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DSTAGE COM INC
Form 10KSB
April 15, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

FOR ANNUAL AND TRANSITIONAL REPORTS UNDER SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

(MARK ONE)

ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR FISCAL YEAR ENDED DECEMBER 31, 2002

TRANSITION REPORT PURSUANT TO SECTION 13 OR
SECTION 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 000-00000

DSTAGE.COM, INC.
(EXACT NAME OF SMALL BUSINESS REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

52-2195605
(I.R.S. Employer
Identification No.)

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DSTAGE.COM, INC.
1000 ORTEGA WAY, SUITE C
PLACENTIA, CALIFORNIA 92870
(Address of principal executive offices) (Zip Code)

(909) 471-2898
Registrant's telephone number, including area code

SECURITIES REGISTERED UNDER SECTION 12(B) OF THE ACT:

NONE

SECURITIES REGISTERED UNDER SECTION 12(G) OF THE EXCHANGE ACT:

(TITLE OF CLASS)
COMMON STOCK, PAR VALUE \$0.001

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such
shorter period that the registrant was required to file such reports), and (2)
has been subject to such filing requirements for the past 90 days.

Yes No

Check if no disclosure of delinquent filers in response to Item 405 of

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Regulation S-B is contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

The approximate aggregate market value of Common Stock held by non-affiliates of the Registrant, based on 16,271,601 outstanding shares less 5,831,968 shares held by affiliates and 2,400,000 treasury shares for a total of 8,039,633 shares at a market price of \$.015, was \$120,594 as of March 31, 2003.

On March 31, 2003, the Registrant had outstanding 16,271,601 shares of Common Stock, \$0.001 par value.

The Registrant's revenues for the year ended December 31, 2002 were \$4,960.

DOCUMENTS INCORPORATED BY REFERENCE
SEE ITEM 13

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THIS REPORT ON FORM 10-KSB CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, WHICH ARE SUBJECT TO THE "SAFE HARBOR" CREATED BY THOSE SECTIONS. THESE FORWARD-LOOKING STATEMENTS INCLUDE BUT ARE NOT LIMITED TO STATEMENTS CONCERNING OUR BUSINESS OUTLOOK OR FUTURE ECONOMIC PERFORMANCE; ANTICIPATED PROFITABILITY, REVENUES, EXPENSES OR OTHER FINANCIAL ITEMS; AND STATEMENTS CONCERNING ASSUMPTIONS MADE OR EXCEPTIONS AS TO ANY FUTURE EVENTS, CONDITIONS, PERFORMANCE OR OTHER MATTERS WHICH ARE "FORWARD-LOOKING STATEMENTS" AS THAT TERM IS DEFINED UNDER THE FEDERAL SECURITIES LAWS. ALL STATEMENTS, OTHER THAN HISTORICAL FINANCIAL INFORMATION, MAY BE DEEMED TO BE FORWARD-LOOKING STATEMENTS. THE WORDS "BELIEVES", "PLANS", "ANTICIPATES", "EXPECTS", AND SIMILAR EXPRESSIONS HEREIN ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS, UNCERTAINTIES, AND OTHER FACTORS, WHICH WOULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN SUCH STATEMENTS. FORWARD-LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN "FACTORS THAT MAY AFFECT FUTURE RESULTS," AND ELSEWHERE IN THIS REPORT, AND THE RISKS DISCUSSED IN THE COMPANY'S OTHER SEC FILINGS.

PART 1

ITEM 1. - DESCRIPTION OF BUSINESS

GENERAL

Dstage.com, Inc., a Delaware corporation (the "Company") was incorporated on October 12, 1999 to provide support, organization and restructuring services to development stage companies. For the period October 12, 1999 (Inception) to December 31, 2002, the Company has been in the development stage. The Company's activities since inception have consisted of developing the business plan, raising capital, business plan implementation, recruiting a management team and entering into new ventures and alliances with affiliates. From inception to December 31, 2002, the Company has had minimal revenues of \$58,568 and has expensed operating costs in the amount of \$5,934,681. The Company has nominal cash resources and has been largely dependent on the direct financial support from its founding stockholder and revenue to pay for cash expenditures. In addition, the Company has been dependent on contributed time from its officers and directors and contributed services from certain key vendors.

As a result of an investment banking contract entered into between the Company and the Camelot Group, Inc. during 2002, the Company will no longer receive continuing cash investment from its founding stockholder. This loss of financial support, along with the failure of the Camelot Group to provide funding as called for in the investment banking agreement has had a detrimental effect on the Company. There can be no assurance that the Company will recover from these events.

In view of these matters, the Company has undergone a series of negotiations to obtain additional equity financing to enable it to achieve its strategic objectives. The Company has reached an agreement with Eagle Consulting Group, Inc., a Nevada corporation ("Eagle"), which it expects to finalize during the second quarter of 2003, to provide equity financing. While Eagle has advanced the Company a limited amount of funds in 2003, it appears unlikely that such

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funding will be enough to meet all of the Company's cash requirements in 2003 and beyond. As a result, the Company must find additional sources of financing in order to remain a going concern in the future.

The Company has earned revenue in 2001 and nominal revenue in 2002, and hopes to increase revenues from existing and proposed contractual relationships in addition to obtaining external financing. We cannot assure you that such revenues and or financing will be successfully obtained.

In March 2003, the Company reached an agreement with The Corporate Solution, Inc., a Nevada based business consulting firm, resulting in Robert P. Atwell, President of The Corporate Solution, becoming President and Chief Executive Officer of the Company and Albert Golusin becoming Chief Financial Officer. As part of the ongoing restructuring of the Company's management team, former President Rounsevelle Schaum and Jane Olmstead will remain on the Company's Board of Directors. All other directors and committee members have either resigned or their term has expired. The Company's new management team plans to continue to develop the Company's business model while refining its scope and direction.

In the summer of 1999, our founders agreed that culminating trends in venture development, venture funding and intellectual capital creation would result in a precipitous drop in valuations for thousands of technology driven companies worldwide. This shared perspective caused our team to devise a new model for venture creation and growth. Our model attempts to substantially remove cash requirements from the earliest stages of venture formation and replace it with knowledge, expertise, technology and time contributed by various parties, applied directly to prospective startups. By building a universe of service and technology providers across as many disciplines and domains as achievable, using Dstage.com common stock as payment, we plan to offer advice and resources to entrepreneurs looking to launch novel products and ventures worldwide.

In analyzing, describing and discussing our business, we use certain terms and phrases that may not be readily understood to persons unfamiliar with our model. The following definitions are included to assist the reader in understanding our business:

Intellectual Capital - A combination of knowledge, know-how and information representing the potential productive capacity with which to competitively develop novel products, novel services and novel ventures.

IT - (Information Technology) - Processing information by computer.

e-commerce - (Electronic Commerce) - Doing business online, typically via the Web or Internet.

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VC - (Venture Capitalist) - A person or organization that invests money in startup or small companies.

Intellectual Property - New and useful technology, patents, copyrights, processes, products, circuits, chemicals, approaches, computer code, software and applications whose value is driven primarily by novelty and effectiveness. Intellectual property includes more than just copyrights, trademarks and patents; for example, customer databases, mailing lists, trade secrets and other business information are also included.

Residual Intellectual Property Mining(TM) - Existing idle or underperforming technology or intangible property, program code or resources of a third party that is licensed or purchased by Dstage.com for its development and use.

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Concept Affiliate - A person, an organization, or establishment associated with Dstage.com to provide expertise or technology to enhance a project, idea or segment of a development stage company.

Concept Sponsors - An individual, organization, or establishment that is presenting a product, or service idea to Dstage.com in exchange for a fee or royalty of an accepted concept.

Reverse Incubation - Formation or later stage business ventures that have failed or are failing and revitalizing them in hopes of developing viable business ventures.

Venture - A risky enterprise; an unproven business enterprise involving risk in expectation of gain.

BUSINESS DEVELOPMENT

Dstage.com was established to pursue a self-developed approach to development stage company formation. Using our common stock as payment, we have attempted to license a critical mass of intellectual property, knowledge, expertise, software, applications, patents, content and a host of other resources needed by development stage enterprises since our inception. We intend to allow certain startup ventures (Concept Sponsors) screened by our network to request access to appropriate resources we hold in exchange for interests in their nascent ventures. To the best of our knowledge, our model is new, risky and unproven. However, we believe it stands to potentially deliver benefits to entrepreneurs, technology providers, professional service providers, early stage investors, and later stage investors in many countries to the degree that the model effectively reduces barriers to developing new ventures and launching new products. We hope that by pursuing this model, Dstage.com will become the leading source for expert support, creation, and restructuring of development stage companies across the globe.

At the beginning of 2002, we focused our efforts on four key areas. Key progress in each of these areas since inception is follows:

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1. ACQUIRING RESOURCE COMMITMENTS FROM CONCEPT AFFILIATES ACROSS THE GLOBE

In 1999, a partial year beginning on October 12, our network consisted of only 2 Concept Affiliates and 4 officers, 1 of which also served as our sole director. At this level, our efforts were primarily composed of organizing the business. In 2000, our network grew to a total of 6 concept affiliates, 7 officers, 3 of which also served as directors and 2 independent directors that served on our audit committee. This network, albeit young and small, allowed us to refine our business model, prepare our registration statement, file quarterly statements with the SEC, successfully hold our first annual meeting, recruit additional Concept Affiliates, invest in two early stage companies and secure our first piece of licensed technology.

These development activities were important to our growth and were accomplished primarily in exchange for shares of our common stock, with all activities in 2000 consuming approximately \$73,467 in cash, including expenses paid in cash by our shareholders and reimbursed by us using our common stock and notes. During 2001, our network grew to a total of 20 concept affiliates, 7 concept screeners, 9 officers, 3 of which also served as directors, and 3 independent directors that served on our audit committee. In addition, we pursued transactions and resource commitments for larger transacted dollar amounts with a larger number of our common shares required for each transaction. We reviewed

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and negotiated opportunities for a range of resources, including but not limited to, customer relationship management technology, password protection technology, cancer drug technology, proprietary chemicals, RNA technology and copy protection technology.

As of December 31, 2002, our network consisted of 20 concept affiliates, 7 concept screeners, 3 officers, 2 of which also served as directors, and 3 independent directors that served on our audit committee. The terms of all of our other officers and committee members expired in November 2002. On December 31, 2002, our senior management team consisted of Chairman Donald J. Marinari, President and Chief Financial Officer Rounseville W. Schaum and Chief Executive Officer Frank Maresca. Our Board of Directors was comprised of five voting members. Rounseville W. Schaum, Frank Maresca, Eric Schmitz, Jane Olmstead and Dave Baird served as voting directors, with Donald J. Marinari serving as chairman of the Board in a non-voting capacity and Shirlee Gordon serving as interim Secretary Treasurer. Subsequent to December 31, 2002, Mr. Marinari, Mr. Maresca, Mr. Schmitz and Mr. Baird resigned. Mr. Schaum resigned as President and Chief Financial Officer while remaining on the Board of Directors. Robert P. Atwell and Albert Golusin were appointed to the Board of Directors in March 2003, with Mr. Atwell becoming President and Chief Executive Officer and Mr. Golusin becoming Chief Financial Officer and Secretary Treasurer.

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During 2002, we continued to pursue transactions and resource commitments for larger transacted dollar amounts with a larger number of our common shares required for each transaction. We reviewed and negotiated opportunities for a range of resources, including but not limited to, customer relationship management technology, password protection technology, cancer drug technology, proprietary chemicals, RNA technology and copy protection technology. As of December 31, 2002, none of these transactions have generated any revenue for us. A brief summary of the larger transactions we closed during and prior to December 31, 2002, along with their current status, follows:

Philippine Property Lease

In June of 2001, a Dstage Concept Screener made us aware of a Philippines based Company, Bentley House Furniture Company that was seeking a means of putting an idle manufacturing plant in Davao City, Philippines to a beneficial use. According to a KPMG/Laya Mananghaya audit report dated January 2001 and an Asian Appraisal report dated September 1998, the facility was completed in 1998, and valued at no less than \$5,000,000.

Based on these facts and other materials provided by Bentley House Furniture Company, we agreed to exchange 1,000,000 of our common stock in lieu of \$6,000,000 cash to secure a 49-year lease. The lease agreement contained a provision whereby we could purchase the property for \$100,000 in cash should Philippine law ever permit real estate ownership by a U.S. controlled corporation. For accounting purposes, we recorded the transaction at \$1.15 per share, or \$1,150,000 and fully impaired the investment at 100%.

Progress: Due to mounting uncertainties concerning the property, we impaired 100% of the recorded amount of the transaction in December of 2001. In December of 2001, a Dstage Concept Affiliate made us aware of a firm engaged in the long-term storage of digital images, Quintek Technologies, Inc. ("Quintek"). The Concept Affiliate had a working relationship with Quintek and indicated that Quintek was looking to expand their operations into Asia. In January of 2002, we entered into a non-binding LOI with Quintek Technologies to invest the Philippines property lease as part of Quintek Technologies' New Asian Operation. Subsequent to further evaluation, we determined that the agreement with Quintek Technologies was no longer viable and negotiations ceased. Thereafter, the

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lessor, Bentley House Furniture Company, Inc., proposed reacquiring our rights under the property lease.

In April of 2002, we were informed that Bentley House Furniture Company had pledged its Dstage shares to Weylock Trading Company, Inc., a Philippine Company ("Weylock"), in exchange for a loan. We were also informed at that time of Weylock's interest in selling the shares back to us in exchange for our interest in the property lease. In May of 2002, we reached an agreement with Weylock providing for a transfer of its interest in the property lease in exchange for \$500,000, along with 900,000 shares of our common repurchased as consideration. We are not recording any gain or revenue from the \$500,000 because its realization is not assured.

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As of December 31, 2002, we had received no payments in accordance with the Weylock agreement. In the absence of adequate funding to pursue collection or settlement, it is unlikely that we will realize any of the payments called for under this agreement. Our new management team will be reviewing this transaction and the final disposition thereof during fiscal year 2003.

OTCBB Data Application License

In late October of 2001, a Dstage Concept Affiliate proposed that we license an interactive database of OTCBB data from a Canadian firm, DataStand Technologies, Inc. Upon review of the application, our management asked the Concept Affiliate to negotiate a transaction on our behalf to secure 3 premium licenses to the technology in exchange for shares of our common stock. In November of 2001, we agreed to issue 270,000 shares of our common stock in exchange for the three licenses.

Progress: Under the agreement, we can deploy 3 licenses of the DataStand Technologies, Inc. database and applications for periods of 3 years each. We have identified one planned internal use of the technology and continue to seek additional uses. The licensed technology, which was recorded at a value of \$36,000 in 2001, was fully impaired in September of 2002 due to a lack of funding. The outcome of this transaction remains uncertain as of December 31, 2002. Our new management team will be reviewing this transaction and the final disposition thereof during fiscal year 2003.

Copy Protection Technology License

In September of 2001, through a client who had provided marketing and strategy consulting services to SunnComm Technologies, Inc. ("SunnComm"), we became aware of a complementary technology we felt would expand SunnComm's market potential. In anticipation of marrying the two technologies, we began discussions with SunnComm to license their initial Media Cloq copy protection technology for use in new media player technology. The SunnComm Copy Protection Technology was developed to protect compact discs ("CDs") from unauthorized duplication. The technology we originally agreed to license protected CD-R's from unauthorized duplication and was believed to hold potential for greater functionality if combined with an integrated media player technology. As a result, we pursued purchasing a media player technology to complement the SunnComm Technology.

Progress: After further review, we executed an expanded agreement with SunnComm in December of 2001. Under this agreement, we received rights to a number of Copy Protection Technologies developed by SunnComm. Some of these rights contain royalty payment schedules and some do not. In exchange for the license, we issued 2,000,000 shares of our common stock in a transaction valued at \$4,000,000, which was based on a formula that discounted the 30 to 60 day moving average price of our Common Stock prior to the effective date of the

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transaction. The transaction price per share was \$2.00 per share, discounted from the moving average price of 2.67 per share. For accounting purposes, we recorded the transaction at a value of \$2,000, as the fair value of the technology at the time of the transaction had yet to be determined.

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In May of 2002, this agreement was amended, providing for the return of certain rights to SunnComm in exchange for 1,500,000 shares of our common stock repurchased as consideration. The outcome of this transaction remains uncertain as of December 31, 2002. Our new management team will be reviewing this transaction and the final disposition thereof during fiscal year 2003.

Media Player/Peer-to-Peer Technology Purchase

In September of 2001, we began discussions to purchase Media Player technology from VedaLabs, Inc. ("VedaLabs"). Our intention was to combine the VedaLabs Technology with the SunnComm Technology.

Progress: In May of 2002, we reached a definitive agreement with VedaLabs to acquire their Media Player and Peer-to-Peer technology. Under the agreement we issued 3,000,000 shares of our common stock along with a commitment to pay \$250,000 in cash within 6 months, pending transfer or sale of the technology. When transfer or sale of the technology did not occur, we became obligated to pay VedaLabs in cash or stock. The number of shares was to be determined based on the closing price of our shares and we would be obligated to register such with the SEC.

When the VedaLabs Technology was recorded on our books and records, we anticipated that funds from an investment banking contract would enable us to execute on critical elements of our plan for sale of the technology, including obtaining a third party valuation of the technology, engaging certain parties outside of our network of affiliates for cash compensation and developing a new model to support marketing some of the technology as a children's media player.

The investment banking contract called for \$150,000 to be provided within 3 to 6 weeks of the agreement's execution date. However, the first funds from this agreement were transferred on September 5, 2002. The transfer on September 5, 2002 totaled only \$5,000. As a result, we had to rely on loans from shareholders to cover \$10,000 of the \$35,000 fee due to the third party valuation firm. We did not receive another cash transfer from the investment banking agreement until September 18, 2002. This transfer totaled only \$2,500. As a result of receiving only \$7,500 of the \$150,000 called for in the agreement, more than 12 weeks after the latest date committed to, management determined in the quarter ended September 30, 2002 that the failure to receive the funds represented an impairment event.

As part of the investment banking contract, certain Dstage shareholders transferred shares to the investment banking firm to cover their investment banking fee and as consideration for our anticipated funding. In the months following these transfers, quoted prices for our common stock on the over-the-counter bulletin board (OTCBB) reached all-time lows, eventually reaching a level of \$0.07 per share. This decrease represented a drop of more than \$0.38 per share, or 84%, from the quoted closing price of our common stock on the date we entered into the agreement with the investment banking firm. Since inception, we have substantially relied on issuing stock to officers, directors, professional service providers and other parties in exchange for services and technology. The substantial and rapid decrease in our stock price following execution of the investment banking agreement will make it very difficult to find parties willing to accept restricted shares of common stock in exchange for services required to execute on its plan of sale for the

technology.

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In addition to potentially eliminating our ability to execute on our plan of sale for the VedaLabs technology, the outcome of which remains uncertain as of December 31, 2002, failure to receive the funding called for by the investment banking agreement has impacted our ability to execute on our plans to sell other technology acquired or licensed by us and our ability to obtain valuations.

We felt that in addition to helping marketing efforts for the technology, such a valuation would provide an objective means with which to conduct an ongoing analysis of impairments in current and future accounting periods. The inability to pay for such an analysis, in the absence of the funds called for in the investment banking agreement, leaves management without an economically feasible means to compare the carrying value of its technology to fair value. In light of these facts and circumstances, we elected to fully impair all licensed and purchased technology as of September 30, 2002.

We also continued our efforts to grow our operations globally in 2002. We had previously assembled a team to lay the groundwork for building our network in Europe. This team had met with potential allies, officers, London Stock Exchange personnel, venture capitalists and other parties in London, England to explain the Dstage model and explore potential ways to work together to the benefit of development stage companies. Our efforts in Europe resulted in discussions and negotiations with potential officers and Concept Affiliates in Europe throughout 2002. None of these discussions and negotiations has resulted in any contracts for Dstage and no revenues have been generated. The effectiveness of this endeavor remains uncertain as of December 31, 2002. Our new management team will be reviewing these activities and the future of such activities, if any, during fiscal year 2003.

2. COMPLETING FUNCTIONAL SPECIFICATIONS AND DETAIL DESIGN OF OUR ONLINE VENTURE FORMATION APPLICATION

We continue to develop functional specifications for our online venture formation application, known as the Dstage Application. Throughout 2002, we continued to investigate various online applications that held promise as components of the Dstage application. Beyond the primary objective of defining the systems, work flow and functionality requirements, these efforts were expected to identify vendors we could approach to accept common stock in exchange for licenses to their components for use in our application.

Our executive officers and a small group of affiliates experimented with some of these systems. Although we have not yet completed the functional specifications, key components of the system have been reduced to the following elements and features:

- Online Project Management
- Online Collaboration
- An Internet Based Exchange
- An Online Knowledge Management Solution
- Integration with Accounting Systems

The final implementation of these applications remains uncertain as of December 31, 2002. Our new management team will be reviewing these applications during fiscal year 2003.

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3. ENGAGING CONCEPT AFFILIATES, SERVICING CONCEPT SPONSORS, AND REVIEWING POTENTIAL REVERSE INCUBATION AND RESIDUAL INTELLECTUAL PROPERTY MINING OPPORTUNITIES MANUALLY UNTIL THE DSTAGE.COM APPLICATION IS COMPLETED

During 2002, Concept Affiliates provided services in a number of business areas, including but not limited to marketing, multimedia development, strategic planning, securities compliance, due diligence, technology, corporate image development and investor relations. For the most part, these services were used to meet our internal business needs, analyze and assess potential reverse incubation and intellectual property opportunities and provide professional services that we had hoped would generate revenue for us. As of December 31, 2002, our total revenues were \$4,960.

In addition, we made progress in defining our intended use of the Private Equity Site we licensed from NVST.com, Inc. in 2000. We planned to build an online destination using this technology to facilitate exchanging resources between OTCBB companies named "Dstage.net." Concept Affiliates Zucker and Staub, Ltd. and BulletProof Business Plans, Inc. participated in preparing an overview of the customization required to accomplish this project efficiently. As part of our plans to build this online destination, we licensed a database and application with daily updated OTCBB information from DataStand Technologies, Inc. in November of 2001. The outcome of developing and utilizing the Private Equity Site remains uncertain as of December 31, 2002. Our new management team will be reviewing the Private Equity Site project during fiscal year 2003.

Concept Affiliate Eagle Consulting Group, Inc. participated in a number of Dstage projects during the year, including preparation of draft registration statements along with agreements for transactions being negotiated by us. Some of these transactions were successfully executed, some were abandoned and others remain in negotiations as of December 31, 2002.

Concept Affiliate SagaCorp, Inc. prepared an Interactive CD-ROM business card, which contained our annual report for 2000, along with other information about our business. SagaCorp also revised our Internet site and digitally recorded our 2001 annual meeting. The status of SagaCorp as a concept affiliate remains uncertain as of December 31, 2002. Our new management team will be reviewing their status as a Concept Affiliate during fiscal year 2003.

Concept Affiliate Trainingscape, Inc. ("Trainingscape") had completed development of three new online courses in 2001, featuring performances by Faye Dunaway, Robert Wagner, Rachel Hunter and Corbin Benson. Under our agreement with Trainingscape, executed in August of 2000, we had rights to market Trainingscape's courses and to have similar courses developed on our behalf in exchange for stock. During our 2001 annual meeting in Breckenridge, Colorado, we began discussions with Trainingscape and another Dstage Concept Affiliate, US Consults, to leverage US Consults' expertise with obtaining government incentives as a means of marketing certain Trainingscape courses. To date, we have not used any of the services or technology available to us under the Trainingscape agreement. As a result, we wrote off 100% of our prepaid services related to this agreement, in accordance with our accounting policies.

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We still anticipate engaging the resources we acquired under this agreement, but cannot reliably determine when such resources will be used. The status of Trainingscape as a concept affiliate remains uncertain as of December 31, 2002. Our new management team will be reviewing their status as a Concept Affiliate during fiscal year 2003.

We began structuring a strategic alliance with Concept Affiliate US Consults in late 2001. US Consults provides various benefits for its clients, including

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obtaining discretionary government incentives as well as utility special contracts that can only be achieved through negotiation. We executed the strategic alliance agreement with US Consults in January of 2002. Under the strategic alliance, we were to participate in servicing certain US Consult projects, advise US Consults and market their services in exchange for participating in their success in a manner consistent with existing arrangements with their 25 partners. We believed that successfully providing these services would provide us with another source of revenue and cash flow, in addition to expanding the reach and utility of our network. A Dstage Concept Screener introduced us to US Consults. As of December 31, 2002, this transaction has not generated any revenues for us. The status of this agreement remains uncertain as of December 31, 2002. Our new management team will be reviewing this agreement and any future involvement with US Consults during fiscal year 2003.

We also structured a new relationship with Concept Affiliate BulletProof Business Plans, Inc. in late 2001. Under the agreement, we would offer business planning services to OTCBB companies and certain private companies using the BulletProof Business Plan trademark, process and approach. In accordance with our model, we would accept a portion of our fees in stock. We believe that successfully completing this arrangement could potentially provide us with a source of revenue, increase the quality of our deal flow and substantially subsidize our due diligence costs in many cases. As of December 31, 2002, we had not generated any revenues as a result of this agreement. Our new management team will review the status of this agreement during 2003.

BulletProof also developed a beta version of our first index, the Dstage Index. The Dstage Index is a market-weighted index of 50 stocks the Company expects to be indicative of the business environment facing technology and life sciences firms in the development stages. Key performance measures of the index since its inception on September 6, 2001, as calculated by an independent third party since the Index's creation, are as follows for the four months ended January 4, 2002:

- Increase/(Decrease) - The beta Dstage Index increased 18.07% during the period, compared to 5.98% increase in the S&P 500, 4.26% increase in the Dow and 10.14% increase in the Russell 2000 during the same period.

- PE: 34.30

- Volatility:

- Beta: 1.38

- Price/Book: 8.41

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Due to the extremely short life of the beta Dstage Index, the potential viability of it can still not be assessed. We believe that another 4 to 6 months of data will be required before we can make any meaningful deductions as to its ability to serve as an indicator. The status of the Dstage Index remains uncertain as of December 31, 2002. Our new management team will be reviewing its status during fiscal year 2003.

4. ACQUIRING RESOURCE COMMITMENTS FROM CONCEPT SCREENERs THAT WE BELIEVE WILL HELP DEVELOP THE INTEGRITY AND QUALITY OF OUR COMMUNITY AND NETWORK IN THE FUTURE

In late 2000, we began recruiting Concept Screeners. As a result of these efforts, we recruited 7 concept screeners. To date, none of these Concept Screeners have been engaged to review prospective deals. However, several of

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these Screeners have provided deal flow and opportunities for us.

BUSINESS MODEL

Our business model is based upon the same primary assumptions we have held since inception:

1) We assume that entrepreneurs, inventors, developers and other parties conceiving new ventures, products and solutions often expend a preponderance of their early efforts seeking cash investments to fund initial development activities. In most cases, these parties do not hold a comparative advantage in raising funds, structuring a new venture, developing a comprehensive and compelling business strategy and recruiting vendors that share a common commitment to the new venture or product.

2) By creating a critical mass of professional service providers across a broad range of disciplines and industries, and combining this experience with access to a library of licensed technologies, applications, code and other intellectual property, we believe a sufficiently large collection of intellectual capital can be developed. We also believe that once a large enough collection of these resources has been acquired and positioned for direct placement into development stage ventures, inventors and entrepreneurs pursuing unique concepts (Concept Sponsors) and engaging our approach to venture formation will stand to gain two key advantages over their competitors. First, we believe our system will decrease the time they will have to expend raising startup funding, since venture defining resources will be available for immediate use by those conceiving new ventures. According to our model and assumptions, this should increase the amount of effort Concept Sponsors can spend moving their ventures or products to the next stage of development. Second, we believe our system stands to increase both the quantity and quality of intellectual inputs during the earliest stages of venture development. Should this occur, we hope that founders of untested ventures and products engaging our approach will benefit from a reduction in economic risks.

3) We assume that by compensating resource providers (Concept Affiliates) primarily with equity, as opposed to cash, members of our network and other parties using our approach stand to gain a number of potential benefits. We believe that parties motivated by immediate cash compensation typically hold a

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significantly shorter-term view, than parties compensated by equity. Although parties compensated by equity bear the risk that their efforts never yield positive financial results, they also stand to potentially gain a much higher return on their efforts. Under our model, Dstage.com should act as a community and central repository for intellectual capital poised for direct placement into what we hope will be promising development stage ventures. We plan that our model will facilitate spreading many of the risks, associated with contributing intellectual capital to development stage companies, across a growing collection of participating startup ventures (Concept Affiliates).

INDUSTRY

THE INTERNET AND VENTURE FORMATION

The process of launching a new venture or product places a number of demands on entrepreneurs, inventors, developers and other parties pursuing new concepts in the earliest stages of venture formation. We believe that historically, many parties with novel concepts have been confronted with both limited available resources and limited access to qualified sources willing to supply cash, experience, technology or other inputs necessary to effectively pursue concept,

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product and venture development. According to a 1995 White House sponsored study, over 300,000 growing ventures and 50,000 startups in the U.S. are in need of equity funding each year. Still, by many accounts, the past half a decade has experienced an increase in transfers of financial capital from wealthy investors to venture funds and from venture funds to private, technology companies. Although retail investors and venture capital firms have recently been reminded of the substantial risks associated with investing in development stage companies, the relatively high likelihood of losing one's entire investment, we believe the actions of both of these groups provide a unique set of market opportunities. We believe that corresponding actions taken by traditional and emerging private equity sources over the past half-decade have also created a unique set of market opportunities. Our model seeks to benefit from these opportunities by attempting to address the needs and desires of a number of parties comprising the venture development value chain.

According to a joint report by 3I Group, Plc, \$99 billion in private equity and venture capital was invested in North America in 1999, compared to just over \$56 billion in 1998. During this same period, technology and Internet related ventures commanded an increasingly dominant share of both private equity capital and initial public offerings. In the wake of the collapse of the prices of publicly traded technology companies, and the simultaneous devaluation of private equity backed technology companies, we believe there is a great deal of uncertainty concerning the future prospects of many technology firms, both public and private. Some observers have suggested the rapid increases in technology investments over the past half decade have resulted in an "oversupply" of technology. As a result, we believe technology vendors, as well as professional service organizations servicing technology vendors, face more difficulty in converting their expertise and intellectual property into revenue than they may have faced two years ago. We believe these challenges may potentially benefit our business model by making certain companies more open to exchanging their expertise and technology for our common stock, as a means of diversifying market risk, broadening their potential sales outlets and continuing to participate in the development of untested solutions without having to risk material amounts of cash.

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Prior to the widespread use and availability of the Internet amongst development stage companies, private and public equity concerns and the public at large, we believe the costs associated with exchanging information would have made global pursuit of our model highly unattractive. Even with advances in communications mediums, like the Internet, we believe private venture funds and other sources of private equity are confronted with a cost benefit dilemma which makes funding startup ventures less appealing than participating in larger transactions, either in an early stage of growth or an expansion stage. Our model is designed to reduce the risks of targeting early stage investments, by reducing cash requirements, to help mitigate the cost benefit dilemma.

PRINCIPAL PRODUCTS, SERVICES AND MARKETS

VENTURE FORMATION AND NETWORK ACCESS

Our operations are still in the early stages of development and the services we hope to deliver require significant refinement, effort and resources before we plan to deliver any meaningful offerings to the markets we hope to serve. We do have a plan identifying the services we hope to offer should such refinement, efforts and resources be successfully undertaken. We describe the core services we plan to develop as "Venture Formation" and "Network Access." Should such services be successfully developed, we plan to direct these services towards entrepreneurs, inventors and developers trying to launch new products or ventures ("Concept Sponsors").

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To take advantage of the venture formation process that we hope to deliver, our plan proposes that Concept Sponsors will first have to gain access to our network of resources for development stage companies (our planned network of Concept Affiliates). This plan anticipates granting access to our network only after 1) Being successfully screened for further consideration through our planned network of "Concept Screeners", 2) Appearing to hold potential synergies between the Concept Sponsor and our professional resources that are available for direct placement into the proposed concept and 3) Paying a Network Access Fee with shares in the new venture, cash or a combination of both.

Under this plan, prospective Concept Sponsors will have to submit a description of their proposed venture and or product, along with background information on the principals, their perceived market opportunity, how much time and financial capital has been invested to date and what existing commitments of time and other resources they have secured for the near future. We plan that this submission will occur using an online application, aided with an interactive presentation that will be used to insure compliance with our needs through real-time support and education. Once submitted, we expect our planned systems to enable assigning Concept Screeners to review the prospective Concept Sponsors.

The current model also assumes that four (4) Concept Screeners will cast simple yes or no votes indicating whether or not they feel the Concept merits further consideration for inclusion in our network.

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If yes votes prevail, the plan calls for a Concept Administrator to be assigned to compare the needs of the proposed Concept Sponsor with the ability of our professional resources to meet those needs and create a competitive advantage. If so, we plan to assess a Network Access Fee, payable in shares of the new venture or a combination of cash and shares in the new venture. We intend to price the Network Access Fee in a manner that will cover our costs for screening and administering new concepts.

During the Concept Administrator's review, resources we hope to hold rights to, generally in the form of professional services and licensed technology, should be tentatively committed based on the Concept Sponsor's needs. In exchange for these resource commitments, we plan to receive additional interests in the Concept Sponsor's project.

In addition, the plan calls for the Concept Administrator to assess potential Concept Affiliates that might be willing and able to commit additional resources in exchange for direct interests in the new venture.

Based on this planned assessment, the model calls for a "broadcast" to be sent online to relevant affiliates, and at a higher level, to the network at large. To support the ongoing progression of venture growth and formation, our plan calls for development of a collaborative application for use by our Concept Sponsors and Concept Affiliates.

As resources are committed alongside those Dstage plans to commit directly, we believe a higher quality foundation will be established, consisting of many direct inputs needed to move selected concepts to the next stage of development and increase the likelihood of successful growth thereafter.

NETWORK UTILIZATION AND THE CONCEPT AFFILIATE EXCHANGE

For our model to be successful, we must acquire a large collection of Concept Affiliates across a wide range of disciplines, technology and experience. Should we develop such a network, we believe an opportunity for Concept Affiliates to

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interact in two ways will extend beyond our focus of assisting venture formations.

First, we believe many of these anticipated Concept Affiliates may have interests beyond our general intended focus on Information Technology, Life Sciences and Advanced Materials. As a result, they may still want to utilize the experience, solutions and connections of other members within the network of Concept Affiliates our plan calls for which would trigger a Network Utilization Fee.

Our model calls for pricing this fee at a small fraction of the value of any merger or transaction between our Concept Affiliates. Second, we believe the quality of Concept Affiliates we seek to engage, along with their interest and ability to serve development stage companies, will facilitate these independent mergers and transactions between Concept Affiliates. While this exchange is not central to our mission, we believe such a feature stands to further generate the loyalty and support that we hope to obtain from all of our Concept Affiliates.

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REVERSE INCUBATION

We believe that the over funding of early stage Internet companies which did not have sound business models led to the failure of many of these ventures. Part of our strategy involves providing alternatives to certain technology firms, including Internet companies, headed for failure. One alternative for such companies is to license their technology to us in exchange for shares of our common stock.

However, in cases where the probability of the licensing venture failing, we plan to seek options on core technology components in exchange for additional shares of our common stock. Another alternative involves failing ventures engaging our services in exchange for a fee, payable in shares of their common stock, cash or a combination of both.

Using our planned network of Concept Affiliates, we hope that such engagements, if any, will involve us redirecting the core intellectual assets of these struggling companies to potentially productive markets. Ideally, these services will facilitate the sale or transfer of these ventures to VC firms, competing or complementary ventures, or other entities wishing to operate the ventures.

PROFESSIONAL SERVICES CONTENT

Our plan also calls for aggregating certain professional services content relevant to development stage companies. We hope to accomplish this by paying industry experts with stock in the Company. For this ownership consideration, the plan calls for each content provider to supply Dstage with 5 years worth of intellectual property or content to be updated at least annually. We realize that while the separate economies of the world are melding into one global economy, most companies will always have regional needs.

Therefore, our plan is that as we recruit industry experts, an eye will be placed on ensuring the pool of experts is not only functionally diverse, but also geographically diverse. In addition, we intend to license additional content from established third party sources in exchange for shares of our common stock. We hope this content will aid the decision-making processes of our planned Concept Sponsors, Concept Affiliates and the extended development communities we hope to serve.

DSTAGE INDEXES

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We also plan to develop a collection of proprietary indexes which track development stage activities as measured by certain groups of publicly traded companies. Our planned indexes will be comprised of a Dstage 100, Dstage Bio Index, Dstage IT Index and a Dstage Advanced Index.

The Dstage 100 will feature the top 100 public Dstage companies, as determined by our executive staff. The Dstage Bio Index will be a proprietary ranking of selected private biotechnology and life sciences firms. The Dstage IT Index will list a proprietary ranking of selected private Information Technology firms, while the Dstage Advanced Index will include proprietary rankings of selected private advanced products and materials firms.

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RESEARCH

We also plan to provide research and advice on many of the technology and development markets that we hope to serve. As with our other offerings, we hope to gain access to this research through licenses acquired in exchange for our common stock.

Should we successfully gain access to such research, we plan for our entire value chain to benefit, including Concept Affiliates, Concept Sponsors and our extended online community. Our plan calls for senior executives at client companies to utilize this research to make informed business decisions in a complex and rapidly changing Internet and technology markets.

DISTRIBUTION METHODS-SALES AND MARKETING

To date, we have attempted to build interest in our approach to venture formation by inviting parties, which the Company, our officers, Concept Affiliates, vendors and other members of our network believe can add value, to join our network. Our planned approach to venture development, along with the risks and demands it places on Concept Affiliates and Concept Sponsors, is not suited for every technology provider, professional services provider or development stage Company.

Our marketing strategy reflects our belief that the mass of resources we envision developing is of little utility without adequate controls over quality. Going forward, we hope to incorporate this personalized approach to both network development and business development through the use of indirect, interactive media, which can be used to complement personal descriptions of our business model.

Our primary means of marketing our approach to venture formation, and our network, is planned to be the efforts of our officers, our network of Concept Affiliates as it grows and word of mouth as Concept Sponsors achieve success. To direct and support this approach, our model calls for specific executives to oversee network development and business development for each major international region we seek to serve. As efforts progress, we envision further global geographic and industry penetration.

COMPETITIVE BUSINESS CONDITIONS

Nearly every business we plan to compete with is larger, more established, more experienced, better funded, and has higher brand-recognition than we do. Competition for Internet products and services is intense. As the market for B2B e-commerce grows, we expect that competition will intensify. Our plan anticipates competition coming both from existing competitors and new market entrants for various elements embodied in our planned services. These include companies that provide incubation services such as idealab! and eCompanies,

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Internet holding companies such as Internet Capital Group and CMGI, index providers such as Dow Jones and NASDAQ, research firms such as Jupiter Communications and vertical market companies such as e-Chemicals. Each of these competitors poses a threat to our business model, should we successfully launch the services we envision.

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Incubation Companies

Companies such as idealab!, SOFTBANK, and Iron Street Labs invest in the very early stages of promising Internet startups. Finding very few barriers to entry it is relatively easy to become an incubator, although those companies that aren't able to offer unique services to startups aren't likely to be successful. Full service incubators such as idealab! offer everything from office space to marketing to seed capital to business development. According to these firms, when starting a business, 90% of an entrepreneur's time and resources are typically spent raising money, finding partners, locating office space and numerous other tasks necessary when forming a company. The remaining 10% is spent on the important issues such as marketing and product development, the things that will ultimately make or break a startup in the marketplace. These firms argue that using an incubator frees up their time to concentrate on the critical matters at hand while the other essential ingredients are being skillfully taken care of.

Internet Holding Companies

There are numerous companies such as Internet Capital Group and CMGI that assist and invest in new companies. Our understanding is that CMGI concentrates on content, marketing, advertising and e-commerce. Recently, CMGI held stakes in over 60 Internet companies including AltaVista, Lycos, Vicinity and Engage Technologies. CMGI invests in companies through its Ventures funds and nurtures new companies in-house. According to published company reports, it is believed that substantial opportunities exist for companies such as these that can help conventional companies use the Internet to develop markets and implement e-commerce. ICG concentrates on two distinct types of companies: market makers and infrastructure service providers. Market makers generally operate in a specific industry, bringing together sellers and buyers for the exchange of services, information and goods. Infrastructure service providers sell services and software to companies involved in e-commerce, assisting businesses in developing business strategies to take advantage of the Internet.

Vertical Market Companies

Companies in the vertical market segment typically operate in a specific market such as auto parts, chemicals or livestock. Companies such as e-Chemicals, AgProducer Network and AUTOVIA Corporation provide distribution channels, products and services for their specific industries. e-Chemicals provides an Internet-based marketplace through which it sells a variety of industrial chemicals to businesses, eliminating the conventional distribution channels that overload customers with high administrative and transaction costs. e-Chemicals offers online support along with efficient Web-based ordering and logistics systems.

Research Firms

We believe the rapid growth of technology has led to an increase in demand for market intelligence, concerning services, markets, products and technologies.

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Most small companies do not have the resources available in-house to generate timely research on the issues and developments that are taking place daily in the information technology, life sciences and advanced materials segments. Companies such as Jupiter Communications and Forrester Research provide timely and trustworthy information analyzing consumer and market trends, the industry forecast, competitive landscape, and effective marketing and sales operations. In our opinion, these companies have extensive staff to provide research in a wide range of industries to help executives make informed business decisions.

In addition, our plan anticipates competition from service and capital providers including publicly traded Internet companies, venture capital companies, large corporations and Internet holding companies. Many of these competitors have greater financial resources and brand name recognition than we do. Although we believe our method and our brand differentiate us from our competitors, competition from these companies may limit our opportunity to hire quality entrepreneurs and other personnel to launch and support companies or to acquire interests in attractive companies brought to our attention by others. If we are unable to hire quality entrepreneurs and other personnel to launch and work at our companies, or to acquire interests in attractive companies, we may not be able to meet our objective of expanding our business model.

SOURCES AND AVAILABILITY OF RAW MATERIALS

We intend to provide services that do not require raw materials.

CUSTOMER DEPENDENCE

Our revenues for 2002 were \$4,960. As a result of these limited revenues, we have yet to develop any significant revenues and therefore we have not yet been dependent on any one customer for the majority of our revenues. As a service provider to a wide range of companies, we do not anticipate relying on any large single customer for a majority of our business in 2003 or in future periods. However, there can be no assurance that a single customer will not account for the majority of our business in any future period.

INTELLECTUAL PROPERTY

We intend to gain access to a broad range of Intellectual Property, using shares of our common stock as payment. In addition, we continue to approach certain ventures, whose continued existence is highly questionable (Reverse Incubation Candidates), and propose exchanging certain rights to their intellectual property for shares of our common stock. From time to time, we plan to register or acquire domain names that we believe may be useful to our Concept Sponsors or us in the future.

In December of 2001, we executed an expanded agreement with SunnComm, Inc. under which we received rights to a number of Copy Protection Technologies developed by SunnComm. Some of these rights contain royalty payment schedules and some do not. In exchange for the license, we issued 2,000,000 shares of our common stock in a transaction valued at \$4,000,000 for negotiating purposes. For accounting purposes, the license was recorded at a nominal value of \$2,000, and booked as an asset under the caption, "Licensed Technology".

During 2002 this agreement was modified, resulting in SunnComm returning 1,500,000 shares to our treasury. Our new management team will be reviewing this transaction and its impact on our business model and future operations during fiscal year 2003.

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In November of 2001, we agreed to issue 270,000 shares of our common stock in exchange for three licenses to deploy an interactive database of OTCBB data from DataStand Technologies, Inc. For accounting purposes, two of the licenses were recorded at a minimal value. The third license was recorded at \$0.40 per share, or \$36,000, and booked as an asset under the caption, "Licensed Technology." The licensed technology was fully impaired in September of 2002 due to lack of funding to execute on the Company's plan of sale. Our new management team will be reviewing this transaction and its impact on our business model and future operations during fiscal year 2003.

In June of 2001 we acquired an exclusive license for an e-commerce backend technology developed by Netoy.com, Inc, a company controlled by a related party. Although the transaction was negotiated for \$100,000, we recorded it at the same price used for other stock transactions entered into during the second quarter of 2001, \$1.15 per share, or \$19,167. We expensed this technology as a research and development charge in 2001. Our new management team will be reviewing this transaction and its impact on our business model and future operations during fiscal year 2003.

On August 11, 2000, we entered into an agreement with NVST.com whereby NVST.com agreed to provide a license, development, and hosting services in exchange for 107,000 common shares of the Company. The Company expenses all costs associated with acquiring technologies in developing its application until a functional prototype has been developed. As a result, we expensed \$107,000, as a research and development cost, which we believe may contribute to the online venture formation environment we have planned. In 2001, we decided that the application we had licensed would best be suited for use in an online exchange we are developing for OTCBB companies. Our new management team will be reviewing this transaction and its impact on our business model and future operations during fiscal year 2003.

On August 4, 2000, we issued 100,000 shares of our common stock, priced at \$1.00 per share for a total value of \$100,000, to Trainingscape.com, Inc. in exchange for future co-development of online training courses we believe will assist our Concept Affiliates and Concept Sponsors, discounts on speaker bureau fees and rights to resell other Trainingscape.com courses. In December of 2001 we expensed \$100,000 of the prepaid services related to our rights under this agreement, as the services had not been used within a timely manner, in accordance with our accounting policies. The \$100,000 expense was charged to research and development in 2001. Our new management team will be reviewing this transaction and its impact on our business model and future operations during fiscal year 2003.

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On March 24, 2000, we applied to register the name "DSTAGE" with the United States Patent and Trademark Office "USPTO". A non-final action was mailed on August 31, 2000 and the application was approved for publication for opposition by the examining attorney on February 16, 2001. On September 4, 2001, the application was published for opposition in the USPTO's Official Gazette. On November 27, 2001, a notice of allowance was mailed to us from the USPTO. We submitted a statement of use to the USPTO for our trademark "DSTAGE" and received a registration certificate in July 2002.

TECHNOLOGY

We plan to maintain a network of highly experienced technology professionals and organizations which dedicate a specified portion of their efforts to helping Concept Sponsors with all facets of their initial and continuing technology development initiatives, including their web development process and information systems strategies. Our plan calls for many of the Concept Sponsors we hope to

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secure to share software tools we acquired licenses to in exchange for shares of our common stock.

INVESTMENT COMPANY ACT

The Investment Company Act of 1940 provides a set of regulations for companies engaged primarily in the business of investing, reinvesting, owning, holding or trading in securities. A company may become subject to regulation under the Investment Company Act if it owns "investment securities" with a value exceeding 40% of the value of its total assets. Although we are in the business of creating, building and operating new Internet companies, we could become subject to regulation under the Investment Company Act if enough of our future interests in our affiliates are considered investment securities under the Investment Company Act. Regulations applicable to investment companies are inconsistent with our fundamental business strategy of promoting collaboration among our affiliates. In order to avoid these regulations, we may have to take actions that we would not otherwise choose to take.

CYBERSQUATTING

In 1999, Congress enacted anti-cybersquatting legislation to address the practice of domain name piracy. The legislation is designed to limit the practice of registering an Internet address of an established trademark with the hopes of selling the Internet address to the affected company. The legislation also includes a prohibition on the registration of a domain name that is the name of another living person, or a name that is confusingly similar to that name. The scope of this legislation has not been precisely defined. We, or our affiliates, may be subject to liability based on our or their use of domain names or trademarks that allegedly infringe the rights of third parties.

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TAXES

Congress enacted a three-year moratorium, which ended on October 21, 2001, on the application of "discriminatory" or "special" taxes by the states on Internet access or on products and services delivered over the Internet. Congress further declared that there will be no federal taxes on electronic commerce until the end of the moratorium. However, this moratorium does not prevent states from taxing activities or goods and services that the states would otherwise have the power to tax. Furthermore, the moratorium does not apply to certain state taxes that were in place before the moratorium was enacted.

RECENT TAX DEVELOPMENTS

A key House committee on May 4, 2000 unexpectedly approved a five-year extension of the moratorium on new taxes that target the Internet. The highly controversial measure, attacked by traditional retailers and local tax authorities, was not even expected to be taken up in 2000. But congressional leaders have pushed the legislation forward, and an approval by the full House is widely expected. Under current law, the tax moratorium would end in October 2001. The legislation approved May 4 by the House Judiciary Committee would extend the exemption until 2006.

With the projected boom in the Internet, state and local jurisdictions would lose \$8 billion in tax revenues annually by 2004, according to Forrester Research in Cambridge, Mass. Internet retailers say they are subject to the same rules applying to mail order firms, which collect sales taxes only in states in which they have operations. The current legislation would prevent states and localities from targeting Internet sales for additional taxes. As Internet sales heat up, the issue is bound to grow in importance. In 1999, consumers spent

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about \$20.3 billion online, according to Forrester. By 2004, an estimated 7% of U.S. retail sales are projected to be made using the Net, compared with roughly 2% in 2000.

PRIVACY ISSUES

Both Congress and the Federal Trade Commission are considering regulating the extent to which companies should be able to use and disclose information they obtain online from consumers. If any regulations are enacted, Internet companies may find some marketing activities restricted. Also, the European Union has directed its member nations to enact much more stringent privacy protection laws than are generally found in the United States and has threatened to prohibit the export of some personal data to United States companies if similar measures are not adopted. Such a prohibition could limit the growth of foreign markets for United States Internet companies. The Department of Commerce is negotiating with the Federal Trade Commission to provide exemptions from the European Union regulations, but the outcome of these negotiations is uncertain.

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EFFECTS OF GOVERNMENT REGULATIONS ON BUSINESS GOVERNMENT REGULATION; LEGAL UNCERTAINTIES

In the United States and most countries in which we plan to conduct our major operations, we are not currently subject to direct regulation other than pursuant to laws applicable to businesses generally. Adverse changes in the legal or regulatory environment relating to the interactive online services, venture formation and Internet industry in the United States, Europe, Japan or elsewhere could have a material adverse effect on our business, financial condition and operating results. A number of legislative and regulatory proposals from various international bodies and foreign and domestic governments in the areas of telecommunication regulation, access charges, encryption standards, content regulation, consumer protection, intellectual property, privacy, electronic commerce, and taxation, among others, are now under consideration. We are unable at this time to predict which, if any, of such proposals may be adopted and, if adopted, whether such proposals would have an adverse effect on our business, financial condition and operating results.

As Internet commerce continues to grow, the risk that federal, state or foreign agencies will adopt regulations covering issues such as user privacy, pricing, content and quality of products and services, increases. It is possible that legislation could expose companies involved in electronic commerce to liability, which could limit the growth of electronic commerce generally.

Legislation could dampen the growth in Internet usage and decrease its acceptance as a communications and commercial medium. If enacted, these laws, rules or regulations could limit the market for our services.

EFFECTS OF COMPLIANCE WITH GOVERNMENT REGULATION

We will be subject to various federal, state and local laws, rules and regulations affecting our affiliates and operations. We and each of our potential partners may be subject to various licensing regulation and reporting requirements by numerous governmental authorities which may include Internet (domestic and worldwide) oversight regulations, production, manufacturing, OSHA, securities, banking, insurance, building, land use, industrial, environmental protection, health and safety and fire agencies in the state or municipality in which each business is located.

Difficulties in obtaining or failures to obtain the necessary approvals, licenses or registrations, and unforeseen changes in government regulations

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directly affecting the Internet could delay or prevent the development or operation of a given business.

RESEARCH AND DEVELOPMENT

Our research and development process centers primarily around the development of approaches and systems, which we believe, will improve the new venture formation process. We hope to develop services and infrastructure that will provide an environment that can substantially improve a company's time-to-market and potential for success. In 2000, we issued 107,000 shares of our common stock, priced at \$1.00 per share for a total value of \$107,000, to NVST.com, Inc. As a result, we expensed \$107,000, as a research and development cost in 2000.

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On August 4, 2000, we issued 100,000 shares of our common stock, priced at \$1.00 per share for a total value of \$100,000, to Trainingscape.com, Inc. in exchange for future co-development of online training courses we believe will assist our Concept Affiliates and Concept Sponsors, discounts on speaker bureau fees and rights to resell other Trainingscape.com courses. In December of 2001, we impaired \$100,000 related to the rights granted to us under the Trainingscape agreement. In June of 2001 we acquired an exclusive license to an e-commerce backend technology developed by Netoy.com, Inc, a company controlled by a related party. Although the transaction was negotiated for \$100,000, we recorded it at the same price used for other stock transactions entered into during the second quarter of 2001, \$1.15 per share, or \$19,167. We expensed this technology as a research and development charge in 2001, since it was acquired from a related party. During 2002, we had no further developments with this process.

COMPLIANCE WITH ENVIRONMENTAL LAWS

As a provider of incubation, research, vertical marketing and market index services for development stage businesses, we do not expect any compliance issues with environmental laws.

EMPLOYEES

As of December 31, 2002, none of our executive officers or other personnel currently received cash compensation for their services. As a result, the company monitored the amount of time devoted by each executive officer and other personnel engaged as independent contractors. Part of this process involves determining how many executive officers and other personnel engaged as independent contractors have performed over 525 hours of service within a given quarter and how many have performed less than 525 hours of service within a given quarter.

As of the year ended December 31, 2002, 2 of our executive officers were determined to have performed over 525 hours of service within the quarter. At such time, 1 of these executive officers was based in Denver, Colorado and 1 was based in Massapequa, New York. Nine other personnel, including 5 executive officers, 3 directors and 1 manager, contributed less than 525 hours of service within the year.

COMPANY RISKS

Compliance

Key compliance issues include securities, tax and trade laws across multiple jurisdictions. While differences in laws from country to country strengthen our business model to the extent that our strategy exploits these differences, they also demand careful planning to insure that the attractiveness of our approach can be consistently leveraged around the globe. As most of the Company's efforts

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to date have involved US compliance issues, these items have been incorporated in much of the firm's design.

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Accountability

Accountability is an issue in any enterprise. However, our structure is such that related party transactions, potentially conflicting interests and competing objectives are inherent in almost every action taken by us. Our business model assumes that the primary means of overcoming these potential conflicts are quality and differentiation: quality people, quality resources and a quality network.

Valuation

One of the largest business risks facing us is the issue of valuation. With almost every transaction being completed for stock in Dstage.com, stock in a private venture or Concept Affiliate, interests in a licensed technology or other asset for which market prices are highly subjective, generally unpublished and dependent on the vagaries of negotiation, valuation is critical to almost every firm activity.

We Have No Revenues and We Currently Operate at a Loss.

We have generated minimal revenues to date and we are operating at a loss. We will need to raise capital through the placement of our securities or from debt or other type of equity financing. If we are not able to raise such financing or obtain alternative sources of funding, management will be required to curtail operations. There is no assurance that we will be able to continue to operate if 1 sales of our securities cannot be generated or other sources of financing located.

We Will Need Additional Financing.

Future events, including the problems, delays, expenses and difficulties frequently encountered by startup companies may lead to cost increases that could make any initial source of funds insufficient to fund our proposed operations. We will seek additional sources of capital, including an offering of our equity securities, an offering of debt securities or obtaining financing through a bank or other entity. We have not established a limit as to the amount of debt we may incur nor have we adopted a ratio of our equity to debt allowance. There is no assurance that financing will be available, from any source, or that it will be available on terms acceptable to us, or that any future offering of securities will be successful. We could suffer adverse consequences if we are unable to obtain additional capital when needed.

Our Intellectual Property May become Obsolete.

Patent review is usually a lengthy, tedious and expensive process that may take months or, perhaps, several years to complete. With the current rate of technology development and its proliferation throughout the world, those inventions may become commercially obsolete during or after the patent review. There is no assurance that our intellectual property, acquired or developed, may not become obsolete and remain commercially viable.

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We May Fail to Generate Sufficient Interest in Acquired Technologies.

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We must undertake substantial effort to educate the buying public, consumers and businesses, in the U.S. and worldwide, as to our products, services and technologies. There is no assurance that we will be able to generate interest in and to create and maintain steady demand for our products and technologies over time.

Reliance on Future Acquisitions Strategy.

We plan to rely on acquisitions as a primary component of our growth strategy. We plan to regularly engage in evaluations of potential target candidates, including evaluations relating to acquisitions that may be material in size and/or scope. There is no assurance we will continue to be able to identify potentially successful companies that provide suitable acquisition opportunities or that we will be able to acquire any such companies on favorable terms. Also, acquisitions involve a number of special risks including the diversion of management's attention, assimilation of the personnel and operations of the acquired companies, and possible loss of key employees. There is no assurance that the acquired companies will be able to successfully integrate into our existing infrastructure or to operate profitably. There is also no assurance given as to our ability to obtain adequate funding to complete any contemplated acquisition or that any such acquisition will succeed in enhancing our business and will not ultimately have an adverse effect on our business and operations.

Loss of Our New Directors May Adversely Affect Growth Objectives.

Our success in achieving its growth objectives depends upon the efforts of our new directors. Their experience and industry-wide contacts should significantly benefit us. The loss of the services of any of these individuals may have a material adverse effect on our business, financial condition and results of operations. There is no assurance we will be able to maintain and achieve our growth objectives should we lose any or all of these individuals' services.

Issuance of Future Shares May Dilute Investors Share Value

Our Certificate of Incorporation authorizes the issuance of 50,000,000 shares of common stock. The future issuance of all or part of the remaining authorized common or preferred stock may result in substantial dilution in the percentage of the Company's common stock held by the its then existing shareholders. Moreover, any common stock issued in the future may be valued on an arbitrary basis by us. The issuance of our shares for future services or acquisitions or other corporate actions may have the effect of diluting the value of the shares held by investors, and might have an adverse effect on any trading market for our common stock.

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Penny Stock Regulation

Our common stock is deemed to be a penny stock. Penny stocks generally are equity securities with a price of less than \$5.00 per share other than securities registered on certain national securities exchanges or quoted on the NASDAQ Stock Market, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system.

Our securities may be subject to "penny stock rules" that impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the

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purchase of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the "penny stock rules" require the delivery, prior to the transaction, of a disclosure schedule prescribed by the Commission relating to the penny stock market.

The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information on the limited market in penny stocks.

Consequently, the "penny stock rules" may restrict the ability of broker-dealers to sell our securities. The foregoing required penny stock restrictions will not apply to our securities if such securities maintain a market price of \$5.00 or greater. Considering our stock currently has a bid price of 1.2 cents, there can be no assurance that the price of our securities will ever reach or maintain such a level.

REPORTS TO SECURITY HOLDERS

The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1- 800-SEC-0330.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. This information, once we complete our filing, will be available at <http://www.sec.gov>. Links to such information are also available on our web site at www.dstage.com.

ITEM 2. DESCRIPTION OF PROPERTIES

Our corporate headquarters are located at 1000 Ortega Way, Suite C, Placentia, California 92870. We plan to move our corporate headquarters to San Marcos, California during the third quarter of 2003. Our original headquarters were located at 1600 Broadway, Suite 2400, Denver, Colorado 80202. Our lease at this location expired on June 30, 2001 and we did not renew it. Instead, we rented the facility on a month to month basis through November of 2002.

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In November 2002, the corporate headquarters were relocated to Rhode Island. In March 2003, we decided to relocate our headquarters to Southern California following our recent change in management. Our new phone number is 909-471-2898.

ITEM 3. LEGAL PROCEEDINGS

As of the date hereof, Dstage.com is not a party to any legal proceedings, and none are known to be contemplated against the Company. We received inquiries and letter of comments from the Securities and Exchange Commission during 2002 relating to accounting issues and other activities not directly involving our company. No adverse outcome resulted from those communications nor was a restatement of any prior accounting periods required by the Commission

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

No matters were submitted to a vote of security holders during the fiscal year ended December 31, 2002.

PART 2

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ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Although the Company's common stock is quoted on the Over-the-Counter Bulletin Board (OTCBB) under the symbol "DSTG" of the National Association of Securities Dealers, Inc. (the "NASD"), there is currently no established market for such shares; and there can be no assurance that any such market will ever develop or be maintained. Any market price for shares of common stock of the Company is likely to be very volatile, and numerous factors beyond the control of the Company may have a significant effect. In addition, the over the counter stock markets generally have experienced, and continue to experience, extreme price and volume fluctuations that have often been unrelated to the operating performance of companies listed on such exchanges. These broad market fluctuations, as well as general economic and political conditions, may adversely affect the market price of the Company's common stock in any market that may develop. Sales of "restricted securities" under Rule 144 may also have an adverse effect on any market that may develop. See the caption "Sales of Unregistered Securities"

Stock Performance

The following table reflects the high and low bid, ask and sales price per share of Common Stock as quoted from the OTCBB transactions for each period indicated.

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Year Ended	Bid	Bid	Ask	Ask	Close	Price
December 31, 2002	High	Low	High	Low	High	Low
First Quarter	1.30	0.36	1.30	0.55	1.30	0.36
Second Quarter	0.55	0.25	0.88	0.25	0.55	0.25
Third Quarter	1.03	0.13	1.10	0.15	1.06	0.15
Fourth Quarter	0.17	0.02	0.17	0.02	0.17	0.02

On March 31, 2003, there were 103 holders of record of our Common Stock. However, we estimate there are 2,287 beneficial owners of our Common Stock. As of March 31, 2003 a bid share of our Common Stock was \$0.015 on the OTCBB. OTCBB quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commissions and may not represent actual transactions. As of March 31, 2003, there were 16,271,601 shares of Common Stock outstanding, including 2,400,000 shares held in the treasury.

We have never declared or paid cash dividends on our Common Stock. We currently intend to retain cash earnings, if any, to support expansion, and do not anticipate paying any cash dividends for the foreseeable future. Should we ever produce sufficient earnings as a result of gains in securities of Concept Affiliates we develop, our Board of Directors, after taking into account our earnings, capital requirements, financial condition and other factors, has the discretion to distribute such securities to our shareholders as property dividends.

SALE OF UNREGISTERED SECURITIES

The sale and issuance of securities in the transactions described below were exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering,

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where the purchasers were accredited or sophisticated investors who represented their intention to acquire securities for investment only and not with a view to distribution and received or had access to adequate information about the Company, in reliance on exemptions available under Regulation D or in reliance on Rule 701 promulgated under the Securities Act.

Date	Person(s) Receiving Shares	Number of Shares	Description
10/29/99	BulletProof Business Plans, Inc	250,000	Issued for \$5,000 cash. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.
10/29/99	BulletProof Business Plans, Inc.	500,000	Issued for \$10,000 cash. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.
10/30/99	BulletProof Business Plans, Inc.	363,288	Issued as consideration for reimbursement of expenses in the amount of \$7,266 paid on behalf of the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

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11/22/99	BulletProof Business Plans, Inc.	229,217	Issued as consideration for reimbursement of expenses paid in the amount of \$4,584 on behalf of the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.
11/22/99	BulletProof Business Plans, Inc.	250,000	Issued as consideration for convertible notes payable. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.
11/29/99	H. Chen	250,000	Issued as consideration for services rendered to the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933 as amended.
11/29/99	K. LaPoure	250,000	Issued as consideration for services rendered to the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.
11/29/99	L. Xie	250,000	Issued as consideration for services rendered to the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.
11/29/99	Stacie Perrault	100,000	Issued as consideration for services rendered to the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.
11/29/99	S. Perrault	500,000	Issued as consideration for services rendered to the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.
11/29/99	S. Perrault	500,000	Issued as consideration for services rendered to the Company. Shares issued are

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exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

11/29/99 S. Perrault 500,000 Issued as consideration for services rendered to the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended. As amended.

11/29/99 Workforce International LLC. 250,000 Issued as consideration for consulting services rendered to the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

12/27/99 BulletProof Business Plans, Inc. 42,064 Issued as consideration for reimbursement of expenses in the amount of \$841 paid on behalf of the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

12/27/99 BulletProof Business Plans, Inc. 200,000 Issued as consideration for reimbursement of expenses in the amount of \$4,000 paid on behalf of the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

6/17/00 Various Parties 10,835 We received \$10,835 in cash from an 8/11/00 Regulation D, 504 private placement offering that we underwent between June 17, 2000 and August 11, 2000.

6/17/00 Outside Vendors 195,000 Issued as consideration for prepaid services to the Company. Shares issued are exempt under Regulation D, 504 private placement offering that we underwent between June 17, 2000 and August 11, 2000. The services for which we issued shares include consulting, SEC compliance, development and marketing.

6/17/00 Various Parties 4,630 Issued as consideration for reimbursement 8/11/00 of expenses in the amount of \$4,630 paid on behalf of the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

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8/1/00 GoTo-MD, Inc. 50,000 Issued as consideration with the Investment of GOTO-MD, Inc. Shares issued are exempt under Regulation D, 504 private placement offering that we underwent between June 17, 2000 and August 11, 2000.

8/2/00 BulletProof Business Plans, Inc. 15,000 Issued for \$15,000 cash. Issued as consideration for convertible notes payable. Shares issued are exempt under Regulation D offering that we underwent between June 17, 2000 and August 11, 2000.

8/8/00 AmeriBank Card Services 10,000 Issued as consideration in connection with the Investment of AmeriBank Card Services, Inc. Shares issued are exempt under Regulation D 504 private placement offering that we underwent between June 17, 2000 and August 11, 2000.

8/11/00 NVST.com, Inc. 107,000 Issued as consideration in connection for prepaid services to the Company. Shares issued are exempt under Regulation D, 504 private placement offering that we underwent between June 17, 2000 and August 11, 2000.

9/25/00 GoTo-MD, Inc 650,000 Issued as

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consideration in connection with the Investment of GOTO-MD, Inc. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

1/01/00 Various Executive Officers 89,000 Issued as deferred compensation to executive officers, directors and controlling parties. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

1/31/01 Frank Maresca 1,248 Issued as consideration for reimbursement of expenses paid on behalf of the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933 as amended.

1/1/01 John F. Bronzo. 11,111 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

1/1/01 Laura J. Bronzo. 11,111 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

1/2/01 Alex Handel. 11,111 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

1/6/01 Peter Bianchi. 6,667 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

2/2/01 Gail McGrath 11,111 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

2/20/01 Laura Pinsky 2,222 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

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2/22/01 John Sable 11,111 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

2/22/01 John Gadeken 11,111 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

2/20/01 Sagacorp, Inc. 15,000 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933 as amended.

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2/27/01 Jeffrey Gill 11,111 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

3/2/01 Richard Johnson. 6,667 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933 as amended.

3/12/01 John Chatburn. 11,111 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

3/12/01 John Chatburn. 40,000 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

3/28/01 David Baird. 2,000 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

6/3/01 Eagle Consulting Group, Inc. 41,667 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

6/12/01 Eagle Consulting Group, Inc. 10,000 Issued as consideration for services to be considered to be restricted pursuant to Rule 144 under the Securities Act of 1933 as amended.

6/27/01 Zucker - Staub, Ltd. 1,250 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

6/27/01 Dynamic Plan Applications 51,500 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

6/28/01 Bentley House Furniture 1,000,000 Issued as consideration for a 49 year Company lease of property and equipment Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

6/30/01 2Animate, Inc. 16,857 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933 as amended.

6/30/01 Netoy, Inc. 16,667 Issued as consideration for technology license granted to the Company. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

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7/2/01 Gilbert Serrano 15,000 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

8/2/01 Governetz Limited. 3,500 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

8/6/01 US Consults. 13,333 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

8/8/01 ISPEX.com, Inc. 329,300 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

8/23/01 Trinity Financial Services 7,500 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

8/23/01 Bronco Mountain Enterprises. 68,250 Issued as consideration for services to be rendered to the Company in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933 as amended.

9/12/01 Family Assets, Inc. 500,000 Issued as consideration for services to be rendered to future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

9/18/01 Glenn C. Faust 17,333 Issued as consideration for services to be rendered to the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

9/18/01 Penny King Holdings Corp. 108,333 Issued as consideration for services to be rendered to the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

10/4/01 George Ulrich 97,500 Issued as consideration for services to be rendered to the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

10/8/01 Jim Weeks 17,333 Issued as consideration for services to be rendered to the Comp in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

11/2/01 DataStand 270,000 Issued as consideration for technology licenses granted to the C Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

12/31/01 SunnComm, Inc. 2,000,000 Issued as consideration for technology license granted to the issued are exempt and

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are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

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1/14/2002 Jane Olmstead 50,000 Issued as consideration for services to be considered to be restricted pursuant to Rule 144 under the Securities Act of 1933 as amended.

2/4/02 Peter Geoly 32,500 Issued as consideration for services to be considered to be restricted pursuant to Rule 144 under the Securities Act of 1933 as amended.

5/12/02 VedaLabs, Inc. 3,000,000 Issued as consideration for technology license granted to the issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

7/15/2002 Jane Olmstead 25,000 Issued as consideration for services to be considered to be restricted pursuant to Rule 144 under the Securities Act of 1933 as amended.

11/4/2002 Rounsevelle W. Schaum 500,000 Issued as consideration for services to be rendered to the Comp in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

12/13/2002 Shirlee Gordon 250,000 Issued as consideration for services to be rendered to the Comp in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

12/13/2002 Tiffany Gordon 50,000 Issued as consideration for services to be rendered to the Comp in the future. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

12/13/2002 Rounsevelle W. Schaum 300,000 Issued as consideration for office rent and phones in Rhode Island. Shares issued are exempt and are considered to be restricted pursuant to Rule 144 under the Securities Act of 1933, as amended.

ITEM 6. - MANAGEMENT'S DISCUSSION AND ANALYSIS

The matters discussed in this report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. These forward-looking statements include but are not limited to statements concerning our business outlook or future economic performance; anticipated profitability, revenues, expenses or other financial items; and statements concerning assumptions made or exceptions as to any future events, conditions, performance or other matters which are "forward-looking statements" as that term is defined under the Federal Securities Laws. All statements, other than historical financial information, may be deemed to be forward-looking statements. The words "believes", "plans", "anticipates", "expects", and similar expressions herein are intended to identify forward-looking statements. Forward-looking statements are subject to risks, uncertainties, and other factors, which would cause actual results to differ materially from those stated in such statements. Forward-looking statements include, but are not limited to, those discussed in "Factors That May Affect Future Results," and elsewhere in this report, and the

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risks discussed in the Company's other SEC filings.

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CRITICAL ACCOUNTING POLICIES

The Company has defined a critical accounting policy as one that is both important to the portrayal of the Company's financial condition and results of operations and requires the management of the Company to make difficult, subjective or complex judgments. Estimates and assumptions about future events and their effects cannot be perceived with certainty. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments.

These estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes.

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results.

In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult, subjective, and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Acquired Technology and Intangible Assets

Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), establishes accounting and reporting standards for recording, valuing and impairing goodwill and other intangible assets. The adoption of SFAS 142 did not have an impact on the Company's financial condition or results of operations for December 31, 2002. However, as the Company's business model is heavily dependent on acquiring intangible assets, this pronouncement is expected to have a material impact on the Company's financial condition and results of operations in future periods, should the Company survive as an ongoing concern.

Deferred Compensation

The Company has negotiated contracts to grant common stock in exchange for future (prepaid) services with various other companies and individuals. Where the other companies are independent or have minimal common stock ownership in the Company, those prepaid expenses have been presented in the accompanying balance sheet as an asset. Where the other companies or individuals have significant stock ownership or are functioning as, or similar to, employees, officers or directors, such prepaid services have been presented on the balance sheet as deferred compensation and a reduction to total equity.

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It is Company policy to expense those items which have been unused after the contractual period or after one year, if not used. Other prepaid expenses where services are being used are amortized over the life of the contract.

As of December 31, 2002, all deferred compensation had been expensed.

Going Concern Uncertainties

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. However, the Company has experienced recurring operating losses and negative cash flows from operations. The Company's continued existence is dependent upon its ability to increase operating revenues and/or obtain additional equity financing. Dstage has relied on BulletProof Business Plans to provide cash infusions when necessary through September of 2002. However, as a result of the Camelot Investment banking agreement, Dstage will no longer be able to rely on BulletProof as a meaningful source of cash infusions in the future.

In view of these matters, the Company has undergone a series of negotiations to obtain additional equity financing to enable it to achieve its strategic objectives. The Company has reached an agreement with Eagle Consulting Group, Inc., a Nevada corporation ("Eagle"), which it expects to finalize during the second quarter of 2003, to provide equity financing. While Eagle has advanced the Company a limited amount of funds in 2003, it appears unlikely that such funding will be enough to meet all of the Company's cash requirements in 2003 and beyond. As a result, the Company must find additional sources of financing in order to remain a going concern in the future. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Revenue Recognition

Revenue consists of professional services. Revenues for services are recognized when the services are rendered. The amounts of such revenues are recorded based on the value of compensation received for the services. In the Company's current operations, compensation to the Company has consisted of stock in start up companies to whom the services were rendered.

Impairment of Long-Lived Assets

The Company adheres to the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). The Company reviews the carrying value of its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through undiscounted net cash flows. Impairment is calculated based on fair value of the asset, generally using net discounted cash flows. Any long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less estimated costs to sell.

OVERVIEW

Dstage.com, Inc., a Delaware corporation (the "Company") was incorporated on October 12, 1999 to provide support, organization and restructuring services to development stage companies. For the period October 12, 1999 (Inception) to December 31, 2002, the Company has been in the development stage. The Company's

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activities since inception have consisted of developing the business plan, raising capital, business plan implementation, recruiting a management team and entering into new ventures and alliances with affiliates.

From inception to December 31, 2002, the Company has had minimal revenues of \$58,568 and has expensed operating costs in the amount of \$5,934,681. The Company has nominal cash resources and has been largely dependent on the direct financial support from its founding stockholder and revenue to pay for cash expenditures. In addition, the Company has been dependent on contributed time from its officers and directors and contributed services from certain key vendors. As a result of an investment banking contract entered into between the Company and the Camelot Group, the Company will no longer receive continuing cash investment from its founding stockholder. This loss of financial support, along with the failure of the Camelot Group to provide funding as called for in the investment banking agreement has had a detrimental effect on the Company. There can be no assurance that the Company will recover from these events.

The Company earned nominal revenues in 2002. To survive, the Company must obtain external financing. There can be no assurance that such revenues and or financing will be successfully obtained.

OPERATING PHILOSOPHY

In the summer of 1999, our founders agreed that culminating trends in venture development, venture funding and intellectual capital creation would result in a precipitous drop in valuations for thousands of technology driven companies worldwide.

This shared perspective caused our team to devise a new model for venture creation and growth. Our model attempts to substantially remove cash requirements from the earliest stages of venture formation and replace it with knowledge, expertise, technology and time contributed by various parties, applied directly to prospective startups. By building a universe of service and technology providers across as many disciplines and domains as achievable, using Dstage.com common stock as payment, we plan to offer advice and resources to entrepreneurs looking to launch novel products and ventures worldwide.

Using our common stock as payment, we have attempted to license a critical mass of intellectual property, knowledge, expertise, software, applications, patents, content and a host of other resources needed by development stage enterprises since our inception.

We intend to allow certain startup ventures (Concept Sponsors) screened by our network to request access to appropriate resources we hold in exchange for interests in their nascent ventures. To the best of our knowledge, our model is new, risky and unproven. However, we believe it stands to potentially deliver

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benefits to entrepreneurs, technology providers, professional service providers, early stage investors, and later stage investors in many countries to the degree that the model effectively reduces barriers to developing new ventures and launching new products. We hope that by pursuing this model, Dstage.com will become the leading source for expert support, creation, and restructuring of development stage companies across the globe.

We generated minimal revenues of \$4,960 for the year ended December 31, 2002. These revenues were the result of our current consulting agreements with US Consults, U.S. Telemetry and others. The percentage decrease in revenue, from \$53,500 for the year ended December 31, 2001 compared to \$4,960 for the year ended December 31, 2002, is substantial. This is largely due to a single

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consulting engagement in the second quarter 2001. The total dollar amount of revenue in both periods is comparably low.

During 2002 we also continued to provide services in connection with projects under the US Consults Strategic alliance executed in January of 2002. These services are provided on a contingency basis, meaning that no revenue or cash will be realized until certain predetermined outcomes have materialized for US Consults clients. If such outcomes do materialize, we anticipate substantial lags between the contingent events occurring and our receipt of cash payments. Accordingly, there can be no assurances that these services will produce revenue for us.

The business model we are pursuing anticipates most of our services being paid for with stock and certain services being paid for with cash. The ultimate balance we realize between sales settled with cash and sales settled with stock, if any future sales are realized, will have a material impact on our results of operations, operating cash flow, and the degree to which our earnings, revenues and costs fluctuate from period to period. This is due in part to the complexities of transactions settled in equity. This complexity is increased by our focus on early stage companies, whose securities are privately held, thinly traded, or quoted on mediums that make valuation highly subjective.

To address these complexities, our accounting policies may require us to record services issued in exchange for stock in early stage companies at a nominal value, or no value at all, since the stock issued generally has no readily determinable value. As a result, the extent to which we accept stock in exchange for services and technology we render to privately held, early stage clients will directly impact our future results.

In 2003, we intend to pursue opportunities to deliver services to such clients in exchange for cash, stock and a combination of stock and cash. It is anticipated that these agreements will typically involve a variety of contracting methodologies, including, but not limited to, performance based compensation for services rendered, fixed sum, guaranteed maximum price, and time and materials. Similarly, it is expected that an hourly rate will be used to track contract progress. Professional services under all types of agreements except those involving contingent consideration are recognized as the services are performed.

Another important consideration regarding the balance between services paid for in cash and services settled in the client's stock is our ability to cover operating expenses we are required to settle in cash.

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Our primary business focus has not been on generating immediate revenue. Instead, our focus has been on acquiring equity interests in promising companies we believe will create capital appreciation for our shareholders. Despite this focus, operating activities that result in cash revenue play an important role in our ability to meet cash requirements. This is especially true to the degree that we do not successfully secure external cash financing to satisfy expenses we cannot satisfy using our common stock. Our new management team will be exploring new opportunities that could result in generating cash revenues during 2003.

Further described below are our critical accounting policies as they relate to our results of operations and financial condition in the preparation of our financial statements.

PREPAID SERVICES

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The Company has negotiated contracts to grant common stock in exchange for future (prepaid) services with various other companies and individuals. Where the other companies are independent or have minimal common stock ownership in the Company, those prepaid expenses have been presented in the accompanying balance sheet as an asset. Where the other companies or individuals have significant stock ownership or are functioning as, or similar to, employees, officers or directors, such prepaid services have been presented on the balance sheet as deferred compensation and a reduction to total equity.

It is Company policy to expense those items that have been unused after the contractual period or after one year, if not used. Other prepaid expenses