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ACOLA CORP
Form 10KSB
September 30, 2003

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

FORM 10-KSB

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

For the fiscal year ended June 30, 2003

[OR]

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: 000-30264

ACOLA CORP.
(Name of Small Business Issuer in its Charter)

DELAWARE
(State or other jurisdiction of
incorporation)

11-3177042
(I.R.S. Employer
Identification No.)

250 RIVERSIDE DRIVE SUITE 51
NEW YORK, NY 10025
(Address of principal executive offices) (Zip Code)

(212) 666-3399
(Registrant's telephone number, including area code)

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

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, \$.001 par value per share
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Registrant's revenues for the fiscal year ended June 30, 2003 totaled \$ 0.

The aggregate market value of the voting and non-voting stock held by nonaffiliates of the registrant, based on the last sales price as quoted by the OTC Electronic Bulletin Board on August 27, 2003 was \$154,055. As

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of September 22, 2003 the registrant had 41,855,050 shares of common stock
Transitional Small Business Disclosure Format. [] Yes [X] No.

ACOLA CORP. ANNUAL REPORT ON FORM 10-KSB

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PART I.

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Form 10-KSB for Acola Corp. discuss future expectations, contain projections of results of operation or financial condition or state other forward-looking information. They often include words such as believe, expect, anticipate, intend or plan or words with similar meaning or conditional verbs such as will, would, should or may. Acola Corp. wishes to caution readers not to place reliance on any forward-looking statements as these statements are subject to known and unknown risks, uncertainties, and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and is derived using numerous assumptions. Important factors that may cause actual results to differ from

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projections include, for example:

- o acts or threats of war, terrorism and the effects of such acts or threats on the Company, its employees, debtors, customers and vendors as well as the local economy;
- o the success or failure of management's efforts to implement their business strategy;
- o the ability to raise sufficient capital to meet operating requirements;
- o the ability to compete with major established companies;
- o the effect of changing economic conditions;
- o the ability to operate with minimal cash, deficit working capital and no operations;
- o the ability to resolve significant commitments and contingent liabilities;
- o the ability to develop profitable operations;
- o the ability to locate a merger partner and negotiate a reverse merger;
- o the ability to assimilate acquisitions in a profitable manner;
- o the ability to attract and retain quality employees; and
- o other risks, which may be described in future filings with the SEC.

ACOLA CORP. does not undertake, and specifically disclaims any obligation to publicly release the results of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements, except for Acola's ongoing obligation to disclose material information as required by the Federal Securities laws. All subsequent written and oral forward looking statements attributable to the Company or persons acting on its behalf are expressly qualified in this entirety by the applicable cautionary statements.

ITEM 1. DESCRIPTION OF BUSINESS.

GENERAL

OVERVIEW

ACOLA Corp, (OTCBB.ACAC), a Delaware corporation, was initially formed to attempt to distribute an anticancer drug in Mexico. The Company failed to raise enough capital to obtain the exclusive distribution rights to the drug. The Company now has no business. More importantly though, the Company has no cash, working capital or access to the debt and equity markets. Consequently, the Company is insolvent for all practical purposes and remains a reporting Company as a result of certain officers and shareholders of the Company providing sufficient funding to pay for a limited amount of the Company's expenses. There are no formal agreements or contracts requiring these individuals to continue this funding. The Company has retained an investment banker, Keating Investments, LLC, to use its best efforts to find an appropriate reverse merger partner for the Company.

HISTORY

ACOLA CORP. was formerly MegaChain.com Ltd. "MegaChain" or the "Company" was originally incorporated as EC Capital Ltd. ("EC"), in the State of Delaware on September 10, 1993. In October 1995, the Company completed a public offering of 1,100,000 shares of common stock and received net proceeds of approximately \$472,000.

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In September 1996, the Company acquired Northern Lights Software, Ltd., a New York Corporation that provided training and consulting services to SQL Server Databases ("Northern NY"), by issuing 8,000,000 shares of its common stock in exchange for 7,000,000 issued and outstanding shares of Northern NY.

The Company then split its outstanding shares on a two-for-one basis and changed its name to Northern Lights Software Ltd. In the first half of 1997 Northern NY ceased operations due to under capitalization and significant losses from cost overruns. Northern NY remains inactive to date.

In September 1997 the Company changed its name to Formquest International Ltd. Formquest acted as a holding company and never had any operations. In February 1999, Formquest disposed of the assets of its subsidiary, Northern Lights Software Ltd. to an entity controlled by a principal stockholder, Mr. John Formicola, for the assumption of liabilities in the amount of \$463,593.

In February, 1999 the Company acquired all of the issued and outstanding shares of 573795 BC Ltd. ("573795"), a company incorporated in October of 1998 and organized under the laws of the Province of British Columbia, Canada by issuing 6,000,000 common shares to 573795's shareholders. Messrs Bill and Tom Lavin were the sole shareholders of 573795. Subsequent to the acquisition Messrs Lavin and Lavin owned approximately 46 percent of the issued and outstanding stock of Formquest.

In April, 1999, the Company completed the sale of 2,000,000 shares of common stock at a price of \$0.50 per share resulting in net proceeds of \$958,000. The Company also changed its name to MegaChain.com Ltd.

In August, 1999, the shareholders authorized an additional 10,000,000, \$0.0001 par value common shares as well as the creation of 5,000,000, \$0.0001 par value preferred shares without attributes.

Effective as of December 28, 2000, the Company implemented a 1 for 20 reverse split of its common stock and began trading under the new stock symbol, "MGCC".

Effective as of June 26, 2001, the Company implemented a 1 for 4 reverse split of its common stock and began trading under the new stock symbol, "MGCA".

On October 12, 2001, the Company completed a reverse merger transaction and changed its name to Acola Corp and subsequently began trading under the new stock symbol "ACAC".

On October 16, 2002, Messrs. Robert B. Dillon, Samuel M. Skipper, and Michael G. Wirtz and other shareholders of the Company settled disputes with Donald E. Baxter, MD by transferring approximately 82% of the outstanding Common Stock, and 97% of the votes, of the Company to Global Investment Alliance Inc. ("Global"). Dr. Baxter owns a majority of the shares of Global. Dr. Baxter, James N. Baxter and Hon. Jerry W. Baxter were elected as Directors of the Company and Dr. Baxter became Chairman of the Board and James Baxter became President of the Company. Dr. Baxter, an orthopedic surgeon and sports physician, James Baxter, an investment banker and securities attorney, and Jerry Baxter, a Judge in Superior Court of Fulton County Georgia, are brothers. On December 17, 2002 Richard A. Evans, MD, a cancer specialist, board certified surgeon and author, was elected a Director of the Company. As part of the settlement, Messrs. Dillon, Skipper and Wirtz and other shareholders forgave all claims against the Company.

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After this change of control, new management negotiated compromises with various creditors, settled pending lawsuits, and Dr. Baxter purchased the Company's restricted stock in Ozelle Pharmaceuticals, Inc. for \$60,000. Thus the Company has progressed from being deeply insolvent to its current condition with a small positive net worth.

PERSONNEL

As of June 30, 2003, Acola had no employees.

ITEM 2. DESCRIPTION OF PROPERTIES

Acola Corp. owns no real property and currently has no office space under lease.

ITEM 3. LEGAL PROCEEDINGS

In August 2000 the Company received a letter from an attorney advising that there is an Order, dated March 10, 1998, for Entry of Default Judgment in the District Court of Boulder, Colorado against Northern Lights Software, Ltd. (a Delaware corporation and a predecessor of the Company) in favor of two alleged former employees of Northern Lights Software, Ltd. (a New York corporation which was a subsidiary of Northern Lights Software (Delaware) Ltd.) in the total amount of \$74,887. The judgment was apparently for alleged unpaid wages. The Company believes that the Colorado lawsuit was brought against the wrong corporation and that the default judgment was erroneously issued in violation of Colorado statutes, as interpreted by the Colorado Supreme Court. Based upon a review of the record in the case, management believes that it would be an error for any court to enforce the default judgment, and the Company plans to mount a vigorous defense against any effort to enforce the judgment against the Company.

Other than that stated above, to the best knowledge of the Officers and Directors of the Company, neither the Company nor any of its Officers or Directors is a party to any material legal proceeding or litigation and such persons know of no other material legal proceeding or litigation contemplated or threatened. Other than that stated above, there are no judgments against the Company or its Officers or Directors. None of the Officers or Directors has been convicted of a felony or misdemeanor relating to securities or performance in corporate office.

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

None.

PART II.

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common shares are eligible for quotation on the OTC Electronic Bulletin Board under the symbol "ACAC". The Company began trading under "ACAC" on October 22, 2001. Previously the Company traded under the symbol "MGCA". The nature of the market for common stocks on the OTC Bulletin Board is limited, sporadic and highly volatile and the absence of an active

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market may have an effect upon the high and low prices as reported. The following table sets forth the high and low bid prices per share of the common stock for the periods indicated as reported by the OTC Bulletin Board. These prices reflect inter-dealer prices, without retail mark-ups, mark-downs or commissions, and may not necessarily represent actual transactions.

FISCAL 2003 -----	HIGH -----	LOW ---
First Quarter	\$ 0.09	\$ 0.03
Second Quarter	\$ 0.03	\$ 0.005
Third Quarter	\$ 0.025	\$ 0.008
Fourth Quarter	\$ 0.04	\$ 0.01

FISCAL 2002 -----	HIGH -----	LOW ---
First Quarter	\$ 1.00	\$ 0.10
Second Quarter	\$ 7.50	\$ 0.05
Third Quarter	\$ 0.24	\$ 0.12
Fourth Quarter	\$ 0.24	\$ 0.035

As of August 27, 2003, the Company had 71 holders of its common stock of record.

It is the Company's current policy not to pay cash dividends and to retain future earnings, if any, to support growth. Any payment of cash dividends in the future will be dependent upon the amount of funds available. Acola does not anticipate paying any cash dividends in the foreseeable future, because the Company has not earned any profits, nor does the Company have any working capital or cash with which to pay dividends. To date, the Company has not paid cash or other dividends on its common stock.

SALES OF UNREGISTERED SECURITIES

During the year ended June 30, 2003, the Company issued no unregistered shares of its common stock.

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

On October 12, 2001, MegaChain.com Ltd. and Acola Corp., a Delaware corporation ("Acola"), completed the transactions contemplated by the Agreement and Plan of Reorganization (the "Agreement") dated September 18, 2001, pursuant to which MegaChain.com Ltd. acquired 100% of the equity interests in Acola with Acola changing its name to MCGL Acquisition Corp. and continuing as a wholly-owned subsidiary of the Company. The reorganization was completed by the issuance of 15,000,000 shares (in excess of a majority) of the MegaChain.com Ltd. common stock, 100 shares of Series A Preferred Stock, 150,000 shares of Series B Preferred Stock and the payment of \$280,000 to the Stockholders of MegaChain in exchange for 100% of the equity interests of Acola. MegaChain.com Ltd. then changed its name to Acola Corp. ("Acola Corp.") after completion of the reorganization process.

Acola accounted for the acquisition as a reverse acquisition of MegaChain under the purchase method of accounting. Consequently, the historical financial statements of Acola prior to the acquisition have become the financial statements of the Company, and the results of operations of MegaChain have been combined with Acola effective with the acquisition. As a result of the acquisition, the former equity holders

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of Acola owned approximately 99.9% of the voting stock of the Company, changed its name to Acola Corp. The acquisition did not require the approval of the stockholders of the Company and the name change was previously approved by the Company's stockholders.

As provided for in the Agreement, upon completion of the transaction, Robert B. Dillon was appointed as the new President, Chief Executive Officer and director and Samuel M. Skipper as the new Chairman of the Board, Secretary and director. The previous officers and directors resigned. On April 10, 2002, Samuel M. Skipper resigned as Chairman of the Board and as Director. He has been replaced by Michael G. Wirtz.

On October 9, 2001 an amended Form S-8 was filed by MegaChain.com, Ltd. registering 4,500,000 shares of the Company's common stock (\$.0001 par value) valued at \$270,000 pursuant to Consulting Agreements. Additionally, one of the Company's consultants purchased 1,150,000 shares of Acola common stock for \$375,000. As an element of the acquisition financing, Skipper and Dillon pledged their shares to this consultant, the exercise of which contingency occurred in 2002 and resulted in a change of control in the Company.

On November 26, 2001 the Company adopted Restated Bylaws and Restated Certificate of Incorporation of the Company. The Restated Certificate resulted in a change of the Certificate of Incorporation of the Company that (i) increased the par value of shares of common stock of the Company from \$.0001 to \$.001, (ii) increased the number of shares of common stock the Company is authorized to issue from 30,000,000 to 100,000,000, (iii) increased the par value of shares of preferred stock of the Company from \$.0001 to \$.001 and (iv) authorized the issuance of 5,000,000 shares of Class B common stock, par value \$.001 per share. This allowed the holders of the Company's Class B preferred stock to automatically convert each one of their Class B preferred shares into 100 shares of common stock. The preferred stock was authorized because of the limitations on the number of issued and reserved shares of Acola common stock.

On October 16, 2002, Messrs. Robert B. Dillon, Samuel M. Skipper, and Michael G. Wirtz and other shareholders of the Company settled disputes with Donald E. Baxter, MD by transferring approximately 82% of the outstanding Common Stock, and 97% of the votes, of the Company to Global Investment Alliance Inc. ("Global"). Dr. Baxter owns a majority of the shares of Global. Dr. Baxter, James N. Baxter and Hon. Jerry W. Baxter were elected as Directors of the Company and Dr. Baxter became Chairman of the Board and James Baxter became President of the Company. Dr. Baxter, an orthopedic surgeon and sports physician, James Baxter, an investment banker and securities attorney, and Jerry Baxter, a Judge in Superior Court of Fulton County Georgia, are brothers. On December 17, 2002 Richard A. Evans, MD, a cancer specialist, board certified surgeon and author, was elected a Director of the Company. As part of the settlement, Messrs. Dillon, Skipper and Wirtz and other shareholders forgave all claims against the Company.

After this change of control, new management negotiated compromises with various creditors, settled pending lawsuits, and Dr. Baxter purchased the Company's restricted stock in Ozelle Pharmaceuticals, Inc. for \$60,000. Thus the Company has progressed from being deeply insolvent

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to its current condition with a small positive net worth.

On January 10, 2003 an amended Form S-8 was filed by the Company registering up to 5,194,950 shares of the Company's Common Stock, Class A (\$.001 par value) valued at \$77,924 for issuance to Directors and consultants pursuant to the Company's Directors and Employees Stock Award Plan. Following the January 14, 2003 issuance of 4,950,000 shares of the Company's Class A Common Stock to Directors and consultants, the Company's accounts payable liability was substantially reduced. The Company's Directors receive no cash compensation.

Going Concern Considerations

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has suffered recurring losses from operations of approximately \$3.6 million and at March 31, 2003 has minimal working capital and cash of only \$5,020. These factors, among others, strongly suggest the Company will not remain in business or continue as a going concern, unless it can negotiate a merger. At this time, the Company does not have adequate cash, working capital or capacity to borrow or raise additional equity capital with which to remain in business.

The balance sheet does not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary in the event the Company cannot continue in existence.

Although prior management attempted to secure an exclusive distributorship in Mexico for Anvirzole(TM), it was unable to secure adequate capital to make necessary initial royalty payments, so the Company lost the distributorship. Therefore, the Company will probably need to negotiate a merger with a viable other business in order to continue in business.

FISCAL YEAR ENDED JUNE 30, 2003 COMPARED TO FISCAL YEAR ENDED JUNE 30, 2002

Revenue:

The Company did not earn any revenue during the years ended June 30, 2003 and June 30, 2002.

Cost of Revenue:

There was no cost of revenue in fiscal 2003 and 2002.

Professional Fee Expenses: Professional fee expenses for the years ended June 30, 2003 and 2002 were \$13,429 and \$63,814 respectively, a decrease of \$50,385. This decrease was due in part to the Company's lack of operations and activity during 2003.

Selling and Marketing Expenses: Selling and Marketing expenses for the year ended June 30, 2003 and 2002 were \$0 and \$16,156, respectively, a decrease of \$16,156. This decrease was due primarily to the Company's elimination of sales and marketing activities in 2002.

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Management Fee Expenses: Management fee expenses for the year ended June 30, 2003 were \$0 and \$14,351, a decrease of \$14,351 from the year ended June 30, 2002. There has been no management fee agreement since early 2002.

General and Administrative Expenses: General and administrative expenses for the year ended June 30, 2003 and 2002 were \$24,579 and \$145,506, respectively, a decrease of \$120,927 from the year ended June 30, 2002. The decrease was due primarily because the Company was not conducting any business in 2003.

Consulting fees relating to the reverse merger and acquisition and the expensing of prepaid software development costs due to the disposition of the assets amounted to \$7,427 in fiscal 2002.

Other Income:

Other income for the year ended June 30, 2003 was \$ 73,709, compared to an other loss of \$175,368 in the year ended June 30, 2002. The other loss in the year ended June 30, 2002 included a gain of the exchange of the Company's software for accounts payable owed to a related party and a settlement with a former director of the Company relating to his indemnification agreement, as well as losses on a writeoff of computer equipment and a loss of market value of Ozelle Common Stock. The other income in the year ended June 30, 2003 was primarily the one-time profit on the sale of Ozelle Common Stock to a related party.

The Company has a judgment against it relating to former employees of a subsidiary of Northern Lights Software, Ltd., a Delaware corporation (a predecessor of the Company), who allege they are due salary payments. (See Litigation above.)

FORWARD LOOKING INFORMATION

This report on Form 10-KSB includes "forward-looking statements" within the meaning of SECTION 27A of the Securities Act of 1933 and SECTION 21E of the Securities Exchange Act of 1934. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products and services, anticipated market performance and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. To comply with the terms of the safe harbor, we caution readers that a variety of factors could cause our actual results to differ materially from the anticipated results or other matters expressed in our forward-looking statements. These risks and uncertainties, many of which are beyond our control, include (i) the sufficiency of our existing capital resources and our ability to raise additional capital to fund cash requirements for future operations, (ii) volatility of the stock market, particularly within the pharmaceutical sector, and the ability to use our capital stock as a currency for acquisitions, and (iii) general economic conditions. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they may prove to be incorrect.

We cannot guarantee any future results, levels of activity, performance or achievements. Except as required by law, we undertake no obligation to update any of the forward-looking statements in this Form 10-KSB after the date of this report.

ITEM 7. FINANCIAL STATEMENTS

Management of ACOLA CORP. is responsible for the information and representations contained in this report. The financial statements have been prepared in conformity with generally accepted accounting principles

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in the United States and include some amounts based on our best estimates and judgments. Other financial information in this report is consistent with these financial statements.

The Audit Committee, consisting of Judge Baxter and Dr. Evans, is responsible for recommending to the Board of Directors the appointment of the independent accountants and reviews with the independent accountants and management, the scope and the results of the annual audit, the effectiveness of the accounting control system and other matters relating to the financial affairs of ACOLA CORP., as they deem appropriate. The independent accountants have full access to the Committee, with and without the presence of management, to discuss any appropriate matters.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of ACOLA CORP.

We have audited the accompanying consolidated balance sheets of ACOLA CORP. and Subsidiaries as of June 30, 2003 and 2002 and the related consolidated statements of operations, changes in shareholders' equity (deficit) and cash flows for the years ended June 30, 2003 and 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the fiscal 2003 and 2002 consolidated financial Statements referred to above present fairly, in all material respects, the financial position of Acola Corp. and Subsidiaries at June 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As reflected in the accompanying financial statements and more fully discussed in Note 1 to the financial statements, the Company's recurring losses from operations, minimal working capital, and retained deficits raise substantial doubt about its ability to continue as a going concern. Because the Company does not have significant cash or other material liquid assets, nor an established source of revenues sufficient to cover its operating expenses, the Company will be required to obtain substantial additional financing or capital or dramatically reduce operating expenses in order to continue as a going concern. As of September 18, 2003, the date of this report, the Company's sources of equity or debt financing are severely limited. The Company expects to continue to suffer losses and negative cash flows from operations. If the Company is unable to continue as a going concern and remain in business, assets now reflected on the accompanying consolidated balance sheet, would be severely impaired resulting in significant charge offs and declines in values coupled with an increase in contingent liabilities resulting from the Company's inability to timely and adequately service its debt and credit obligations as they become due.

/s/ HARPER & PEARSON COMPANY

Houston, Texas
September 18, 2003

ACOLA CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2003 and 2002

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ASSETS	2003	2002
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,020	\$ 179
Account receivable-related party	8,000	-
Prepaid expenses	4,250	-
	-----	-----
Total Current Assets	17,270	179
Total Current Assets		
Computer software- Net	274	-
OZELLE PHARMACEUTICALS INC. COMMON STOCK	-	1
INTANGIBLE ASSETS - Net	10	10
	-----	-----
TOTAL ASSETS	\$ 17,554	\$ 190
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 5,503	\$ 138,467
Notes Payable-Shareholder and Other	-	31,606
Due Related Party	-	5,613
Note Payable-Related Party	-	46,107
	-----	-----
TOTAL CURRENT LIABILITIES	5,503	221,793
	-----	-----
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY (DEFICIT)		
PREFERRED STOCK; \$.001 par value		
5,000,000 shares authorized;		
and no shares issued and outstanding	-	-
COMMON STOCK CLASS A; \$.001 par value;		
100,000,000 shares authorized; 39,755,050		
shares issued and outstanding as of		
June 30, 2003 and 34,805,050 shares		
issued and outstanding as of June 30, 2002	39,755	34,805
COMMON STOCK CLASS B; Supervoting shares,		
100 votes for each share, \$.001 par		
value; 2,000,000 shares authorized;		
2,000,000 shares issued and		
outstanding as of June 30, 2003 and 2002	2,000	2,000
ADDITIONAL PAID-IN CAPITAL	3,566,176	3,373,173
ACCUMULATED DEFICIT	(3,595,880)	(3,631,581)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	12,051	(221,603)
	-----	-----
TOTAL LIABILITIES AND		
STOCKHOLDERS' EQUITY (DEFICIT)	\$ 17,554	\$ 190
	=====	=====

See accompanying notes.

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ACOLA CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	----- 2003 -----	----- 2002 -----
EXPENSES		
Professional fees	\$ 13,429	\$ 63,814
Selling and marketing	-	16,156
Management fee	-	14,351
General and administrative expenses	24,579	145,506
	----- 38,008 -----	----- 239,827 -----
LOSS FROM OPERATIONS	(38,008)	(239,827)
OTHER INCOME - Debt forgiveness	8,710	116,138
- Settlement	5,000	10,300
- Gain on sale of assets	59,999	-
INTEREST INCOME	-	492
LOSS ON WRITEOFF OF ASSETS	-	(102,299)
LOSS IN MARKET VALUE OF SECURITIES	-	(199,999)
	----- 73,709 -----	----- (175,368) -----
Other Income or Loss		
NET Income (LOSS)	\$ 35,701 =====	\$ (415,195) =====
BASIC AND DILUTED Income (LOSS) PER SHARE OF COMMON STOCK	\$ NIL =====	\$ (0.02) =====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	39,083,406 =====	23,257,120 =====

See accompanying notes.

ACOLA CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Accumulated Total
	-----					-----
BALANCE AT JUNE 30, 2001	\$31	\$0	\$3,227,770	\$(3,219,051)	\$(9,235)	\$(485)
MERGER WITH ACOLA CORP. (NET OF ACQUISITION PAYMENT)	34,774	2,000	175,553	2,665	(2,665)	212,327
RELEASE OF RELATED PARTY DEBT FOR INTELLECTUAL PROPERTY	-	-	(30,150)	-	-	(30,150)
NET LOSS FOR THE YEAR ENDED JUNE 30, 2002	-	-	-	(415,195)	-	(415,195)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	-	-	-	-	11,900	11,900
TOTAL COMPREHENSIVE LOSS	-----					(403,295)
BALANCE AT JUNE 30, 2002	34,805	2,000	3,373,173	(3,631,581)	-	(221,603)
NET INCOME FOR THE YEAR ENDED JUNE 30, 2003	-	-	-	35,701	-	35,701

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ISSUANCE OF 4,950,000 shares of COMMON STOCK FOR SERVICES PERFORMED	4,950	-	26,050	-	-	31,000
Release of Related party Debt	-	-	166,953	-	-	166,953
	-----	-----	-----	-----	-----	-----
BALANCE AT JUNE 30, 2003	\$39,755	\$2,000	\$3,566,176	\$(3,595,880)	\$ -	\$ 12,051
	=====	=====	=====	=====	=====	=====

See accompanying notes

ACOLA CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	----- 2003 -----	----- 2002 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 35,701	\$(415,195)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization	23	-
Debt forgiveness income not providing cash	-	(116,138)
Loss on writeoff of assets not requiring cash	-	102,299
Changes in assets and liabilities:		
Receivables-related party	(8,000)	3,857
Prepaid expenses	(4,250)	21,000
Accounts payable and accrued expenses	(132,964)	113,568
Due to former Director	(5,613)	-
Note due to former Director	(46,107)	-
	-----	-----
Net cash used in operating activities	(161,210)	(290,609)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Website	-	(30,650)
Investment in Ozelle Pharmaceuticals, Inc. Common Stock	-	(200,000)
Loss of Market Value-Ozelle Common Stock	1	199,999
Investment in Trademark	-	(1,400)
Investment in MegaChain.com Ltd. acquisition	-	(280,000)
Investment in computer software	(297)	-
	-----	-----

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Net cash used by investment activities	(296)	(312,051)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES		
MegaChain.com Ltd. Acquisition Adjustments	-	470,487
Short term loans	-	83,326
Issuance of Capital stock, Class A	4,950	-
Additional Paid In Capital	193,003	-
Note payable-shareholder and other	(31,606)	-
	-----	-----
Net cash provided by financing activities	166,347	553,813
	-----	-----
FOREIGN CURENCY TRANSLATION ADJUSTMENT	-	11,900
	-----	-----
NET INCREASE (DECREASE) IN CASH	4,841	(36,947)
CASH - BEGINNING OF PERIOD	179	37,126
	-----	-----
CASH - END OF PERIOD	\$ 5,020	\$ 179
	=====	=====
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of Common Stock for Prepaid Services	\$ 4,250	-
Accounts payable and accrued expenses extinguishments not requiring cash	\$ 180,662	\$257,070
Investment in Website acquired through Accounts Payable	-	\$ 76,294

See accompanying notes

ACOLA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Acola Corp. (the "Company") and its wholly owned subsidiaries. All material intercompany balances and intercompany transactions have been eliminated.

Going Concern Considerations

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has suffered recurring losses from operations of approximately \$3.6 million and at June 30, 2003 has minimal working capital and cash of only \$5,020. These factors, among others, strongly suggest the Company will not remain in business or continue as a going concern, unless it can negotiate a merger. At this time, the Company does not have adequate cash, working capital or capacity to borrow or

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raise additional equity capital with which to remain in business.

The balance sheet does not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary in the event the Company cannot continue in existence.

Although prior management attempted to secure an exclusive distributorship in Mexico for Anvirzole(TM), it was unable to secure adequate capital to make necessary initial royalty payments, so the Company lost the distributorship. Therefore, the Company will probably need to negotiate a merger with a viable business in order to continue in business.

The Company is now seeking a reverse merger partner. (See Note 10 "Recent Events".)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Concentration of Credit Risk Involving Cash

The Company maintains its cash balances in a bank located in the United States. These balances are insured up to \$100,000 by the FDIC.

Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

Financial instruments consist of cash, receivables, and accounts payable. The carrying amounts approximate fair value because of the short maturity of these instruments.

Depreciation

The cost of computer software is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight line and accelerated methods. Repair and maintenance costs are expensed as incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates based on management's knowledge and experience. Accordingly, actual results could differ from those estimates.

Income Taxes

The Company accounts for its income taxes under Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Earnings (Loss) Per Share

The Company follows SFAS No. 128, "Earnings Per Share" (EPS), which establishes standards for computing and presenting EPS. Under this standard, Basic EPS is computed based on weighted average shares outstanding and excludes any potential dilution. Diluted EPS reflects potential dilution from the exercise or

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conversion of securities into common stock or from other contracts to issue common stock.

Basic earnings (loss) per share include the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share include the weighted average number of shares outstanding and dilutive potential common shares, such as warrants. There are no options or warrants. Therefore basic and diluted earnings (loss) per share are the same at June 30, 2003 and 2002.

Comprehensive Income

The Company follows SFAS No. 130, "Reporting Comprehensive Income", which is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income.

NOTE 3 - ORGANIZATION CHANGES AND MANAGEMENT PLANS

On October 16, 2002, Messrs. Robert B. Dillon, Samuel M. Skipper, and Michael G. Wirtz and other shareholders of the Company settled disputes with Donald E. Baxter, MD by transferring approximately 82% of the outstanding Common Stock, and 97% of the votes, of the Company to Global Investment Alliance Inc. ("Global"). Dr. Baxter owns a majority of the shares of Global. Dr. Baxter, James N. Baxter and Hon. Jerry W. Baxter were elected as Directors of the Company and Dr. Baxter became Chairman of the Board and James Baxter became President of the Company. Dr. Baxter, an orthopedic surgeon and sports physician, James Baxter, an investment banker and securities attorney, and Jerry Baxter, a Judge in Superior Court of Fulton County Georgia, are brothers. On December 17, 2002 Richard A. Evans, MD, a cancer specialist, board certified surgeon and author, was elected a Director of the Company. As part of the settlement, Messrs. Dillon, Skipper and Wirtz and other shareholders forgave all claims against the Company.

After this change of control, new management negotiated compromises with various creditors, settled pending lawsuits, and Dr. Baxter purchased the Company's restricted stock in Ozelle Pharmaceuticals, Inc. for \$60,000. Thus the Company has progressed from being deeply insolvent to its current condition with a small positive net worth.

On January 10, 2003 an amended Form S-8 was filed by the Company registering up to 5,194,950 shares of the Company's Common Stock, Class A (\$.001 par value) valued at \$77,924 for issuance to Directors and consultants pursuant to the Company's Directors and Employees Stock Award Plan. Following the January 14, 2003 issuance of 4,950,000 shares of the Company's Class A Common Stock to Directors and consultants, the Company's accounts payable liability was substantially reduced. The Company's Directors receive no cash compensation.

The Company is seeking a reverse merger partner for the benefit of all of the Company's shareholders and has retained an investment banker to assist in this effort. See Note 10 "Recent Events". No specific merger or acquisition has been agreed and there can be no assurance that a transaction will be consummated.

NOTE 4 - INTANGIBLE ASSETS

The Company's only intangible asset is its trademark.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2003 amounted to \$5,503, including \$3,000 which was satisfied by the subsequent issuance of Common

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Stock to a consultant.

NOTE 6 STOCKHOLDERS EQUITY

Common Stock

On October 15, 2001, MegaChain.com Ltd. and Acola Corp., a Delaware corporation ("Acola"), completed the transactions contemplated by the Agreement and Plan of Reorganization (the "Agreement") dated September 18, 2001 and included in the September 30, 2001 Form 10-QSB, pursuant to which MegaChain.com Ltd. acquired 100% of the equity interests in Acola with Acola changing its name to MCGL Acquisition Corp. and continuing as a wholly-owned subsidiary of the Company. The reorganization was completed by the issuance of 15,000,000 shares (in excess of a majority) of the MegaChain.com Ltd. common stock, 100 shares of Series A Preferred Stock, 150,000 shares of Series B Preferred Stock and the payment of \$280,000 to the Stockholders of MegaChain in exchange for 100% of the equity interests of Acola. MegaChain.com Ltd. then changed its name to Acola Corp. ("Acola Corp.") after completion of the reorganization process.

Acola has accounted for the acquisition as a reverse acquisition of MegaChain under the purchase method of accounting. Consequently, the historical financial statements of Acola prior to the acquisition have become the financial statements of the Company, and the results of operations of MegaChain have been combined with Acola effective with the acquisition. As a result of the acquisition, the former equity holders of Acola now own approximately 99.9% of the voting stock of the Company, which has changed its name to Acola Corp. The acquisition did not require the approval of the stockholders of the Company and the name change was previously approved by the Company's stockholders.

On October 9, 2001 an amended Form S-8 was filed by MegaChain.com, Ltd. registering 4,500,000 shares of the Company's common stock (\$.0001 par value) valued at \$270,000 pursuant to Consulting Agreements. Additionally, one of the Company's consultants purchased 1,150,000 shares of Acola common stock for \$375,000. As an element of the acquisition financing, Sam Skipper and Robert B. Dillon (majority shareholders of the Company) pledged their shares to this consultant, the exercise of such contingency could cause a change of control in the Company, subject to mutual agreement of all the parties.

On November 26, 2001 the Company adopted Restated Bylaws and Restated Certificate of Incorporation of the Company. The Restated Certificate resulted in a change of the Certificate of Incorporation of the Company that (i) increased the par value of shares of common stock of the Company from \$.0001 to \$.001, (ii) increased the number of shares of common stock the Company is authorized to issue from 30,000,000 to 100,000,000, (iii) increased the par value of shares of preferred stock of the Company from \$.0001 to \$.001 and (iv) authorized the issuance of 5,000,000 shares of Class B common stock, par value \$.001 per share.

This allows for the holders of MegaChain.com Ltd. preferred stock to automatically convert each one of their Class B preferred shares into 100 shares of Acola Corp. Class A common stock. The MegaChain.com Ltd. preferred stock was authorized because of the limitations on the number of issued and reserved shares of MegaChain.com Ltd. common stock. The Company also authorized the issuance of 1,000,000 shares of Acola Corp. Class B common stock. The Acola Corp. Class B shares allow the holder of each share 100 votes on all matters considered by the common shareholders.

On January 10, 2003 an amended Form S-8 was filed by the Company registering up to 5,194,950 shares of the Company's Common Stock, Class A (\$.001 par value) valued at \$77,924 for issuance to Directors and consultants pursuant to the Company's Directors and Employees Stock Award

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Plan. Following the January 14, 2003 issuance of 4,950,000 shares of the Company's Class A Common Stock to Directors and consultants, the Company's accounts payable liability was substantially reduced.

Stock Options and Warrants

As of June 30, 2003 and 2002, there were no outstanding options or warrants to buy the Company's Common Stock.

NOTE 7 - LEGAL PROCEEDINGS

In August 2000 the Company received a letter from an attorney advising that there is an Order, dated March 10, 1998, for Entry of Default Judgment in the District Court of Boulder, Colorado against Northern Lights Software, Ltd. (a Delaware corporation and a predecessor of the Company) in favor of two alleged former employees of Northern Lights Software, Ltd. (a New York corporation which was a subsidiary of Northern Lights Software (Delaware) Ltd.) in the total amount of \$74,887. The judgment was apparently for alleged unpaid wages. The Company believes that the Colorado lawsuit was brought against the wrong corporation and that the default judgment was erroneously issued in violation of Colorado statutes, as interpreted by the Colorado Supreme Court. Based upon a review of the record in the case, management believes that it would be an error for any court to enforce the default judgment, and the Company plans to mount a vigorous defense against any effort to enforce the judgment against the Company.

Other than that stated above, to the best knowledge of the Officers and Directors of the Company, neither the Company nor any of its Officers or Directors is a party to any material legal proceeding or litigation and such persons know of no other material legal proceeding or litigation contemplated or threatened. Other than that stated above, there are no judgments against the Company or its Officers or Directors.

Note 8 - INCOME TAXES

The Company has incurred losses since its inception and, therefore, has not been subject to federal income taxes. The Company may be entitled to a net operating loss ("NOL") carryforward for income tax purposes. Because U.S. tax laws limit the time during which NOL and tax credit carryforwards may be utilized and due to the change in ownership rules relating to NOL carryforwards, the Company may not be able to take advantage of its NOL and tax credits for federal income tax purposes. Consequently, it may be determined at a future date that the net operating losses are not available to offset earnings of the Company and income taxes may be due. The Company has not provided for this possible contingency as management is of the opinion that net operating loss carryforwards are available to offset current income.

NOTE 9 - CONTINGENCIES

In 1999, at the time of the disposition of Northern Lights Software Ltd. (New York) (a subsidiary of a predecessor of the Company), there were unpaid payroll taxes including interest and penalties amounting to approximately \$445,000 which were assumed by an entity controlled by a principal stockholder of the Company and the Company was indemnified against this obligation. Although the Company does not believe it is liable for this obligation, there can be no assurance that a claim could not be brought against the Company. If a claim is asserted, the Company intends to defend itself vigorously.

NOTE 10 - RECENT EVENTS

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In July 2003 the Company retained the investment banking firm of Keating Investments, LLC to assist the Company in identifying an appropriate reverse merger partner and negotiating a merger.

In September 2003 the Company issued 100,000 shares of its Class A Common Stock as compensation for legal services.

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

None

PART III.

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

The following table sets forth certain information concerning the directors and executive officers of the Company as of June 30, 2003. Each director is appointed to serve in such capacity until the next annual meeting of stockholders and until his successor is appointed and qualified. Each officer serves at the pleasure of the board of directors.

NAME	AGE	POSITION WITH THE COMPANY
----	---	-----
Donald E. Baxter, MD	60	Chairman and majority shareholder
James N. Baxter	61	Director, Chief Executive Officer, President and Chief Financial Officer
Hon. Jerry W. Baxter	53	Director
Richard A. Evans, MD	59	Director

DONALD E. BAXTER, CHAIRMAN

Donald E. Baxter, MD has served as Chairman of the Board of Directors of the Company since October 16, 2002. Dr. Baxter, a world-renowned orthopedic surgeon and sports physician, has practiced medicine for more than 30 years. He earned his BS degree from Mercer University and his MD from the Medical College of Georgia.

JAMES N. BAXTER, DIRECTOR, CHIEF EXECUTIVE OFFICER, PRESIDENT, CHIEF FINANCIAL OFFICER

James N. Baxter has served as Chief Executive Officer, President, Chief Financial Officer and as a Director of the Company since October 16, 2002. A former Managing Director in Merrill Lynch investment banking division

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and an institutional investment strategist at Salomon Brothers, Mr. Baxter earlier practiced law at Sullivan & Cromwell in New York. Mr. Baxter was admitted to the New York Bar in 1968, with a B.A. from Yale University and a J.D. from Harvard Law School.

HON. JERRY W. BAXTER, DIRECTOR

Hon. Jerry W. Baxter has served as a Director of the Company since October 16, 2002. Former Assistant District Attorney of Fulton County, Georgia, Judge Baxter is a Judge in the Superior Court of Fulton County, Georgia. He has been recognized for his effectiveness in facilitating litigation settlements.

RICHARD A. EVANS, MD, DIRECTOR

Richard A. Evans, MD has served as a Director of the Company since December 17, 2002. He is a cancer specialist, board certified surgeon and author.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities and Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own beneficially more than ten percent (10%) of any class of equity security to file reports of ownership and changes of ownership with the Securities and Exchange Commission. Copies of all filed reports are required to be furnished to the Company pursuant to Section 16(a). Based solely on the reports received by the Company and any written representations from reporting persons, the Company believes that the directors, executive officers, and greater than ten percent (10%) beneficial owners were current with applicable filings required during the fiscal year ended June 30, 2003.

ITEM 10. EXECUTIVE COMPENSATION

The following table summarizes the compensation we paid to our chairman and the chief executive officer, the most highly compensated executive officers who were serving as executive officers at the end of the last completed fiscal year.

SUMMARY COMPENSATION TABLE						
LONG-TERM COMPENSATION						
ANNUAL COMPENSATION	-----					

NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	SECURITIES OTHER ANNUAL COMPENSATION	UNDERLYING OPTIONS	ALL OTHER COMPENSATION
-----	----	-----	-----	-----	-----	-----
Donald E. Baxter, MD Chairman	2003	-	-	-	-	\$5,500
	2002	-	-	-	-	-
James N. Baxter President and CEO	2003	-	-	-	-	\$7,500
	2002	-	-	-	-	-

INFORMATION CONCERNING STOCK OPTIONS

The Company did not grant compensation in the form of stock options to the chief executive officer or the other executive officers

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listed within the Summary Compensation Table during fiscal years ended June 30 2003 and 2002. The Company has no outstanding stock options.

COMPENSATION OF DIRECTORS

Directors are not paid cash compensation. They are paid in Common Stock for attendance at meetings of the Board of Directors and Committee meetings under the Company's Directors and Employees Stock Award Plan.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

EQUITY COMPENSATION PLANS

The Company's only compensation plan under which equity securities of the Company are authorized for issuance is the Directors and Employees Stock Award Plan, which was not approved by the shareholders. There are no options or warrants. Out of a total of 5,194,950 shares authorized to be issued to Directors and employees, including consultants, 5,050,000 have been issued, and 144,950 shares remain authorized to be issued from time to time.

The following table sets forth certain information regarding the beneficial ownership of our common stock as of June 30, 2003 by (1) each person (group) to the knowledge of the Company that may be deemed to be beneficial owners of more than 5% of our outstanding common stock, (2) each current director, (3) each current named executive officer, and (4) all current directors and current named executive officers as a group. Except as otherwise noted, the address for each owner is in care of Acola Corp., 250 Riverside Drive, Suite 51, New York, NY 10025. Certain of the shares listed below are deemed to be owned beneficially by more than one stockholder under SEC rules.

		SHARES BENEFICIALLY OWNED (1)	OPTIONS (1)	JUNE 30, 2003 PERCENT OF CLASS
		-----	-----	-----
DIRECTORS AND EXECUTIVE OFFICERS				
Donald E. Baxter	Class A	22,712,880	-0	57.1%
	Class B	1,400,000	-0	70.0%
James N. Baxter	(2)Class A	9,657,020	-0-	24.3%
	(3)Class B	600,000	-0-	30.0%

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Hon. Jerry W. Baxter Class	1,500,000	-0-	3.8%
Richard A. Evans, MD Class A	750,000	-0-	1.9%
Directors and Executive Officers			
as a Group (4 persons) Class A	34,619,900	-0	87.1%
Class B	2,000,000	-0-	100.0%

- (1) Includes shares of Common Stock such person has the right to acquire after June 30, 2003 by exercise of outstanding stock options or warrants. There are no stock options or warrants.
- (2) Includes 855,702 shares owned by Mrs. Baxter, the spouse of Mr. Baxter, as to which Mr. Baxter disclaims beneficial ownership.
- (3) Includes 60,000 shares owned by Mrs. Baxter, the spouse of Mr. Baxter, as to which Mr. Baxter disclaims beneficial ownership.

There are no agreements between or among any of the shareholders, which would restrict the issuance of shares in a manner that would cause any change of control of the Company. There are no voting trusts, pooling arrangements or similar agreements in place between or among any of the shareholders, nor do the shareholders anticipate the implementation of such an agreement in the near term.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On November 1, 2001 the Company rented office space from Vector Energy Corporation in exchange for \$3,000 worth of computer equipment. Former Chairman and 5% Owner, Sam Skipper, was Chairman of the Board of Vector Energy Corporation at that time.

Dr. Donald E. Baxter was employed pursuant to a one-year consulting agreement that commenced on August 22, 2001. The agreement provided for no base annual salary. Dr. Baxter was entitled to receive stock options for up to 500,000 shares of common stock subject to approval of the Company's Board of Directors or its Compensation Committee or an amount of shares of the Company's common stock equal to 2% of the issued and outstanding shares of Common Stock, whichever was greater on the exercise date. These shares were not issued.

Dr. Baxter purchased the Company's restricted stock in Ozelle Pharmaceuticals, Inc. for \$60,000 in November 2002. In January 2003 James N. Baxter, President of the Company accepted 100,000 shares of the Company's Common Stock as full settlement for legal work provided to the Company.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

See "Index to Exhibits" below which lists the documents filed as exhibits herewith.

(b) Reports on Form 8-K: None

ITEM 14. CONTROLS AND PROCEDURES.

The Chief Executive Officer and Chief Financial Officer has reviewed the disclosure controls and procedures relating to the Company within the 90 days preceding this report and concluded that such controls and procedures are effective to make known to us all material information

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about the financial and operational activities of the Company. There were no deficiencies identified in such controls or procedures and there have been no changes in such controls and procedures since our evaluation that could significantly affect their effectiveness.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACOLA CORP.

By: /s/ James N. Baxter

James N. Baxter, President
September 29, 2003

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE -----	CAPACITY -----	DATE ----
/s/ James N. Baxter, Director, President, ----- James N. Baxter	(Principal Executive Officer) (Principal Financial Officer)	September 29, 2003
/s/ Donald E. Baxter, MD ----- Donald E. Baxter, MD	Director	September 29, 2003
/s/ Jerry W. Baxter ----- Jerry W. Baxter	Director	September 29, 2003
/s/ Richard A. Evans, MD ----- Richard A. Evans, MD	Director	September 29, 2003

