operations and related expenditures, potential contractual arrangements, anticipated revenues and related expenditures. Investors are cautioned not to put undue reliance on forward-looking statements. Except as otherwise required by applicable securities statutes or regulations, the Company disclaims any intent or obligation to update publicly these forward looking statements, whether as a result of new information, future events or otherwise.

PART I

## Edgar Filing: EASYWEB INC - Form 10KSB

### ITEM 1 DESCRIPTION OF BUSINESS

#### (a) General Development of Business -----

We were organized under the laws of the State of Colorado under the name of "NetEscapes, Inc.," on September 24, 1998. We changed our name to "EasyWeb, Inc." on February 2, 1999. Our executive offices are presently located at 6025 South Quebec Street, Suite 135, Englewood, Colorado 80111, and our telephone and facsimile numbers are (720) 493-0303 and (720) 529-6749, respectively.

We design, market, sell and maintain customized and template, turnkey sites on the worldwide web, or the Internet, hosted by third parties. We refer to the template web sites as "turnkey" because the customer receives, for the purchase price paid, a fully-operational site on the Internet from which to advertise its business, products and/or services. Each of these template sites includes the basic features such as identifying information, business logo, photographs, graphics and/or text provided by the customer. The template is a simple, "fill-in-the-blank" form that can be completed by the customer with handwritten information about the business. There is no additional cost for technical assistance or infrastructure. Common web site options may be added to the template site on an as-needed basis.

We have not been subject to any bankruptcy, receivership or similar proceeding.

We have not been subject to any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

#### (b) Narrative Description of the Business -----

##### General -----

Our business plan is prepared based upon the popularity of the Internet and the growing number of businesses interested in advertising and marketing online. From our inception through December 31, 2003, we have sold less than ten web sites and realized only minimal revenue of \$9,547 from the design,

4

sale and maintenance of Internet sites. Our operations were very limited during the year ended December 31, 2003. We did not perform any services or earn any revenue during 2003.

We are currently dependent upon an affiliate, Summit Financial Relations, Inc. ("Summit"), which has paid expenses on our behalf, in order to maintain our limited operations. There is no assurance that Summit will continue to pay our expenses in the future.

Our future success will be dependent upon our ability to locate and consummate a merger or acquisition with an operating company and, ultimately, to attain profitability. There is no assurance that we will be successful in consummating a merger or acquisition with an operating company or that we will attain profitability.

##### Research and Development

-----  
We are not engaged in any research and development activities.

Competition  
-----

The market for web site design and maintenance services is intensely competitive. Additional companies are expected to enter the competition in the future. We anticipate that we will be in competition with companies of all sizes located in the United States that offer Internet web site design, hosting and maintenance services to business customers. A number of these companies offer essentially the same products and services as EasyWeb and compete in the areas of price and service. We must make changes on a timely basis in the nature, price, quality and other aspects of our products and services in response to changes in the market. We expect to compete by marketing our products and services online and via radio, newspaper and indoor sign advertising. We intend, through the use of online marketing and independent contractors, to minimize our weaknesses, including, among others, our undercapitalization, cash shortage, limitations with respect to personnel, technological, financial and other resources and lack of a customer base and market recognition, and to eliminate the need for a sizeable retail facility and marketing staff. Many of the companies and other organizations with which we will be in competition are established and have far greater financial resources, substantially greater experience and larger staffs than EasyWeb. Additionally, many of these organizations have proven operating histories, which we lack. We expect to face strong competition from both well-established companies and small independent companies like us. In addition, in the future, AT&T, Qwest Communications and other "Baby Bell" and other telecommunications companies may offer customers assistance in establishing web sites at costs lower than those available from us. Additionally, our business may be subject to decline because of generally increasing costs and expenses of doing business, thus further increasing anticipated competition. Further, it is anticipated that there may be significant technological advances in the future and we may not have adequate creative management and resources to enable us to take advantage of these advances. The effects of any of these technological advances on EasyWeb, therefore, cannot be presently determined.

Employees and Consultants  
-----

As of the date hereof, we employ two individuals, including Mr. David C. Olson and Ms. Barbara Petrinsky, the President/Treasurer and the Secretary, respectively, of EasyWeb, on a part-time basis. No cash compensation has been awarded to, earned by or paid to either of the foregoing or Mr. Thomas M. Vickers, a director of EasyWeb together with Mr. Olson, for all services rendered in all capacities through December 31, 2003. Mr. Vickers received 200,000 shares of our common stock in consideration for agreeing to serve as a director of EasyWeb. We do not anticipate that he will be awarded any cash compensation for the foreseeable future. For the foreseeable future, Mr. David C. Olson and Ms. Barbara Petrinsky will receive no compensation in any form for their services performed in the capacities as our executive officers and/or directors. Mr. Olson and Ms. Petrinsky devote approximately 25 percent of their

time and effort to the business and affairs of EasyWeb and Mr. Vickers devotes only such time as is necessary for him to perform his responsibilities as a director of EasyWeb.

Edgar Filing: EASYWEB INC - Form 10KSB

(c) Organization  
-----

We are comprised of one corporation with no subsidiaries or parent entities.

(d) Operations  
-----

Our operations were very limited during the year ended December 31, 2003. We did not perform any services or earn any revenue during 2003.

(e) Proprietary Information  
-----

We have no proprietary information.

(f) Government Regulation  
-----

We are not subject to any material governmental regulation or approvals.

(g) Environmental Compliance  
-----

At the present time, we are not subject to any material costs for compliance with any environmental laws.

ITEM 2...DESCRIPTION OF PROPERTY

We maintain our offices at the business offices located at 6025 South Quebec Street, Suite #135, Englewood, Colorado 80111, of Summit, an affiliated corporation of which Mr. David C. Olson, the President, the Treasurer, a director and a controlling shareholder of EasyWeb, is the President, a director and the sole shareholder. Summit leases its offices from an unaffiliated company and shares the offices with that company and a number of other affiliated companies.

Summit has contributed the use of office space and administrative support (including reception, secretarial and bookkeeping services) to us for the years ended December 31, 2003 and 2002.

The office space and administrative support contributed by Summit has a fair market value of approximately \$500 and \$1,000 per month, respectively. We have recognized expenses for rent and administrative support based on fair market value. Any period in which the amount paid to Summit for office space and administrative support was below the fair market value, the remaining balance was considered contributed by Summit and recorded as a credit to additional paid-in capital in our financial statements. During the years ended December 31, 2003 and 2002, we paid Summit \$-0- and \$1,000 for office space, respectively, and we paid Summit \$510 and \$960 for administrative support, respectively. Accordingly, Summit contributed the remaining fair values for the use of the office space and administrative support. Contributed office space totaled \$6,000 and \$5,000, and contributed administrative support totaled \$11,490 and \$11,040 for the years ended December 31, 2003 and 2002, respectively.

The office space we currently occupy is expected to be adequate to meet our foreseeable future needs. We own no real property.

ITEM 3 LEGAL PROCEEDINGS

No legal proceedings of a material nature to which we are a party were pending during the reporting period, and we know of no legal proceedings of a material nature, pending or threatened, or judgments entered against any of our directors or officers in their capacity as such.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We did not submit any matter to a vote of security holders through solicitation of proxies or otherwise during the fourth quarter of the year covered by this report.

PART II

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

(a) Principal Market or Markets  
-----

Our common stock does not trade on any market or exchange.

(b) Approximate Number of Holders of Common Stock  
-----

The number of holders of record of our Common Stock at December 31, 2003, was approximately 59.

(c) Common stock sales  
-----

During March 2003, we sold 200,000 shares of our common stock to an unrelated third party for \$10,000, or \$.05 per share.

(d) Dividends  
-----

Holders of our common stock are entitled to receive such dividends as may be declared by our Board of Directors. No dividends on the common stock were paid during the periods reported herein nor do we anticipate paying dividends in the foreseeable future.

(e) The Securities Enforcement and Penny Stock Reform Act of 1990  
-----

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure and documentation related to the market for penny stock and for trades in any stock defined as a penny stock. Unless we can acquire substantial assets and trade at over \$5.00 per share on the bid, it is more likely than not that our securities, for some period of time, would be defined under the Act as a "penny stock." As a result, those who trade in our securities may be required to provide additional information about their fitness to trade our shares. Also, there is the requirement of a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. Further, a broker-dealer must provide the customer with current bid and

## Edgar Filing: EASYWEB INC - Form 10KSB

offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. These requirements present a substantial burden on any person or brokerage firm who plans to trade out securities and would thereby make it unlikely that any liquid trading market would ever result in our securities while provisions of this Act might be applicable to those securities.

7

### (f) Blue Sky Compliance

-----

The trading of penny stock companies may be restricted by the securities laws ("Blue Sky" laws) of the several states. Management is aware that a number of states currently prohibit the unrestricted trading of penny stock companies absent the availability of exemptions, which are in the discretion of the states' securities administrators. The effect of these states' laws would be to limit the trading market, if any, for our shares and to make resale of shares acquired by investors more difficult.

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

### Forward-Looking statements

-----

The following discussion contains forward-looking statements regarding our Company, its business, prospects and results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that may affect such forward-looking statements include, without limitation; our ability to successfully develop new products for new markets; the impact of competition on our revenues; changes in law or regulatory requirements that adversely affect or preclude clients from using our products for certain applications; delays our introduction of new products or services; and our failure to keep pace with emerging technologies.

When used in this discussion, words such as "believes", "anticipates", "expects", "intends" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Our Company undertakes no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in this report and other reports filed with the Securities and Exchange Commission that attempts to advise interested parties of the risks and factors that may affect our business.

### General

-----

EasyWeb's business plan is to design, market, sell and maintain customized and template, turnkey sites on the Internet, hosted by third parties. Our business plan is prepared based upon the popularity of the Internet and the



## Edgar Filing: EASYWEB INC - Form 10KSB

growing number of businesses interested in advertising and marketing online. We have generated only \$9,547 in revenue and have a retained deficit of \$(246,317) through December 31, 2003. We did not perform any services or earn any revenue during 2003.

### Plan of Operation

-----

Our future success will be dependent upon (1) our ability to locate and consummate a merger or acquisition with an operating company, (2) to finance Internet opportunities if the Company is allowed to trade publicly and raise capital and, ultimately, (3) to attain profitability. There is no assurance that we will be successful in consummating a merger or acquisition with an operating company, financing Internet investments, or attaining profitability. As of the date of this filing, we have had no discussions and no agreements have been reached with any third parties regarding such a business combination.

We are experiencing capital shortages and are currently dependent upon an affiliate, Summit Financial Relations, Inc. ("Summit"), which has paid expenses on our behalf, in order to maintain our limited operations. There is no assurance that Summit will continue to pay our expenses in the future. As of December 31, 2003, we owed Summit \$18,111 for expenses paid on our behalf.

8

As a result of our inability to generate significant revenue to date together with sizeable continuing operating expenses, access to capital may be unavailable in the future except from affiliated persons. If we are able to obtain access to outside capital in the future, it is expected to be necessarily costly because of high rates of interest and fees. Through December 31, 2003, in addition to the expenses paid by Summit, we have been funded through the sale of our common stock for gross proceeds in the amount of \$130,050 including proceeds of \$10,000 through the sale of 200,000 shares of our common stock (\$.05 per share) during March 2003.

While our independent auditor has presented our financial statements on the basis that we are a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time, they have noted that our significant operating losses and net capital deficit raise a substantial doubt about our ability to continue as a going concern.

### Inflation

-----

We believe that inflation has not had a material impact on our business.

### Seasonality

-----

We do not believe that our business is seasonal.

## ITEM 7. FINANCIAL STATEMENTS

The report of the independent auditors on the financial statements appears at Page F-2 and the financial statements and accompanying footnotes appear at Pages F-3 through F-11 hereof. These financial statements and related financial

## Edgar Filing: EASYWEB INC - Form 10KSB

information required to be filed hereunder commence on Page F-1 of this Form and are incorporated herein by this reference.

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

There have been no disagreements between the Company and its independent accountants on any matter of accounting principles or financial statement disclosure.

#### ITEM 8A. CONTROLS AND PROCEDURES

- (a) Evaluation of disclosure controls and procedures. Our Chief Executive Officer and Principal Accounting Officer has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this annual report (the "Evaluation Date"). Based upon such evaluation, the officer has concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective in alerting him on a timely basis to material information relating to our Company (including our consolidated subsidiary) required to be included in our reports filed or submitted under the Exchange Act.
- (b) Changes in internal controls over Financial Reporting. During the most recent fiscal year, there have not been any significant changes in our internal controls over financial reporting or in other factors that could have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

9

## PART III

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

#### (a) Directors and Executive Officers

The names and ages of our directors and executive officers are as follows:

Name	Age	Position
----	---	-----
David C. Olson*	43	President, Treasurer and Director
Thomas M. Vickers	65	Directo
Barbara Petrinsky	61	Secretary

\* May be deemed a "promoter" and "parent" of our Company, as those terms are defined under the General Rules and Regulations promulgated under the Securities Act of 1933, as amended.

Directors hold office until our next annual shareholder meeting and until

## Edgar Filing: EASYWEB INC - Form 10KSB

their respective successors have been elected and qualify. Officers serve at the pleasure of the Board of Directors. Mr. Olson and Ms. Petrinsky devote up to 25 percent of their time and effort to our business affairs and Mr. Vickers devotes only such time as is necessary for him to perform his responsibilities as a director of our Company.

We currently have no committees, which is why we do not have an Audit Committee Financial Expert.

No family relationship exists between or among our executive officers and directors.

### (b) Business Experience

David C. Olson has served as the President, the Treasurer and a director of EasyWeb since March 11, 1999. Since May 1997, Mr. Olson has been President of Summit Financial Relations, Inc., a business consulting and investor relations firm located in Englewood, Colorado. From January 1993 until May 1997, Mr. Olson held various positions including national sales manager at Cohig and Associates, Inc. (now part of EastBrokers International, Inc.), a securities broker-dealer firm in Englewood, Colorado with 265 brokers and offices in 23 states which specialize in small cap and growth stocks. Mr. Olson has not been associated with any brokerage firm since May 1997.

Thomas M. Vickers has served as a director of EasyWeb since December 7, 2001. Since 1984, Mr. Vickers has been the owner and president of Thomas Vickers Investments located in Englewood, Colorado. His company is primarily active in real estate and private investments. Mr. Vickers is presently semi-retired but stays active in the area of private investments and venture capital opportunities. Prior to moving to Denver, Colorado from Wichita, Kansas in 1984, Mr. Vickers was employed in the investment business with New York Stock Exchange firm A.G. Edwards and Sons (1961-1973) where he was a vice president and later, Dean Witter Reymolds (1973-1983) where he was a vice president and district manager. Mr. Vickers attended Wichita State University from 1956 to 1960, at which time he was recruited into the first "on Wall Street Training Program" in its history by Bache and Company. In addition to his other activities, Mr. Vickers has served on the boards of directors of several companies through out his business career.

10

Barbara Petrinsky has served as our Secretary since July 26, 1999. She has been employed by Summit Financial Relations, an affiliated company, as operations manager since November 1998. In this position, her responsibilities include bookkeeping, payroll, investor/client relations, preparation of press releases, telephone answering, filing and general office management. From April 1990 to July 1998, Mrs. Petrinsky was employed by Montessori Mid-America and from September 1996 to July 1998, she served as the Director of the Montessori School at the Denver Technological Center.

### SECTION 16(A) BENEFICIAL REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in

## Edgar Filing: EASYWEB INC - Form 10KSB

ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than 10% shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on its review of the copies of such reports furnished to the Company and written representations that no other reports were required during the year ended December 31, 2003, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with.

### CODE OF ETHICS

The Company has always encouraged its employees, including officers and directors to conduct business in an honest and ethical manner. Additionally, it has always been the Company's policy to comply with all applicable laws and provide accurate and timely disclosure. Despite the foregoing, we currently do not have a formal written code of ethics for either our directors or employees.

### ITEM 10. EXECUTIVE COMPENSATION

No cash compensation has been awarded to, earned by or paid to Messrs. David C. Olson and Thomas M. Vickers, President/Treasurer/director and a director of EasyWeb, respectively, and Ms. Barbara Petrinsky, our Secretary, for all services rendered in all capacities to EasyWeb since our inception on September 24, 1998. It is anticipated that, for the foreseeable future, Mr. Olson and Ms. Petrinsky, will receive no compensation in any form for services to EasyWeb in their capacities of executive officer and/or director. During 2001, we awarded Mr. Vickers 200,000 shares of our common stock in consideration for his agreement to serve as a director of EasyWeb. We do not anticipate awarding him any cash compensation for his services in the foreseeable future.

See Part I, Item 2. "Description of Property," for a description of the administrative support transactions between EasyWeb and Summit Financial Relations, Inc., an affiliated company of which Mr. Olson is the President, a director and the sole shareholder. We paid Summit \$510 and \$1,960 during the years ended December 31, 2003 and 2002, respectively, for use of office space and administrative support services at Summit's offices. As the sole shareholder of Summit, Mr. Olson benefited indirectly from these payments.

Under Colorado law and pursuant to our Articles of Incorporation, the officers and directors of EasyWeb may be indemnified for various expenses and damages resulting from their acting in such capacity. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our officers or directors pursuant to those provisions, EasyWeb has been informed by our counsel that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable.

### Incentive Stock Option Plan

-----

Effective as of March 11, 1999, Mr. David C. Olson, our then sole director and shareholder, approved the Incentive Stock Option Plan (the "Plan") reserving an aggregate of 175,000 shares of common stock for issuance upon the exercise of

## Edgar Filing: EASYWEB INC - Form 10KSB

stock options granted to our employees, consultants and non-employee members of the Board of Directors under the Plan. The purpose of the Plan is to promote the growth and general prosperity of EasyWeb by permitting us to grant options exercisable to purchase shares of common stock to our employees, consultants and non-employee members of the Board of Directors.

Pursuant to the Plan, we may grant incentive stock options within the meaning of Section 422A of the Internal Revenue Code of 1986, as amended, to employees as well as non-qualified stock options to employees, officers, directors and consultants. The Plan provides for administration by our Board of Directors or by a committee that comprises disinterested members of the Board of Directors. The Board or the committee selects the optionees, authorizes the grant of options and determines the number of underlying shares of common stock, the exercise price, the term (not to exceed ten years) and any other terms and conditions of the options. The Board of Directors administers the plan.

The exercise price of each stock option under the Plan must be at least 100 percent of the fair market value of the shares of common stock on the date of grant as determined by the Board of Directors. Each incentive stock option may be exercisable for a period, as determined by the Board of Directors, but not in excess of ten years from the date of grant. The exercise price of all incentive stock options granted under the Plan to shareholders possessing more than 10 percent of the total combined voting power of all classes of our stock must be less than 110 percent of the fair market value of the shares of common stock on the date of grant and those options may be exercisable for a period not in excess of five years from the date of grant. All options granted under the Plan are non-transferable and may be exercised only by the optionee or the optionee's estate.

There is no limit on the number of shares with respect to which options may be granted under the Plan to any participating employee. However, the aggregate fair market value of shares of common stock (determined on the date the option is granted) with respect to which incentive stock options become exercisable for the first time by an individual option holder during any calendar year (under all such plans maintained by EasyWeb) may not exceed \$100,000.

Options granted under the Plan may be exercised within twelve months after the date of an optionee's termination of employment by reason of his death or disability, or within three months after the date of termination by reason of retirement or voluntary termination approved by the Board of Directors, but only to the extent the option was otherwise exercisable on the date of termination. In the event an optionee's employment is terminated for any reason other than death, disability, retirement or voluntary termination approved by the Board of Directors, the optionee's option terminates thirty days after the date of such termination.

The Plan will terminate on February 24, 2009. The Plan may be amended by the Board of Directors without shareholder approval, except that no amendment that increases the maximum aggregate number of shares that may be issued under the Plan or changes the class of employees who are eligible to participate in the Plan, can be made without the approval of our shareholders. As of December 31, 2002, 100,000 options were outstanding and exercisable. These options were granted to Terry Romero, a consultant, on December 20, 2001. Options granted under the Plan, and shares of common stock issued upon the exercise of any those options, will not be registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933. These securities will be offered pursuant to the exemption from registration provided by Regulation D promulgated under Sections 3(b) and 4(2) of, or other available exemption under, the Securities Act of 1933. Accordingly, resales of the securities will be subject to the registration requirements of Section 5 of, and Rule 144 of the General Rules and Regulations promulgated under, the Securities Act of 1933.

The Plan provides that the number of shares of common stock underlying each option and the exercise price of the option shall be proportionately adjusted in the event of a stock split, reverse stock split, stock dividend or similar capital adjustment that is effected without receipt of additional consideration by EasyWeb.

Compensation of Directors  
-----

Directors of EasyWeb receive no compensation pursuant to any standard arrangement for their services as directors. However, directors who are not officers may be paid an annual fee or a fee per meeting of the Board of Directors in an amount to be determined in the future by the Board of Directors. Thomas M. Vickers was awarded 200,000 shares of our common stock on December 7, 2001, in consideration for his agreement to serve as a director of EasyWeb.

Employment Agreements  
-----

Currently, no employment agreements exist with any officer or employee.

Long-Term Incentive Plans  
-----

None.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT  
AND RELATED STOCKHOLDER MATTERS

Beneficial Owners  
-----

The following table sets forth information regarding beneficial ownership as of the December 31, 2003 of our common stock by any person who is known by us to be the beneficial owner of more than five (5%) percent of our voting securities, by each Director of the Registrant, and by officers and Directors of the Registrant as a group. Under the General Rules and Regulations of the Commission, a person is deemed to be the beneficial owner of a security if the person has or shares the power to vote or direct the voting, or dispose or direct the disposition, of the security. As of December 31, 2003, there were 4,706,200 common shares issued and outstanding.

All ownership is beneficial and on record and all beneficial owners listed below have sole voting and investment power with respect to the shares shown, unless otherwise indicated.

Edgar Filing: EASYWEB INC - Form 10KSB

Beneficial Owner -----	Beneficially Owned (1) -----	Percentage of Class (1) -----
David C. Olson (2) (3) 6025 South Quebec Street, Suite 150 Englewood, Colorado 80111	1,783,333	37.9%
Thomas M. Vickers (3) 6025 South Quebec Street, Suite 150 Englewood, Colorado 80111	410,000	8.7%
Robert J. Zappa 2740 Kendrick Street Golden, Colorado 80401	964,000	20.5%
Birge & Minckley, P.C. (4) 1700 Broadway, Suite 1501 Denver, Colorado 80290	800,000	17.0%
Barbara Petrinsky (2) 6025 South Quebec Street, Suite 150 Englewood, Colorado 80111	17,667	0.4%

The following table provides information related to equity compensation plans as of December 31, 2003:

14

Plan Category -----	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights -----	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights -----	Number of Securities Remaining Available for Future Issuance Under Equity Compensation -----
Equity compensation plans approved by security holders	100,000	\$ 0.25	75,000
Equity compensation plans not approved by security holders	-0-	N/A	-0-

Changes in Control  
-----

The Company knows of no arrangement, including the pledge by anyone of any securities of the Company that may result in a change in control.

## Edgar Filing: EASYWEB INC - Form 10KSB

### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Because of their management positions, organizational efforts and/or percentage share ownership in EasyWeb, Messrs. Olson and Zappa may be deemed to be "parents" and "promoters" of the Company, as those terms are defined in the Securities Act of 1933 and the applicable Rules and Regulations under the Securities Act of 1933. Because of the above-described relationships, transactions between and among EasyWeb and Messrs. Olson and Zappa, such as the sale of our common stock to each of them as described above, should not be considered to have occurred at arm's-length.

#### Common Stock Transactions

-----

During January 2002, we sold 33,333 and 16,667 shares of our common stock to Mr. Olson and Ms. Petrinsky, respectively, at \$.03 per share (gross proceeds totaling \$1,500). Both Mr. Olson and Ms. Petrinsky are officers of EasyWeb. In addition to the 50,000 shares sold to Mr. Olson and Ms. Petrinsky, we sold 500,000 shares of our common stock to unrelated third parties for gross proceeds totaling \$15,000, or \$.03 per share.

#### Office Space and Administrative Support

-----

Summit has contributed the use of office space and administrative support (including reception, secretarial and bookkeeping services) to us for the years ended December 31, 2003 and 2002.

The office space and administrative support contributed by Summit has a fair market value of approximately \$500 and \$1,000 per month, respectively. We have recognized expenses for rent and administrative support based on fair market value. Any period in which the amount paid to Summit for office space and administrative support was below the fair market value, the remaining balance was considered contributed by Summit and recorded as a credit to additional paid-in capital in our financial statements. During the years ended December 31, 2003 and 2002, we paid Summit \$-0- and \$1,000 for office space, respectively, and we paid Summit \$510 and \$960 for administrative support, respectively. Accordingly, Summit contributed the remaining fair values for the use of the office space and administrative support. Contributed office space totaled \$6,000 and \$5,000, and contributed administrative support totaled \$11,490 and \$11,040 for the years ended December 31, 2003 and 2002, respectively.

15

#### Liabilities

-----

At December 31, 2003, we owed Summit \$18,111 for professional fees and other administrative expenses paid on our behalf.

In April 2002, Mr. Olson loaned us \$650 for working capital. The loan carried no interest rate and was due on demand. The loan was repaid during the year ended December 31, 2003.

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



## Edgar Filing: EASYWEB INC - Form 10KSB

(a) Exhibits:

EasyWeb, Inc. includes herewith the following exhibits:

- 31.1 Certification of Chief Executive Officer and Principal Accounting Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

None.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

#### 1. Audit and audit-Related Fees

During the year ended December 31, 2003, the Company's principal accountant billed \$6,350 in fees that were directly associated with the preparation of annual audit reports and quarterly review reports.

During the year ended December 31, 2002, the Company's principal accountant billed \$6,318 in fees that were directly associated with the preparation of annual audit reports and quarterly review reports.

#### 2. Tax Fees

During the year ended December 31, 2003, the Company's principal accountant billed \$-0- in fees that were directly associated with the preparation of tax filings.

During the year ended December 31, 2002, the Company's principal accountant billed \$-0- in fees that were directly associated with the preparation of filings.

#### 3. All Other Fees

The Company's principal accountant did not bill any other fees during the years ended December 31, 2003 and 2002.

4. The officers and directors of EasyWeb have determined that the services provided by our Company's principal accountant, as referred to in the above paragraphs, are compatible with maintaining the principal accountant's independence.

### AUDIT COMMITTEE'S PRE-APPROVAL POLICIES AND PROCEDURES

Due to the fact that EasyWeb has only two active officers and two directors, the

Edgar Filing: EASYWEB INC - Form 10KSB

Company does not have an audit committee at this time.

PERCENTAGE OF HOURS EXPENDED

All hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year were attributable to work performed by persons that are the principal accountant's full-time, permanent employees.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): EASYWEB, INC.

By: /s/ David C. Olson  
-----  
David C. Olson  
President

Date: April 12, 2004  
-----

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons in the capacities and on the dates indicated.

By: /s/ David C. Olson  
-----  
David C. Olson  
President

Date: April 12, 2004  
-----

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders:  
EasyWeb, Inc.

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and

## Edgar Filing: EASYWEB INC - Form 10KSB

perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EasyWeb, Inc. as of December 31, 2003, and the results of its operations 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 financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has a net capital deficit at December 31, 2003 and has suffered significant operating losses since inception. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Cordovano and Honeck, P.C  
Denver, Colorado  
April 2, 2004

F-2

### EASYWEB, INC. INDEX TO FINANCIAL STATEMENTS

	Page
	-----
Report of Independent Auditors.....	F-2
Balance Sheet at December 31, 2003.....	F-3
Statements of Operations for the years ended December 31, 2003 and 2002.....	F-4
Statement of Changes in Shareholders' Deficit for the years ended December 31, 2003 and 2002.....	F-5

Edgar Filing: EASYWEB INC - Form 10KSB

Statements of Cash Flows for the years ended  
 December 31, 2003 and 2002.....F-6  
 Notes to Financial Statements.....F-7

F-1

EASYWEB, INC.  
 Balance Sheet

DECEMBER 31, 2003

ASSETS

Current Assets:		
Cash .....	\$	33
		=====

LIABILITIES AND SHAREHOLDERS' DEFICIT

Current Liabilities:		
Accounts payable and accrued liabilities .....	\$	7,608
Due to affiliate (Note 2) .....		18,111
		-----
Total current liabilities .....		25,719
		-----

Shareholders' deficit (Note 4):		
Common stock, no par value; 30,000,000 shares authorized, 4,706,200 shares issued and outstanding .....		130,050
Stock options outstanding - 100,000 .....		20,600
Additional paid-in capital .....		69,981
Retained deficit .....		(246,317)
		-----
Total shareholders' deficit .....		(25,686)
		-----
	\$	33
		=====

See accompanying notes to financial statements  
 F-3

EASYWEB, INC.  
 STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED  
 DECEMBER 31,

-----	-----
2003	2002

Edgar Filing: EASYWEB INC - Form 10KSB

Revenue:	-----	-----
Commissions .....	\$ --	\$ 2,570
	-----	-----
Operating expenses:		
Rent .....	--	1,000
Contributed rent (Note 2) .....	6,000	5,000
Administrative support .....	510	960
Contributed administrative support (Note 2) .....	11,490	11,040
Professional fees .....	12,812	16,136
Web site consulting and maintenance ...	120	660
Dues and subscriptions .....	2,975	--
Depreciation and amortization .....	486	799
Other .....	1,449	6,916
	-----	-----
Total operating expenses	35,842	42,511
	-----	-----
Loss before income taxes	(35,842)	(39,941)
Income tax provision (Note 3) .....	--	--
	-----	-----
Net loss .....	\$ (35,842)	\$ (39,941)
	=====	=====
Basic and diluted loss per share .....	\$ (0.01)	\$ (0.01)
	=====	=====
Basic and diluted weighted average common shares outstanding .....	4,672,867	4,499,431
	=====	=====

See accompanying notes to financial statements  
F-4

EASYWEB, INC.  
Statement of Changes in Shareholders' Deficit

	COMMON STOCK		OUTSTANDING STOCK OPTIONS	ADD P C
	SHARES	AMOUNT		
	-----	-----	-----	-----
Balance at January 1, 2002.....	3,940,200	99,550	20,600	\$
January 2002, sale of common stock (\$ .03/share) (Note 4).....	500,000	15,000	--	
January 2002, sale of common stock to officers (\$ .03/share) (Note 2).....	50,000	1,500	--	

Edgar Filing: EASYWEB INC - Form 10KSB

April 2002, closing of Arizona rescission offer (Note 4).....	16,000	4,000	--	
Office space and administrative support contributed by an affiliate (Note 2).....	--	--	--	
Net loss, year ended December 31, 2002.....	-----	-----	-----	-----
Balance at December 31, 2002.....	4,506,200	120,050	20,600	
March 2003, sale of common stock (\$.05/share) (Note 4).....	200,000	10,000	--	
Office space and administrative support contributed by an affiliate (Note 2).....	--	--	--	1
Net loss, year ended December 31, 2003.....	-----	-----	-----	-----
Balance at December 31, 2003.....	4,706,200	130,050	20,600	\$
	=====	=====	=====	=====

See accompanying notes to financial statements  
F-5

EASYWEB, INC.  
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2003	2002
	-----	-----
Cash flows from operating activities:		
Net loss .....	\$ (35,842)	\$ (39,941)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization .....	486	799
Office space and administrative support contributed by an affiliate (Note 2) .....	17,490	16,040
Changes in operating assets and liabilities:		
Receivables and prepaid expenses .....	--	1,465
Accounts payable, accrued expenses and due to affiliate .....	8,534	9,867
	-----	-----
Net cash used in operating activities .....	(9,332)	(11,770)
	-----	-----
Cash flows from investing activities:		
Payments for intangible assets .....	--	(316)
	-----	-----
Net cash used in investing activities .....	--	(316)
	-----	-----

## Edgar Filing: EASYWEB INC - Form 10KSB

Cash flows from financing activities:		
Proceeds on loans from related parties .....	--	650
Repayment of related party loans .....	(650)	(5,500)
Proceeds from the sale of common stock .....	10,000	16,500
	-----	-----
Net cash provided by financing activities .....	9,350	11,650
	-----	-----
Net change in cash .....	18	(436)
Cash, beginning of period .....	15	451
	-----	-----
Cash, end of period .....	\$ 33	\$ 15
	=====	=====
Supplemental disclosure of cash flow information:		
Income taxes .....	\$ --	\$ --
	=====	=====
Interest .....	\$ --	\$ --
	=====	=====

See accompanying notes to financial statements  
F-6

### EASYWEB, INC. NOTES TO FINANCIAL STATEMENTS

#### (1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES WITH BASIS OF PRESENTATION

##### ORGANIZATION

EasyWeb, Inc. (referenced as "we", "us", "our" in the accompanying footnotes) was incorporated in Colorado on September 24, 1998 under the name NetEscapes, Inc. Our name was changed to EasyWeb, Inc. on February 2, 1999. We design, market, sell and maintain web sites on the Internet, which are built and hosted by third party consultants. Our operations were very limited during the year ended December 31, 2003. We did not perform any services or earn any revenue during 2003 due to the lack of working capital.

Management changed the manner in which it presents our operating results and cash flows during the year ended December 31, 2003. Management no longer considers us in the development stage as defined by the FASB Statement of Standards No. 7, "Accounting and Reporting by Development Stage Enterprises." As a result, cumulative operating results and cash flow information are no longer presented in the accompanying financial statements. This change does not affect our operating results or financial position. Accordingly, no pro forma financial

## Edgar Filing: EASYWEB INC - Form 10KSB

information is necessary.

As of December 31, 2003, we have a net capital deficit and have suffered significant operating losses since inception, which raises substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should we be unable to continue as a going concern. Inherent in our business are various risks and uncertainties, including our limited operating history, historical operating losses, and dependence upon its officers and strategic alliances. We are currently dependent upon an affiliate, Summit Financial Relations, Inc. ("Summit"), which has paid expenses on our behalf, in order to maintain our limited operations. There is no assurance that Summit will continue to pay our expenses in the future.

Our future success will be dependent upon (1) our ability to locate and consummate a merger or acquisition with an operating company, (2) to finance Internet opportunities if the Company is allowed to trade publicly and raise capital and, ultimately, (3) to attain profitability. There is no assurance that we will be successful in consummating a merger or acquisition with an operating company, financing Internet investments, or attaining profitability. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### CASH EQUIVALENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

For the purposes of the statement of cash flows, we consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. We had no cash equivalents at December 31, 2003.

The carrying amounts of cash, accounts payable and accrued liabilities approximate fair value due to the short-term maturity of the instruments.

### USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

F-7

### INTANGIBLE ASSETS AND AMORTIZATION

Our intangible assets consist of computer software and web site development costs. We capitalize internal and external costs incurred to develop its web site during the application development stage in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". Capitalized web site development costs are amortized over an estimated life of three years commencing on the date the software is ready for its intended use. We commenced amortization of our web site development costs on April 11, 2000. As of December 31, 2003, the web site development costs were fully amortized.

Amortization expense totaled \$486 and \$799, respectively, for the years ended December 31, 2003 and 2002.



## Edgar Filing: EASYWEB INC - Form 10KSB

In addition, we have adopted the Emerging Issues Task Force Issue No. 00-2 ("EITF 00-2"), "Accounting for Web Site Development Costs". EITF 00-2 requires the implementation of SOP 98-1 when software is used by a vendor in providing a service to a customer but the customer does not acquire the software or the right to use it.

### IMPAIRMENTS ON LONG-LIVED ASSETS

We evaluate the carrying value of our long-lived assets under the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Statement No. 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying value or fair value, less costs to sell.

### LOSS PER COMMON SHARE

We account for loss per share under the provisions of SFAS No. 128, "Earnings Per Share". Under SFAS No. 128, net loss per share-basic excludes dilution and is determined by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Net loss per share-diluted reflects the potential dilution that could occur if securities and other contracts to issue common stock were exercised or converted into common stock. Common stock options outstanding at December 31, 2003 were not included in the diluted loss per share as all 100,000 options were anti-dilutive. Therefore, basic and diluted losses per share at December 31, 2003 were equal.

### REVENUE RECOGNITION

Our sales are reported on a net basis in accordance with EITF 99-19, "Reporting Revenue Gross as a Principal Versus Net as an Agent". All of our revenues are reported as commissions. We recognize revenue only after our service has been performed and collectibility of its fee is reasonably assured. Revenues through related party transactions are recognized when the service has been performed and the cash has been received.

### ADVERTISING BARTER TRANSACTIONS

We report our advertising barter transactions in accordance with EITF 99-17, "Accounting for Advertising Barter Transactions". Under EITF 99-17, revenue and expense should be recognized at fair value from an advertising barter transaction only if the fair value of the advertising surrendered in the transaction is determinable based on the entity's own historical transactions involving cash. We did not recognize any revenues or expenses in connection with our advertising barter transactions for the periods presented.

F-8

### STOCK-BASED COMPENSATION

We account for stock-based compensation arrangements in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," which permits entities to recognize as expense, over the vesting period, the fair value of all stock-based

## Edgar Filing: EASYWEB INC - Form 10KSB

awards on the date of grant. Alternatively, SFAS No. 123 allows entities to continue to apply the provisions of Accounting Principle Board ("APB") Opinion No. 25 and provide pro forma net earnings (loss) disclosures for employee stock option grants as if the fair value-based method defined in SFAS No. 123 had been applied. We have elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123. We did not report pro forma disclosures in the accompanying financial statements as the Company did not grant any employee stock options as of December 31, 2003.

### INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the recorded book basis and the tax basis of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future federal income taxes.

### (2) RELATED PARTY TRANSACTIONS

#### LIABILITIES

At December 31, 2003, we owed Summit \$18,111 for professional fees and other administrative expenses paid on our behalf. The \$18,111 is included in the accompanying financial statements as "Due to affiliate".

In April 2002, an officer loaned us \$650 for working capital. The loan carried no interest rate and was due on demand. We repaid the loan during the year ended December 31, 2003.

#### COMMON STOCK

During January 2002, we sold 50,000 shares of our common stock to our officers for \$1,500, or \$.03 per share.

#### RENT AND ADMINISTRATIVE SUPPORT

##### Rent

----

Summit contributed office space to us during the years ended December 31, 2003 and 2002. Our management has estimated the fair market value of the office space at \$500 per month, which is included in the accompanying financial statements as "Contributed rent" with an offsetting credit to "Additional paid-in capital".

We paid Summit \$1,000 for rent during the year ended December 31, 2002, which reduced the amount of contributed rent from \$6,000 to \$5,000 for the year.

##### Administrative support

-----

Summit contributed administrative services to the Company during the years ended December 31, 2003 and 2002. Our management has estimated the fair market value of the services at \$1,000 per month, which is included in the accompanying condensed financial statements as "Contributed administrative support" with an offsetting credit to "Additional paid-in capital". We paid Summit \$510 and \$960, respectively, for services during the years ended December 31, 2003 and 2002; therefore, contributed administrative support totaled \$11,490 and \$11,040 for the years ended December 31, 2003 and 2002, respectively.

# Edgar Filing: EASYWEB INC - Form 10KSB

F-9

## (3) INCOME TAXES

A reconciliation of U.S. statutory federal income tax rate to the effective rate is as follows:

	Years Ended December 31,	
	2003	2002
U.S. statutory federal rate	15.00%	15.00%
State income tax rate, net of federal benefit	3.94%	3.94%
Permanent differences	-9.24%	-7.60%
Net operating loss for which no tax benefit is currently available	-9.70%	-11.34%
	0.00%	0.00%
	0.00%	0.00%

At December 31, 2003, deferred taxes consisted of a net tax asset of \$37,942 due to operating loss carryforwards of \$187,976, which was fully allowed for, in the valuation allowance of \$37,942. The valuation allowance offsets the net deferred tax asset for which there is no assurance of recovery. The changes in the valuation allowance for the years ended December 31, 2003 and 2002 were \$3,475 and \$4,526, respectively. Net operating loss carryforwards will expire through 2023.

The valuation allowance will be evaluated at the end of each year, considering positive and negative evidence about whether the asset will be realized. At that time, the allowance will either be increased or reduced; reduction could result in the complete elimination of the allowance if positive evidence indicates that the value of the deferred tax asset is no longer impaired and the allowance is no longer required.

Should we undergo an ownership change, as defined in Section 382 of the Internal Revenue Code, our net tax operating loss carryforwards generated prior to the ownership change will be subject to an annual limitation which could reduce or defer the utilization of those losses.

## (4) SHAREHOLDERS' DEFICIT

### SALE OF COMMON STOCK

During March 2003, we sold 200,000 shares of our common stock to an unrelated third party for \$10,000, or \$.05 per share.

During January 2002, we sold 500,000 shares of our common stock to unrelated third parties for \$15,000, or \$.03 per share.

### STOCK OPTION PLAN

We have adopted an incentive stock option plan for the benefit of key personnel and others providing significant services. An aggregate of 175,000 shares of common stock has been reserved under the plan. Options granted pursuant to the plan will be exercisable at a price no less than 100 percent of fair market

Edgar Filing: EASYWEB INC - Form 10KSB

value of a common share on the date of grant.

Following is a schedule of changes in our outstanding stock options for years ended December 31, 2003 and 2002:

F-10

Description	Options	Options Exercisable	Weighted Avg Exercise Price	Weighted Avg Remaining Life
Outstanding at January 1, 2002	100,000	100,000	\$0.25	10 years
Granted	--	--	--	--
Exercised	--	--	--	--
Expired/Cancelled	--	--	--	--
Outstanding at December 31, 2002	100,000	100,000	\$0.25	9 years
Granted	--	--	--	--
Exercised	--	--	--	--
Expired/Cancelled	--	--	--	--
Outstanding at December 31, 2003	100,000	100,000	\$0.25	8 years

F-11