

Edgar Filing: FUEL CENTERS INC - Form 10QSB

FUEL CENTERS INC  
Form 10QSB  
November 19, 2002

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

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2002

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-33321

Fuel Centers, Inc.  
-----

(Exact name of small business issuer as specified in its charter)

Nevada  
-----

33-0967648  
-----

(State or other jurisdiction of  
incorporation or organization)

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

9323 Vista Serena, Cypress, California 90630  
-----

(Address of principal executive offices)

(714) 220.1806  
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(Issuer's Telephone Number)

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date. As of November 19, 2002, there were 12,550,450 shares of the issuer's \$.001 par value common stock issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements  
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FUEL CENTERS, INC.

BALANCE SHEET

SEPTEMBER 30, 2002

(UNAUDITED)

ASSETS  
-----

|                                |              |
|--------------------------------|--------------|
| Current assets                 |              |
| Cash                           | \$ 231       |
| Prepaid expenses               | 7,880        |
| Interest receivable            | 41,753       |
| 8% convertible note receivable | 2,000,000    |
|                                | -----        |
| Total current assets           | 2,049,864    |
| Other assets                   | ---          |
|                                | -----        |
| Total assets                   | \$ 2,049,864 |
|                                | =====        |

LIABILITIES AND STOCKHOLDERS' DEFICIT  
-----

|  |           |
|--|-----------|
| Current liabilities                        |           |
| Accounts payable and accrued expenses      | \$ 71,709 |
|  | -----     |
| Total current liabilities                  | 71,709    |
| 8% convertible notes payable               | 2,041,000 |
| Stockholders' Deficit                      |           |
| Preferred stock, \$.001 par value;         |           |
| Authorized shares-- 5,000,000              |           |
| Issued and outstanding share-- 0           | ---       |
| Common stock, \$.001 par value;            |           |
| Authorized shares-- 50,000,000             |           |
| Issued and outstanding shares-- 12,550,450 | 6,005     |
| Additional paid-in capital                 | 39,343    |
| Accumulated deficit                        | (108,193) |
|  | -----     |
| Total stockholders' deficit                | (62,845)  |

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|   |              |
|---|--------------|
|   | -----        |
| Total liabilities and stockholders' deficit | \$ 2,049,864 |
|   | =====        |

See accompanying notes to financial statements.

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FUEL CENTERS, INC.  
STATEMENT OF OPERATIONS  
(UNAUDITED)

|   | THREE MONTHS ENDED SEPTEMBER 30, |            | NINE M     |
|---|----------------------------------|------------|------------|
|   | 2002                             | 2001       | 200        |
| Net revenues  | \$ ---                           | \$ ---     | \$ ---     |
| Operating expenses  |                                  |            |            |
| Consulting services   | 18                               | ---        | ---        |
| Legal and professional fees   | 57,539                           | 4,683      | 7,000      |
| Occupancy   | 605                              | 605        | ---        |
| Office supplies and expense   | 75                               | 945        | ---        |
|   | -----                            | -----      | -----      |
| Total operating expenses  | 58,237                           | 6,233      | 8,000      |
| Other income/(expense)  |                                  |            |            |
| Interest income   | 40,000                           | ---        | 4,000      |
| Interest expense  | (40,820)                         | ---        | (4,000)    |
|   | -----                            | -----      | -----      |
| Total other income/(expense)  | (820)                            | ---        | ---        |
|   | -----                            | -----      | -----      |
| Loss from operations  | (59,057)                         | (6,233)    | (8,000)    |
| Provision for income tax expense<br>(benefit)                         | ---                              | ---        | ---        |
|   | -----                            | -----      | -----      |
| Net loss/comprehensive loss   | \$ (59,057)                      | \$ (6,233) | \$ (8,000) |
|   | =====                            | =====      | =====      |
| Net loss/comprehensive loss per common<br>share --- basic and diluted | \$ ---                           | \$ ---     | \$ ---     |

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|  |            |           |       |
|--|------------|-----------|-------|
|  | =====      | =====     | ===== |
| Weighted average of common shares ---<br>basic and diluted | 12,550,450 | 6,005,000 | 8,35  |
|  | =====      | =====     | ===== |

See accompanying notes to financial statements.

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FUEL CENTERS, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT

APRIL 9, 2001 (INCEPTION) THROUGH SEPTEMBER 30, 2002

(UNAUDITED)

|   | Common Stock |        | Additional         | Accumulated |
|---|--------------|--------|--------------------|-------------|
|   | Shares       | Amount | Paid-In<br>Capital | Deficit     |
|   | -----        | -----  | -----              | -----       |
| Balance, April 9, 2001                            | ---          | \$ --- | \$ ---             | \$ ---      |
| Issuance of common stock,<br>April 10, 2001       | 5,050,000    | 5,050  | ---                | ---         |
| Issuance of common stock,<br>June 17, 2001        | 25,000       | 25     | 475                | ---         |
| Issuance of common stock,<br>June 28, 2001        | 930,000      | 930    | 17,670             | ---         |
| Cost of occupancy<br>contributed by officer       | ---          | ---    | 1,755              | ---         |
| Cost of legal fees<br>contributed by officer      | ---          | ---    | 4,664              | ---         |
| Net loss/comprehensive loss                       | ---          | ---    | ---                | (20,467)    |
|   | -----        | -----  | -----              | -----       |
| Balance, December 31, 2001                        | 6,005,000    | 6,005  | 24,564             | (20,467)    |
|   | -----        | -----  | -----              | -----       |
| Cost of occupancy<br>contributed by officer       | ---          | ---    | 1,815              | ---         |
| Cost of office supplies<br>contributed by officer | ---          | ---    | 35                 | ---         |
| Cost of legal fees<br>contributed by officer      | ---          | ---    | 12,929             | ---         |

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|  |           |          |           |              |
|--|-----------|----------|-----------|--------------|
| Issuance of 2.09:1 forward<br>common stock split,<br>June 24, 2002 | 6,545,450 | ---      | ---       | ---          |
| Net loss/comprehensive loss  | ---       | ---      | ---       | (87,726)     |
| Balance, September 30, 2002  | 6,005,000 | \$ 6,005 | \$ 39,343 | \$ (108,193) |

See accompanying notes to financial statements.

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FUEL CENTERS, INC.  
STATEMENT OF CASH FLOWS  
SEPTEMBER 30, 2002  
(UNAUDITED)

|   | NINE MONTHS ENDED SEPTEMBER 30, |             |
|---|---------------------------------|-------------|
|   | 2002                            | 2001        |
| Cash flows from operating activities  |                                 |             |
| Net loss  | \$ (87,726)                     | \$ (19,160) |
| Adjustments to reconcile net loss to net cash used in<br>operating activities |                                 |             |
| Cost of consulting services paid with common stock                            | ---                             | 3,550       |
| Cost of legal services paid with common stock                                 | ---                             | 1,500       |
| Occupancy cost contributed by officer   | 1,815                           | 1,150       |
| Computer expense contributed by officer                                       | 35                              | --          |
| Legal expense contributed by officer  | 12,929                          | --          |
| Changes in operating assets and liabilities                                   |                                 |             |
| (Increase) in prepaid expenses  | (7,880)                         | --          |
| (Increase) in interest receivable   | (41,753)                        | --          |
| Increase in accounts payable and accrued expenses                             | 26,565                          | --          |
| Increase in interest payable  | 42,609                          | 1,030       |
| Net cash used by operating activities   | (53,406)                        | (11,930)    |
| Cash flows from investing activities  |                                 |             |
| Payment in exchange of 8% convertible note receivable                         | (2,000,000)                     | --          |

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|  |             |         |
|--|-------------|---------|
|  | -----       | -----   |
| Net cash used by investing activities                  | (2,000,000) | --      |
| Cash flows from financing activities                   |             |         |
| Proceeds from issuance of 8% convertible notes payable | 2,041,000   | --      |
| Proceeds from issuance of common stock                 | ---         | 19,10   |
|  | -----       | -----   |
| Net cash provided by financing activities              | 2,041,000   | 19,10   |
| Net increase (decrease) in cash                        | (12,406)    | 7,17    |
| Cash, beginning of period                              | 12,637      | --      |
|  | -----       | -----   |
| Cash, end of period                                    | \$ 231      | \$ 7,17 |
|  | =====       | =====   |
| Supplemental disclosure of cash flow information       |             |         |
| Income taxes paid                                      | \$ ---      | \$ --   |
|  | =====       | =====   |
| Interest paid  | \$ 1,789    | \$ --   |
|  | =====       | =====   |

See accompanying notes to financial statements.

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FUEL CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

(UNAUDITED)

NOTE 1 - NATURE OF OPERATIONS

Fuel Centers, Inc. (the "Company") is a business consulting firm that specializes in strategy and development of high-volume, multi-revenue source, and retail fuel service stations for the oil and petroleum industry. The Company was incorporated in the state of Nevada on April 9, 2001 and is headquartered in Cypress, California.

NOTE 2 - BASIS OF PRESENTATION

The unaudited financial statements included herein have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2002 are not necessarily indicative of the results that may be expected for

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the years ended December 31, 2002 and 2001. For further information, these financial statements and the related notes should be read in conjunction with the Company's audited financial statements for the period ended December 31, 2001 included in the Company's annual report on Form 10-KSB.

### NOTE 3 - COMMON STOCK

On April 10, 2001, the Company issued 3,550,000 shares of its common stock to an officer and founder for consulting services and 1,500,000 shares of its common stock to various individuals for legal services rendered in connection with the initial organization costs incurred. Since there was no readily available market value at the time the services were rendered, par value of \$0.001 per share was considered as a reasonable estimate of fair value by all parties. These amounts are shown in the accompanying statement of operations for the period April 9, 2001 (inception) through June 30, 2001 and the consulting services performed by the officer and founder are considered additional contributions of capital by the Company.

On June 30, 2001, the Company completed a "best efforts" offering of its common stock pursuant to the provisions of Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D promulgated by the Securities and Exchange Commission. In accordance with the Private Placement Memorandum Offering, which was initiated on June 11, 2001, the Company issued 955,000 shares of its common stock at \$0.02 per share for a total of \$19,100 from June 17th - June 30th 2001.

On June 17, 2002, the Company's board of directors declared a two and nine hundredths to one (2.09:1) forward stock split to the stockholders of record as of June 21, 2002. The stock dividend was paid on June 24, 2002 and resulted in an increase of the Company's issued and outstanding common stock to 12,550,450 shares.

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FUEL CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

(UNAUDITED)

### NOTE 4 - RELATED PARTY TRANSACTIONS

On April 10, 2001, the Company issued 3,550,000 shares of its common stock to a current officer for services as described in Note 3.

The Company occupies office space provided by its officer. Accordingly, occupancy costs have been allocated to the Company based on the square foot percentage assumed multiplied by the officer's total monthly costs. These amounts are shown in the accompanying statements of operations for the three and six months ended September 30, 2002 and 2001 and are considered additional contributions of capital by the officer and the Company.

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### NOTE 5 - LETTER OF INTENT

On June 26, 2002, the Company entered into a Letter of Intent to acquire all of the outstanding common stock of Linsang Manufacturing, Inc., a Delaware corporation, ("LMI") in a tax-free reverse merger in exchange for 12,500,000 shares of common stock of the Company. The Letter of Intent is not legally binding on either party and the transaction will not close until a definitive agreement is reached; a private placement of the Company's common stock is completed; due diligence has been completed by both parties; and, LMI has fulfilled certain other contractual conditions.

### NOTE 6 - 8% CONVERTIBLE NOTE RECEIVABLE

On June 26, 2002, the Company received a note from a Linsang Manufacturing, Inc., a Delaware corporation, ("LMI") for cash in the amount of \$2,000,000. Per the terms of the note, the principal is due and payable on October 15, 2002 together with interest at the annual rate of 8% and is personally guaranteed by the chairman of the board of directors of LMI. If payment in full is not received by the due date, the Company maintains the right to convert its note into 800,000 shares of common stock of LMI at a per-share price of \$2.50 through November 15, 2002.

### NOTE 7 - 8% CONVERTIBLE NOTES PAYABLE

On June 26, 2002, the Company received proceeds of \$1,000,000 and \$1,041,000, or \$2,041,000 in the aggregate, for issuance of two (2) convertible notes payable to third party investors. Pursuant to the terms of the notes, the principal is due and payable on July 1, 2003 together with interest at the rate of 8% per year. The notes also contain automatic and voluntary conversion features that will provide the holders with "conversion units" equivalent to 2,000 shares of the Company's common stock plus a warrant to purchase up to 1,667 additional shares of common stock should the Company receive future financing. The total number of conversion units to the holders is to be determined by the dollar amount of additional financing secured by the Company of not less than \$3,000,000 divided by the conversion unit price of \$5.00 per unit.

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### Item 2. Plan of Operation

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This following information specifies certain forward-looking statements of management of the company. Forward-looking statements are statements that estimate the happening of future events and are not based on historical fact. Forward-looking statements may be identified by the use of forward-looking terminology, such as "may", "shall", "will", "could", "expect", "estimate", "anticipate", "predict", "probable", "possible", "should", "continue", or similar terms, variations of those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and



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considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.

The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. We cannot guaranty that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.

We are a new business that has not generated any revenues to date. Our current business is to offer a full range of business consulting services in the retail automobile fueling industry. Our plan has been to offer advice and assistance on issues of business strategy and development of high-volume, multi-revenue source, retail automobile fueling centers or "Superstations". Superstations typically include retail fueling facilities, quick service restaurants, car wash facilities and a convenience store. We intended to provide services to owners of existing fueling stations who desire to convert their facilities into a Superstation, as well as to parties who are not currently engaged in the retail sale of motor fuel but wish to establish fueling facilities. We anticipated that a majority of our revenue would be derived from fees paid by clients for our advice, services and business development products.

On June 26, 2002, we entered into a Letter of Intent with Linsang Manufacturing, Inc., a Delaware corporation ("LMI") and certain of its shareholders wherein we would acquire LMI in exchange for shares of our common stock, and as part of the same transaction we would conduct a private placement of our equity securities, and LMI would acquire contracts other business entities that would bring a certain net value in revenues. As of November 19 2002, we expect that we will not acquire LMI, and as such, we are no longer negotiating a definitive agreement with LMI. We intend to terminate the letter of intent and unwind the bridge financing transactions which resulted in our notes payable of \$2,041,000 and note receivable of \$2,000,000. We anticipate that we will be able to unwind these transactions in the next month.

Liquidity and Capital Resources. We had cash of \$321 as of September 30, 2002. Our total current assets as of September 30, 2002 were \$2,049,864, of which \$7,880 was represented by prepaid expenses, \$41,753 was represented by interest receivable, and \$2,000,000 was represented by an 8% convertible note receivable. Our total assets were \$2,049,864 as of September 30, 2002. We have no other property or assets. Our total current liabilities were \$71,709 as of September 30, 2002, which was represented by accounts payable and accrued expenses. We also had \$2,041,000 which was represented by 8% convertible notes payable. As of September 30, 2002, we had no other commitments or contingencies.

Results of Operations.  
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Revenues. For the nine month period ending September 30, 2002, we realized no revenues from providing consulting services. We do not believe we will complete the acquisition of LMI, and therefore we will attempt to generate revenues by engaging clients to utilize our consulting services.

Operating Expenses. For nine month period ending September 30, 2002, our total operating expenses were \$86,870. Those expenses were represented by \$9,104 in consulting services, \$74,499 in legal and professional fees, and \$1,815 in occupancy expenses and \$1,452 in office supplies expenses. For the nine month period ending September 30, 2002, we experienced a net loss of \$87,726. This is in comparison to the nine month period ending September 30, 2001, where our total operating expenses were \$19,165. That amount was represented by \$3,550 in consulting services, \$13,365 in legal and professional fees, and \$1,150 in occupancy expenses and \$1,110 in office supplies expenses. We incurred significant general and administrative expenses in connection with the preparations to acquire LMI. In order to either continue operations or enter into a similar agreement with another entity, we anticipate we will continue to incur significant general and administrative expenses.

Our Plan of Operation for the Next Twelve Months. As of November 2002, we have concluded that we will not be able to complete the transaction to acquire LMI as described herein. We cannot guaranty that we will acquire any other third party in lieu of LMI, or that in the event that we acquire another entity, this acquisition will increase the value of our common stock. We hope to refocus our business on providing business consulting services to the retail automotive fueling industry.

We had cash of \$231 as of September 30, 2002. In the opinion of management, available funds will not satisfy our working capital requirements through the next twelve months. Our forecast for the period for which our financial resources will be adequate to support our operations involves risks and uncertainties and actual results could fail as a result of a number of factors. Because we were not able to complete the proposed acquisition of LMI as described, we will need to raise additional capital to continue operations and pay our current expenses. Such additional capital may be raised through public or private financing as well as borrowings and other sources. We cannot guaranty that additional funding will be available on favorable terms, if at all. If adequate funds are not available, then our ability to continue operations may be adversely affected. If adequate funds are not available, we hope that our officers and directors will contribute funds to pay for our expenses, although we cannot that guaranty that our officers will pay those expenses.

We are not currently conducting any research and development activities and do not anticipate conducting such activities in the near future. We do not anticipate hiring additional employees or independent contractors unless we are able to expand our current operations. Until recently, we had been focusing our efforts on completing the acquisition of LMI. We do not anticipate that we will purchase or sell any significant equipment.

### Item 3. Controls and Procedures

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(a) Evaluation of disclosure controls and procedures. We maintain controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified

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in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, our chief executive officer and the principal financial officer concluded that our disclosure controls and procedures were adequate.

(b) Changes in internal controls. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the chief executive officer and principal financial officer.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.  
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None.

Item 2. Changes in Securities.  
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None.

Item 3. Defaults Upon Senior Securities  
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None.

Item 4. Submission of Matters to Vote of Security Holders  
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None.

Item 5. Other Information  
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None.

Item 6. Exhibits and Reports on Form 8-K  
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On November 11, 2002, the Registrant's Board of Directors, voted to replace its independent accountant, Quintanilla Accountancy Corporation ("Quintanilla"). Effective as of November 11, 2002, the Registrant's new independent accountant is Hall & Company, certified public accountants ("Hall & Company"). The Registrant retained the accounting firm of Hall & Company on November 11, 2002, as the principal accountants to audit the Registrant's financial statements. The Registrant authorized Quintanilla to respond fully to any inquiries from Hall & Company and to make its work papers available to Hall & Company. A correspondence from Quintanilla dated November 11, 2002, specifying that Registrant's disclosures regarding the change in accountants are true and correct was attached to the Report on Form 8-K as Exhibit 16.1.

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Fuel Centers, Inc.,  
a Nevada corporation

November 19, 2002

By: /s/ John R. Muellerleile

-----  
John R. Muellerleile  
Chief Executive Officer, President,  
Secretary, Director

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CERTIFICATIONS

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I, John R. Muellerleile, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Fuel Centers, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the

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effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 19, 2002

/s/ John R. Muellerleile  
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John R. Muellerleile  
Chief Executive Officer and  
Chief Financial Officer