

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

EMAILTHATPAYS COM INC  
Form 10KSB  
March 28, 2002

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

Form 10-KSB

(Mark One)

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

For the fiscal year ended December 31, 2001  
-----

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-26047  
-----

emailthatpays.com, Inc.  
-----

(Name of Small Business Issuer in Its Charter)

Florida

65-0609891

-----  
(State or Other Jurisdiction of  
Incorporation or Organization)

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

428 West Sixth Avenue, Vancouver, BC, Canada

V5Y 1L2

-----  
(Address of Principal Executive Offices)

(Zip Code)

(604) 801-5566  
-----

(Issuer's Telephone Number, Including Area Code)

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

Securities registered under Section 12(g) of the Exchange Act: Common Stock  
(Title of Class)

Check whether the Issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 X NO  
----

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

The Issuer's revenues for its most recent fiscal year were \$1,358,465

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of March 7, 2002 was \$314,088, based on the average of the closing bid and asked prices of the Registrant's common stock as reported by the Nasdaq OTC Bulletin Board.

As of March 7, 2002, the Registrant had outstanding 10,301,759 shares of common stock.

Transitional Small Business Disclosure Format (check one).

YES            NO    X  
   ---            ---

-----  
Page 1

### PART I

#### Cautionary Statement Regarding Forward-Looking Statements

This Report includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about us and about our subsidiary companies, including, among other things:

- o our ability to obtain additional funding;
- o our ability to successfully execute our business model;
- o development and growth in demand for permission-based email marketing; and
- o adoption of email strategies into integrated advertising plans.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Report might not occur.

#### Item 1. Description of Business

##### Corporate Structure

Emailthatpays.com, Inc. (the "Company"), (formerly tvtravel.com, Inc. and formerly Realm Production and Entertainment Inc.), was incorporated under the laws of the State of Florida in May 1995.

On October 22, 1999, pursuant to the terms of an Agreement and Plan of Merger and Reorganization, (the "Merger Agreement"), dated as of September 17, 1999, by and among Realm Production and Entertainment, Inc. (the "Company"), Realm Acquisition Corp., a wholly-owned subsidiary of the Company ("Merger Sub") and

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

emailthatpays.com, a company incorporated in the state of Nevada ("email Nevada"), Merger Sub was merged (the "Merger") with and into email Nevada. Pursuant to the Merger, the Company issued 6,572,000 shares (post reverse split) of its common stock as consideration in exchange for 100% of the issued and outstanding shares of email Nevada.

In connection with the Merger, the Company 1) issued an aggregate of 6,930,164 shares (pre reverse split) of its common stock in satisfaction of outstanding debt and in exchange for a \$500,000 note receivable, 2) declared a one-for-ten reverse stock split whereby each share of common stock issued and outstanding on September 27, 1999 was reclassified and changed to one-tenth of one share of common stock, and 3) issued 525,000 shares (post reverse split) as an investment banking fee.

During September 1999, the Company's Board of Directors also approved as a dividend the distribution of 100% of the stock held by the Company of its subsidiary VidKid Distribution Inc. to the shareholders of the Company as of September 29, 1999 (the "VidKid Spin-off"). In conjunction with the Merger, the shareholders of email Nevada waived any right to participate in or receive any interest in VidKid pursuant to the VidKid Spin-off.

The net effect of the above noted transactions was that immediately prior to the Merger, the Company consisted of a \$500,000 note receivable, no outstanding liabilities, 1,522,759 shares of issued and outstanding common stock and no operational activities.

For accounting purposes, the Merger has been accounted for as a recapitalization of email Nevada, effectively as if email Nevada had issued common stock for consideration equal to the net assets of the Company.

-----  
Page 2

The Company's historical financial statements reflect the financial position, results of operations and cash flows of email Nevada since its inception and include the operations of the Company from the date of the effective recapitalization, being October 22, 1999. Stockholders' equity gives effect to the shares issued to the shareholders of email Nevada prior to October 22, 1999 and of the Company thereafter.

Email Nevada (formerly Hotel media Group Inc.) was founded in June 1998. In August 1999, it acquired 100% of Coastal Media Group Ltd. ("Coastal") - a full-service advertising agency founded in May 1998. A common group of shareholders controlled both Coastal and email Nevada. For accounting purposes, this transaction was considered to be an acquisition by Coastal for consideration equal to the net assets and liabilities of email Nevada. Accordingly, the assets and liabilities of email Nevada have been recorded at their carrying values in the Company's accounts.

### Overview of Business

This Overview of Business contains forward-looking statements. See our Cautionary Statement Regarding Forward-Looking Statements.

### General

We are an integrated advertising strategies and electronic direct marketing company. Combining online direct marketing technology with promotional,

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

marketing and brand expertise, our infrastructure is set up to deliver a full slate of innovative marketing solutions to a vast array of products and organizations.

Our services include the creation, integration and execution of both online and offline advertising strategies, the design, delivery, tracking and analysis of targeted "one-to-one" e-mail campaigns, customized loyalty programs, and comprehensive list management / brokerage packages.

We believe permission-based electronic direct marketing (eDirect marketing) utilizing the Internet, in particular email marketing, is revolutionizing the direct marketing industry. We believe electronic direct marketing is a more effective medium of delivering messages and tracking related activities. We believe electronic marketing can generate results for marketers at a fraction of traditional direct marketing costs. Through the integrated approach of our 100% owned subsidiaries, emailthatpays.com ("EMTP") and Coastal Media Group Ltd. ("Coastal"), we are positioned to help businesses communicate and market more effectively with their customers.

EMTP utilizes a relational database and custom delivery mechanisms that provide the technology to deliver, track, and analyze highly targeted online "one-to-one" marketing campaigns and custom loyalty programs. These comprehensive email-marketing systems deliver a seamless end-to-end solution that enables marketers to develop and sustain responsible, two-way relationships with audiences while avoiding the problems associated with sending untargeted messages. Our edirect marketing team represents over five years experience in developing marketing strategies and technology.

Coastal, a full service advertising agency, supplies proven expertise in the creation, integration and execution of both online and offline advertising strategies. The Internet affects every company, whether it is competing in the information arena or locally against international competition. With expertise in both traditional advertising and e-commerce, we believe Coastal understands how technology is changing the industry and can position clients to take advantage of these changes now and in the future. Over the past year we have strengthened our creative strategic abilities. We intend to continue to be proactive and think out of the traditional agency box to create results.

-----  
Page 3

### The Market

The Internet has emerged as a global medium, enabling millions of people worldwide to communicate, share information and conduct business electronically. This emergence, combined with the rapid growth and complexity of the Internet as an advertising and marketing vehicle, has greatly expanded the importance being placed by businesses on the use of the Internet to enhance relationship management, expand brand development and cultivate new and existing customers.

Electronic Direct Marketing is recognized as an effective way to enhance customer relationships, expand brand development, and cultivate new and existing customers. Permission based email marketing in particular is emerging as a valuable marketing strategy for all types of marketers.

EDirect Marketing represents a number of significant advantages:

- o Cost savings of up to 90% over traditional Direct Marketing options
- o Rapid customer feedback

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

- o Development and execution of advertising campaigns in 48 hours compared with up to 6 to 8 weeks offline
- o Data mining capabilities that allow messages to be tailored to customer profiles, thereby generating higher response rates
- o Interactive formats that enable a customer to purchase immediately online

### Business Development Strategy

We believe that the rapid growth and complexity of edirect marketing will lead many companies to outsourced solutions. Therefore, we believe there is a significant opportunity for a company who can demonstrate their experience and capabilities in developing cost effective email marketing and integrated advertising strategies. We intend to continue to implement the following strategies:

- o Build market awareness and recognition as EDirect Marketing experts
- o Target industries and businesses that represent the greatest potential for email marketing adoption and growth
- o Develop and present case studies to organizations in other regions and markets who could benefit from our experience
- o Research and utilize emerging relevant technologies primarily from application service providers (ASP's)
- o Leverage our advertising contacts in pursuit of email marketing opportunities
- o Expand our email marketing relationships to include advertising agency opportunities
- o Pursue strategic acquisitions and alliances to access new geographic markets and to add complimentary services

### Our Product

We believe that the future of marketing communications belongs to businesses that can combine personalized one to one marketing strategies with the decoding of consumer behavior through better research and profiling. We believe our eDirect Marketing Approach provides comprehensive behavior tracking that is valuable in building better strategies and stronger relationships. Our advertising agency team represents broad experience in working with the leading brands, retailers, and media.

Our team comes from the agency, client and media worlds. We believe that together our team can build more powerful integrated marketing communications with EDirect Marketing strategies.

Our products and services include:

1. Integrated (traditional/offline and online) marketing solutions.
2. Creative direction and production.
3. Innovative delivery technologies.
4. Multiple email deployment formats.

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

5. Permission-based email list access.
6. Customer profile and tracking systems.
7. Importing and cleansing email databases.
8. Customized content based on consumer behavior, demographics or requests.
9. High-speed email delivery.
10. Auto responses and viral forwards.
11. Email surveys and polls.

### Competition

The market for Internet advertising and direct marketing is intensely competitive, rapidly changing and highly fragmented. With no significant barriers to entry and increasing attention being placed on the Internet as a means of advertising and direct marketing, we expect that competition will continue to increase. As we expand the scope of our product and service offerings, we may compete with a greater number of media companies across a wide range of advertising and direct marketing services. We may also face competition from established online portals and community web sites, traditional list brokers, banner advertising managers, online advertising technology providers, customer management and retention service companies and traditional advertising agencies.

EDirect Marketing is in a high growth mode. Large direct marketing firms are exploring edirect marketing but most are not currently providing sophisticated capabilities. Some marketers are attempting to develop in-house edirect marketing strategies and deployment with mixed success. Our ability to compete and generate revenue from businesses will depend on our skill in utilizing the expertise we possess and edirect technologies we employ to provide superior strategies and execution and stay ahead of the pack.

### Employees

We currently have 12 employees.

### Item 2. Description of Property

Under an operating lease with an expiration dated May 31, 2002 we lease 2,760 square feet of space at 428 West 6th Ave., Vancouver, British Columbia at an annual cost of \$39,717. The lease is non-cancelable through May 31, 2002, with monthly extensions available thereafter. We are currently investigating alternative space locations.

### Item 3. Legal Proceedings

None.

### Item 4. Submission of Matters to a Vote of Security Holders

None.

## PART II

### Item 5. Market for Common Equity and Related Stockholder Matters

Our common stock is traded through the NASDAQ Over-the-Counter Bulletin Board Trading System. From April 1998 until October 1999 our common stock was listed

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

under the symbol "RMPE". In connection with our name change on October 27, 1999, our trading symbol changed to "TVCM". In connection with our name change on December 21, 1999, our trading symbol changed to "EMTP".

The following table presents the range of high and low bid prices for our common stock for the periods indicated. The quotations reflect inter-dealer prices and do not include retail mark-up, mark-down or commissions, and may not represent actual transactions.

-----  
Page 5

	High	Low
January 1, 2000 - March 31, 2000	12.00	6.62
April 1, 2000 - June 30, 2000	8.63	3.00
July 1, 2000 - September 30, 2000	4.13	1.28
October 1, 2000 - December 31, 2000	1.31	0.34
January 1, 2001 - March 31, 2001	0.31	0.19
April 1, 2001 - June 30, 2001	0.25	0.18
July 1, 2001 - September 30, 2001	0.19	0.08
October 1, 2001 - December 31, 2001	0.70	0.10

As of December 31, 2001 the closing bid price of our common stock was \$.24. At December 31, 2001, there were 71 holders of record of 6,301,103 shares of common stock. There are approximately 4,000,654 shares held in street name.

No cash dividends have been declared with respect to our common stock since inception. We are not likely to pay any dividends in the foreseeable future. We intend to reinvest any earnings in our operations.

The transfer agent for our securities is StockTrans, Inc., 44 West Lancaster Avenue, Ardmore, Pennsylvania.

### Recent Sales of Unregistered Securities

During the nine months period ended September 30, 1999, the Company converted accrued salaries amounting to \$85,500 into 6,951 shares of common stock at per share prices ranging from \$9.50 to \$21.25 per share.

During March 1999, the Company issued 500 shares of common stock in exchange for professional services rendered. These shares were valued at \$33.75 per share, the fair value, and charged to operations.

During March 1999, the Company agreed to exchange 585 shares of its common stock for 7.5% of BRT Video, Inc.

During April 1999, the Company issued 100 shares of common stock in exchange for professional services rendered. These shares were valued at \$30.00 per share, the fair value, and charged to operations.

During May 1999, the Company issued 3,235 shares of common stock in exchange for professional services rendered. These shares were valued at approximately \$9.60 to \$11.25 per share, the fair values, and charged to operations.

In connection with the signing of the Merger Agreement, the Company declared a one-for-ten reverse stock split whereby each share of common stock issued and outstanding on September 27, 1999 was reclassified and changed to one-tenth of one share of common stock, rounded down to the nearest whole share. All common

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

shares and per share data have been retroactively adjusted to reflect this stock split.

On October 22, 1999, pursuant to the Merger, the shareholders of email Nevada received one share of the Company's common stock in exchange for each share of email Nevada's common stock, or an aggregate of 6,572,000 shares of the Company's common stock.

In connection with the Merger, the Company issued 393,016 shares of its common stock in full satisfaction of certain indebtedness amounting to \$432,318 and issued 300,000 shares of common stock to a third party in exchange for the assignment to the Company of a \$500,000 obligation owed to this third party. Also in connection with the Merger, the Company issued an aggregate of 525,000 shares of its common stock as an investment banking fee.

In October 1999 the Company issued and sold an aggregate of 333,333 shares of common stock at an offering price of \$1.50 per share to the following accredited investors pursuant to Rule 506: SPH Equities, Inc., Capital Growth Investment Trust and Equity Associates Corp. This offering generated gross proceeds of \$500,000.

-----  
Page 6

On March 5, 2000, the Company issued and sold an aggregate of 275,000 shares of common stock at \$5 per share pursuant to Rule 506 of the Securities Act of 1933, as amended. After deducting a commission / investment-banking fee of 8% or \$110,000 paid to LCP Capital Corp., the net consideration received for this share issuance is \$1,265,000. In connection with this share issuance, the Company issued warrants to purchase 100,000 shares of common stock with an exercise price of \$5.00 and an expiry date of March 5, 2003.

On April 26, 2000, pursuant to Section 4(2) of the Securities Act of 1933, as amended, the Company issued 20,000 shares of common stock in exchange for promotional goods valued at \$45,000.

On June 6, 2000, in connection with the March 5, 2000 share issuance, the Company issued warrants to purchase a further 325,000 shares of common stock. These warrants have an exercise price of \$3.25 and an expiry date of June 6, 2003.

On June 15, 2001, a terminated employee exercised options, (which had been granted to him under the terms of the 1999 Equity Compensation Plan), to purchase 75,000 shares of common stock at a price of \$.005 per share. The issuance of the shares of common stock was made pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

On July 4, 2001, the Company completed a private placement of five units pursuant to Regulation S of the Securities Act of 1933, as amended. The five units were issued for an aggregate purchase price of \$333,335 and consisted of an aggregate of 1,666,665 shares of Common Stock and warrants to purchase an aggregate of 1,666,665 shares of Common Stock; three units, consisting of an aggregate of 999,999 shares and an equal number of warrants were issued to Camino Enterprises Ltd., in exchange for the cancellation of \$200,001 of debt owed to Camino Enterprises Ltd.; one unit, consisting of 333,333 shares and an equal number of warrants, was issued to a third party and the proceeds received by the Company were used to repay \$66,667 of debt owed to Camino Enterprises and Mr. Hunter; one unit, consisting of 333,333 shares and an equal number of warrants, was issued to another third party partially in exchange for the



## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

cancellation of \$52,000 of debt owed to such third party and partially upon receipt of \$14,667; the \$14,667 was used to repay \$14,667 of debt owed to Camino Enterprises and Mr. Hunter. The warrants had a term of six months, expired on January 4, 2002 and were not exercised.

### Item 6. Management's Discussion and Analysis

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See Cautionary Statement Regarding Forward-Looking Statements.

The following discussion should be read in conjunction with our audited Consolidated Financial Statements and related Notes thereto included elsewhere in this Report.

#### Overview

We are an integrated advertising strategies and permission-based edirect marketing company. Combining online direct marketing technology with promotional, marketing and brand expertise, our infrastructure is set up to deliver a full slate of innovative marketing solutions to a vast array of products and organizations.

Our services include the creation, integration and execution of both online and offline advertising strategies, the design, delivery, tracking and analysis of targeted "one-to-one" e-mail campaigns, customized loyalty programs, and comprehensive list management / brokerage packages.

As described in Item 1, on October 22, 1999, pursuant to the terms of an Agreement and Plan of Merger and Reorganization, (the "Merger Agreement"), dated as of September 17, 1999, by and among Realm Production and Entertainment, Inc. ("the Company"), Realm Acquisition Corp., a wholly-owned subsidiary of the Company ("Merger Sub") and emailthatpays.com, a company incorporated in the state of Nevada ("email Nevada"), Merger Sub was merged (the "Merger") with and into email Nevada. Pursuant to the Merger, the Company issued 6,572,000 shares (post reverse split) as consideration in exchange for 100% of the issued and outstanding shares of email Nevada.

-----  
Page 7

For accounting purposes, this transaction has been accounted for as a recapitalization of email Nevada, effectively as if email Nevada had issued common stock for consideration equal to the net assets of the Company.

The Company's historical financial statements reflect the financial position, results of operations and cash flows of email Nevada since its inception and include the operations of the Company from the date of the effective recapitalization, being October 22, 1999. Stockholders' equity gives effect to the shares issued to the stockholders of email Nevada prior to October 22, 1999 and of the Company thereafter.

#### RESULTS FROM OPERATIONS

##### Revenue

We earn revenues by developing and implementing integrated marketing and advertising strategies and by delivering online direct marketing, promotional,

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

and informational offers. We charge our advertisers based on a number of criteria including marketing services performed - strategic and creative development, advertising production, media planning and buying; emails deployed, qualified leads generated and database management.

Revenue consists of the gross value of our billings to clients and includes the price of the advertising that we purchase from offline and online suppliers. Under marketing services contracts, we recognize the cost of the advertising we purchase for our clients as an expense and the payments we receive from our clients for this advertising as revenue. Under these arrangements, we are ultimately responsible for payment to suppliers for the cost of the advertising that we purchase.

We believe that our revenues will be subject to seasonal fluctuations as a result of general patterns of retail advertising, which are typically higher during the second and fourth calendar quarters. In addition, expenditures by advertisers tend to be cyclical, reflecting overall economic conditions and consumer buying patterns.

Revenues for the year ending December 31, 2001 were \$1,358,000, an increase of 36% over the year ending December 31, 2000. This increase results almost entirely from the addition of one major client. This new client and one recurring client account for over 60% of our revenues.

### Cost of Revenue

Cost of revenue represents the cost of advertising purchased for clients and directly corresponds to our revenue levels. Additionally, during fiscal 2001 we strengthened our creative strategic capabilities and consequently generated appreciably more billings for these services than in the previous year. As these services do not involve the purchase of advertising, our cost of revenues is also proportionately less than in 2000.

### Operating Expenses

Operating expenses for the year ending December 31, 2001 totaled \$1,779,000, a decrease of \$8,000 from the year ending December 31, 2000. Excluding stock-based compensation, the decrease from last year is \$413,000 (27%). This decrease reflects the substantive steps we have taken to reduce our ongoing operating costs. These steps include the completion of the initial development of our relational database and email delivery system programs, consolidation of our two western Canada offices into one location, closure of our eastern Canada sales office, controlled use of professional services, cutbacks in administrative and marketing positions and the reduction of our internal technological staff through the outsourcing of the maintenance and storage of our technological facilities, implementation of certain application service provider (ASP) technologies and the utilization of IT professionals on a project-by-project contract basis.

-----  
Page 8

For the year ending December 31, 2001 we have recorded non-cash stock compensation expenses of \$634,000, an increase of \$405,000 over the year ending December 31, 2000. This increase is the result of changes to the estimated service life of the individuals holding the options. As the individuals holding the options are no longer employees of the Company, the unamortized deferred compensation applicable to their vested options has been fully amortized and recognized as an expense in 2001. The unamortized deferred compensation applicable to the unvested options has been written off to additional paid-in

capital.

#### Liquidity and Capital Resources

We have sustained net losses and negative cash flows from operations since our inception. As of December 31, 2001 we have negative working capital of \$450,000. Advances from Daniel Hunter, our Chief Executive Officer and a company controlled by Mr. Hunter are funding our current operations. Our ability to meet our current obligations is dependent upon these advances.

Our ability to meet our obligations in the ordinary course of business is dependent upon our ability to establish profitable operations or to obtain additional funding through public or private equity financing, collaborative or other arrangements with corporate sources, or other sources. We are seeking to increase revenues through continued marketing of our services; nonetheless additional funding will be required.

We are working to obtain sufficient working capital from external sources in order to continue operations. There is however, no assurance that the aforementioned events, including the receipt of additional funding, will occur and be successful.

Net cash used in operating activities was \$450,000 and \$1,296,000 for the years ending December 31, 2001 and 2000, respectively. Cash used in operations was primarily the result of net losses.

Net cash used in investing activities was \$16,000 and \$30,000 for the years ending December 31, 2001 and 2000, respectively and relates to purchases of property and equipment.

Net cash provided by financing activities was \$490,000 and \$1,205,000 for the years ending December 31, 2001 and 2000, respectively. Cash provided by financing activities for the year ending December 31, 2001 consists of \$718,000 in advances from related parties and \$28,000 from a note payable. A total of \$248,000 of the advances from related parties was utilized to repay in entirety our existing bank term loan and line of credit. Additionally, as described in Items 5 and 12, the company issued five units for an aggregate purchase price of \$333,335, consisting of an aggregate of 1,666,665 shares of Common Stock and warrants to purchase an aggregate of 1,666,665 shares of Common Stock; three units, consisting of an aggregate of 999,999 shares and an equal number of warrants, were issued to Camino Enterprises Ltd., a company owned and controlled by Mr. Hunter, our Chief Executive Officer, in exchange for the cancellation of \$200,001 of debt owed to Camino Enterprises Ltd.; one unit, consisting of 333,333 shares and an equal number of warrants, was issued to a third party and the proceeds received by the Company were used to repay \$66,667 of debt owed to Mr. Hunter and Camino Enterprises Ltd.; one unit, consisting of 333,333 shares and an equal number of warrants, was issued to another third party partially in exchange for the cancellation of \$52,000 of debt owed to such third party and partially upon receipt of \$14,667; the \$14,667 was used to repay \$14,667 of debt owed to Mr. Hunter and Camino Enterprises Ltd. Cash provided by financing activities for the year ending December 31, 2000 consists of \$1,265,000 from the issuance of capital stock and \$50,000 from the issuance of a note payable; less repayments of loans totaling \$31,000 and a reduction in advances from related parties of \$87,000.

At December 31, 2001, we have no material capital commitments that will impact expenditures in 2002.

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

### FACTORS AFFECTING OPERATING RESULTS

OUR PROSPECTS FOR OBTAINING ADDITIONAL FINANCING ARE UNCERTAIN AND FAILURE TO OBTAIN NEEDED FINANCING COULD AFFECT OUR ABILITY TO CONTINUE OPERATIONS AND PURSUE FUTURE GROWTH

Advances from Daniel Hunter, our Chief Executive Officer and a company controlled by Mr. Hunter are funding our current operations. Our ability to meet our current obligations is dependent upon these advances. We need to raise funds in order to continue operations and implement our strategies of client realization and servicing, expansion and maintenance of products, brand awareness, technological advancement and infrastructure development. We cannot assure you that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available on acceptable terms, our ability to continue operations, implement our strategies, take advantage of unanticipated opportunities, or otherwise respond to competitive pressures will be significantly limited. If additional funds are raised through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders will be reduced and these securities might have rights, preferences or privileges senior to those of our current stockholders.

WE HAVE A HISTORY OF OPERATING LOSSES AND FUTURE LOSSES ARE LIKELY

We incurred a net loss of \$1,534,000 during the year ended December 31, 2001 and \$1,635,000 during the year ended December 31, 2000. We require further spending and financing to implement our strategies of client realization and servicing, expansion and maintenance of products, brand awareness, technological advancement and infrastructure development. As a result, we may experience net losses and negative cash flows for the next few quarters.

The auditors' report on our December 31, 2001 consolidated financial statements includes an additional explanatory paragraph that states that due to the Company's need to generate cash from operations and obtain additional financing, substantial doubt exists about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

OUR LIMITED OPERATING HISTORY MAKES IT DIFFICULT TO EVALUATE OUR BUSINESS AND PROSPECTS

You have limited information about us with which to evaluate our business strategies and performance and an investment in our common stock. Our limited operating history makes it difficult to forecast future operating results. We cannot be certain that revenues will increase at a rate sufficient to achieve and maintain profitability. Even if we were to achieve profitability in any period, we might fail to sustain or increase that profitability on a quarterly or annual basis.

OUR EXISTING CLIENT BASE IS CONCENTRATED AND THE LOSS OF A MAJOR CLIENT WOULD BE DIFFICULT TO REPLACE

Two clients currently account for over 60% of our revenues. The loss of either of these clients would significantly damage our revenue base and opportunities for growth. We cannot guarantee that these clients will remain with us or that we will be able to access new clients to replace them.

OUR SUCCESS DEPENDS UPON BROAD MARKET ACCEPTANCE OF PERMISSION EMAIL MARKETING SERVICES AND WE ARE UNCERTAIN IF OR WHEN SUCH MARKET ACCEPTANCE WILL OCCUR.

We expect to derive an increasing portion of our revenues from electronic direct marketing services. If these services do not continue to achieve market

acceptance, we cannot assure you that we will generate business at a sufficient level to support our continued operations. The Internet has not existed long enough as an advertising medium to demonstrate its effectiveness relative to traditional advertising media. The market for permission email marketing services is in its infancy, and we are not certain whether our target customers will widely adopt and deploy this technology. Even if they do so, they may not choose our products for technical, cost, support or other reasons. Adoption of permission email marketing services, particularly by those entities that have historically relied upon traditional means of direct marketing, such as telemarketing and direct mail, requires the broad acceptance of a new and substantially different approach to direct marketing. Enterprises that have already invested substantial resources in other advertising methods may be reluctant or slow to adopt our new approach.

-----  
Page 10

COMPETITION FOR INTERNET ADVERTISING AND DIRECT MARKETING IS INTENSE AND COULD ADVERSELY AFFECT OUR BUSINESS.

The market for Internet advertising and direct marketing is intensely competitive, rapidly changing and highly fragmented. With no significant barriers to entry and increasing attention being placed on the Internet as a means of advertising and direct marketing, we expect that competition will continue to increase in the near term. Our ability to compete and generate revenue from businesses will depend on our skill in utilizing the expertise and EDM technology we have to provide superior strategies and execution.

As we expand the scope of our product and service offerings, we may compete with a greater number of media companies across a wide range of advertising and direct marketing services. Many of these companies have greater name recognition, longer operating histories, larger customer bases and significantly greater financial, technical, marketing, public relations, sales, distribution and other resources than we do. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to increase the ability of their products or services to address the needs of our prospective advertisers and advertising agency customers. As a result, we may not be able to compete effectively and competitive pressures may result in price reductions, reduced gross margins and an inability to gain market share.

OUR OFFICERS AND DIRECTORS AND THEIR AFFILIATES EXERCISE SIGNIFICANT CONTROL OVER OUR COMPANY.

Some of our directors and executive officers, and certain of their affiliates, individually and as a group, effectively control us and direct our affairs and business, including any determination with respect to the acquisition or disposition of assets by us, future issuance's of common stock or other securities by us, declaration of dividends on our common stock and the election of directors. This concentration of ownership also may have the effect of delaying, deferring or preventing a change in control of our company.

FAILURE TO SAFEGUARD MEMBER PRIVACY COULD AFFECT OUR REPUTATION AMONG CONSUMERS.

An important feature of our strategy is our ability to capture list member profiles on behalf of our clients. Security and privacy concerns may cause consumers to resist providing the personal data necessary to support this profiling capability. Usage of the emailthatpays.com program could decline if any well-publicized compromise of security occurred. As a result of these security and privacy concerns, we may incur significant costs to protect against

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

the threat of security breaches or to alleviate problems caused by such breaches.

IF WE ARE UNABLE TO MANAGE OUR EXPECTED GROWTH, OUR BUSINESS WILL SUFFER.

In the rapidly evolving market for permission edirect marketing services, our ability to implement our business plan and successfully develop and offer our products and services requires an effective planning and management process. We anticipate that our future operations will place a significant strain on our management systems and resources. We expect that we will need to continue to improve our operational, financial and managerial controls and our reporting systems and procedures. We also will need to continue to expand, train and manage our work force.

TO REMAIN COMPETITIVE, WE MUST KEEP PACE WITH TECHNOLOGICAL CHANGES IN OUR INDUSTRY

The Internet and our market are characterized by rapidly changing technologies, frequent new product and service introductions, short development cycles, evolving industry standards and intense competition. We must adapt to rapidly changing technologies by maintaining and improving the performance features and reliability of our services. We may experience technical difficulties that could impact the operation of existing systems or delay the successful development, introduction or marketing of new products and services.

-----  
Page 11

CONTINUED DEVELOPMENT AND USE OF THE INTERNET INFRASTRUCTURE IS CRITICAL TO OUR ABILITY TO OFFER OUR SERVICES

We depend heavily on third-party providers of Internet and related telecommunication services to operate our online direct marketing service. Internet service providers have experienced significant outages in the past, and could experience outages, delays and other difficulties due to system failures unrelated to our systems. If outages or delays occur frequently in the future, Internet usage and the usage of our products and services, could grow more slowly or decline. If Internet usage grows, the Internet infrastructure may not be able to support the demands placed on it by this growth and its performance and reliability may decline.

GOVERNMENT REGULATION AND THE LEGAL UNCERTAINTIES OF DOING BUSINESS ON THE INTERNET COULD NEGATIVELY IMPACT OUR BUSINESS.

Laws and regulations that apply to Internet communications, commerce and advertising are becoming more prevalent. These regulations could affect the cost of communicating on the Internet and negatively affect the demand for our direct marketing solutions or otherwise harm our business. Laws and regulations may be adopted covering issues such as user privacy, pricing, libel, acceptable content, taxation and quality of products and services. This legislation could hinder growth in the use of the Internet generally and decrease the acceptance of the Internet as a communications, commercial and direct marketing medium.

The laws governing the Internet remain largely unsettled, even in areas where there has been some legislative action. It may take years to determine whether and how existing laws apply to the Internet and Internet advertising. In addition, the growth and development of the market for Internet commerce may prompt calls for more stringent consumer protection laws, both in the United States and abroad. This may impose additional burdens on companies conducting business over the Internet.

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

WE FACE RISKS ASSOCIATED WITH THIRD PARTY CLAIMS AND LITIGATION RELATING TO INTELLECTUAL PROPERTY RIGHTS

Our business activities may infringe upon the proprietary rights of others, and other parties may assert infringement claims against us. A successful claim of product infringement against us and our failure or inability to license the infringed or similar technology could harm our business. From time to time, third parties may assert exclusive patent, copyright, trademark and other intellectual property rights to technologies and related standards that are important to us. Any claims, with or without merit, could be time consuming to defend, result in costly litigation, divert management's attention and resources, result in an injunction which would prohibit us from offering a particular product or service or require the payment of monetary damages.

### Item 7. Financial Statements

Audited Consolidated Financial Reports for Years ended December 31, 2001 and 2000.

- o Independent Auditors Report
- o Consolidated Balance Sheets
- o Consolidated Statements of Operations and Deficit
- o Consolidated Statement of Stockholders' Equity
- o Consolidated Statement of Cash Flows
- o Notes to Consolidated Financial Statements

### Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

-----  
Page 12

## PART III

### Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with 16(a) of the Exchange Act.

Our directors and executive officers, their ages and positions are set forth below:

Name	Age	Title
----- Daniel Hunter	42	----- Chief Executive Officer, Director
Donald James MacKenzie	45	President and Secretary, Director
Brian Cobbe	46	Vice-President, Director

Mr. Hunter was appointed our Chief Executive Officer and a Director in October 1999. Mr. Hunter was appointed Chief Executive Officer and a Director of email Nevada in July 1999. Since September 1998, Mr. Hunter has been the Chief Executive Officer and a Director of Coastal Media Group Ltd. From 1993 to 1998, Mr. Hunter was an account executive and Partner at Canaccord Capital and has participated in the financing of numerous private and public companies.

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

Mr. MacKenzie was appointed our President, Secretary, and a Director in October 1999. Mr. MacKenzie has been the Secretary, Treasurer, and a Director of email Nevada since its inception in June 1998. From 1990 to 1998, Mr. MacKenzie was a senior account executive at BCTV, a major local television station in Vancouver.

Mr. Cobbe was appointed the Company's Vice-President and a Director on December 17, 2001. Since August 2001, Mr. Cobbe has been President of Coastal Media Group Ltd. Mr. Cobbe has over 20 years experience as an advertising executive, the last 12 years with Palmer Jarvis DDB.

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, certain of our officers and persons who own more than ten percent of our common stock (collectively the "Reporting Persons") to file reports of ownership and changes in ownership with the Securities and Exchange Commission and to furnish us with copies of these reports.

Based on representations received from Reporting Persons and upon review of Form 3 and 4 filings, all filings required to be made by the Reporting Persons for the year 2001 were made in a timely manner, except for one filing by Mr. Cobbe with respect to him becoming a Reporting Person and one filing by Mr. Hunter with respect to one transaction which were filed late.

### Item 10. Executive Compensation

The following Summary Compensation Table sets forth the cash compensation and certain other components of the compensation received by (i) Daniel Hunter and (ii) Donald James MacKenzie

Summary Compensation Table

	Year	Annual Compensation				Long-Term Incentive Plan	
		Salary	Bonus	Other Annual Compensation	Restricted Stock Award	Securities Underlying Options/SAR	LTIP Payouts
Daniel Hunter	2001	\$145,311 (2)	-	-	-	-	-
Chief Executive Officer	2000	\$146,455	-	-	-	35,000	-
	1999	\$89,584	-	-	-	70,000	-
Donald James MacKenzie	2001	\$134,045 (2)	-	-	-	-	-
President	2000	\$122,700	-	-	-	35,000	-
	1999	\$103,684	-	-	-	70,000	-

(1) Term life insurance premiums paid by us.

(2) Mr. Hunter and Mr. MacKenzie have each voluntarily deferred payment of \$16,146 of salary pending receipt of additional funding from external sources.



The following Option / SAR Grants Table shows information regarding grants of stock options in this last completed fiscal year to the executive officers named in the Summary Compensation Table.

There were no stock options granted in this last completed fiscal year to the executive officers named in the Summary Compensation Table.

The following Aggregate Options / SAR Exercises in and Fiscal Year-End Option / SAR Value Table provides information concerning each exercise of stock options (or tandem SARs) and freestanding SARs during the last completed fiscal year by the executive officers named in the Summary Compensation Table and the fiscal year-end value of unexercised options and SARs.

Aggregate Options / SAR Exercises in and Fiscal Year-End Option /  
SAR Value Table

	Share Acquired On Exercise	Value Realized	Number of Securities Underlying Unexercised Options/SARs At FY-End (#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Opt SARs at FY-End ( Exercisable/ Unexercisable
Daniel Hunter	-	-	62,223 / 42,777	0/0 (1)
Donald James MacKenzie	-	-	62,223 / 42,777	0/0 (1)

(1) FY-End Option/SAR Values based on exercise prices of \$5.75 per share for 70,000 options and \$1.35 per share for 35,000 options and 12-31-01 closing price of \$0.24 per share.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of the latest fiscal year end, the stock ownership of each named executive officer, directors, all executive officers and directors as a group, and of each person known by us to be a beneficial owner of 5% or more of our common stock. Except as otherwise noted, each person listed below is the sole beneficial owner of the shares and has sole investment and voting power of such shares. No person listed below has any option, warrant or other right to acquire additional securities of us except as otherwise noted.

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

### Security Ownership Table

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Owner	Percent of Class
Daniel Hunter (2)	2,568,055 (3)	24.8
Brian Cobbe	20,000	0.2
Donald James MacKenzie	1,568,056 (3)	15.1
All executive officers and directors as a group (4)	4,156,111	39.8

- (1) Unless otherwise indicated, the business address of all beneficial owners is 428 West 6th Avenue, Vancouver, BC V5Y 1L2.
- (2) Includes 1,749,999 shares held by Camino Enterprises Ltd. Mr. Hunter is the sole shareholder of Camino Enterprises Ltd.
- (3) Includes 68,056 shares which the holder has the right to acquire within 60 days upon the exercise of stock options.
- (4) Includes shares held by Messrs. Hunter, Cobbe, and MacKenzie. Also includes 136,112 shares which the holders have the right to acquire within 60 days upon the exercise of stock options.

#### Item 12. Certain Relationships and Related Transactions

As presented in the following table, Mr. Hunter, our Chief Executive Officer, has advanced funds to us for working capital purposes both personally and through Camino Enterprises Ltd., a company of which he is the sole shareholder.

	December 31, 2001	December 31, 2000
Controlled company	\$ 129,549	\$ 60,020
Stockholder	\$ 368,873	-
	\$ 498,422	\$ 60,020

The advance from the stockholder and the controlled company are unsecured, bear interest at an annual rate of 7%, have no set terms of repayment and are not callable during 2002.

On July 4, 2001, the Company completed a private placement of five units. The five units were issued for an aggregate purchase price of \$333,335 and consisted of an aggregate of 1,666,665 shares of Common Stock and warrants to purchase an aggregate of 1,666,665 shares of Common Stock; three units, consisting of an aggregate of 999,999 shares and an equal number of warrants were issued to Camino Enterprises Ltd., in exchange for the cancellation of \$200,001 of debt owed to Camino Enterprises Ltd.; one unit, consisting of 333,333 shares and an equal number of warrants, was issued to a third party and the proceeds received by the Company were used to repay \$66,667 of debt owed to Camino Enterprises and Mr. Hunter; one unit, consisting of 333,333 shares and an equal number of warrants, was issued to another third party partially in

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

exchange for the cancellation of \$52,000 of debt owed to such third party and partially upon receipt of \$14,667; the \$14,667 was used to repay \$14,667 of debt owed to Camino Enterprises and Mr. Hunter. The warrants had a term of six months, expired on January 4, 2002 and were not exercised.

-----  
Page 15

SIGNATURES

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

emailthatpays.com, Inc.

By: /s/ Daniel Hunter

-----  
Daniel Hunter, Chief Executive Officer,  
Principal Accounting and Financial  
Officer, Director

By: /s/ Donald James MacKenzie

-----  
Donald James MacKenzie, President  
and Secretary, Director

By: /s/ Brian Cobbe

-----  
Brian Cobbe, Vice President, Director

In accordance with the Securities Exchange Act of 1934, this Report has been duly signed below by the following persons on behalf of the Registrant in the capacities and on March 29, 2002.

By: /s/ Daniel Hunter

-----  
Daniel Hunter, Chief Executive Officer, Principal Accounting and  
Financial Officer, Director

By: /s/ Donald James MacKenzie

-----  
Donald James MacKenzie, President and Secretary, Director

By: /s/ Brian Cobbe

-----  
Brian Cobbe, Vice President, Director

Item 13. Exhibits and Reports on Form 8K

(a) Exhibits

2.1 Agreement and Plan of Merger and Reorganization, dated as of September 17, 1999, by and among Realm Production and Entertainment, Inc., Realm Acquisition Corp., and

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

emailthatpays.com (Previously filed)

3.1 Articles of Amendment to the Articles of Incorporation of Realm Production and Entertainment, Inc. (Previously filed)

3.2 Articles of Amendment to the Articles of Incorporation of tvtravel.com, Inc. (Previously filed)

4.1 1999 Equity Compensation Plan (Previously filed)

21 Subsidiaries. (Previously filed)

(b) Reports on Form 8-K

None.

-----  
Page 16

emailthatpays.com, Inc.  
Index to Audited Consolidated Financial Statements  
Years ended December 31, 2001 and 2000  
With Independent Auditors' Report

	Page
	----
Independent Auditors' Report.....	F-1
Consolidated Balance Sheets.....	F-2
Consolidated Statements of Operations and Deficit.....	F-3
Consolidated Statement of Stockholders' Equity.....	F-4
Consolidated Statements of Cash Flows.....	F-5
Notes to Consolidated Financial Statements.....	F-6 - F-18

Audited Consolidated Financial Statements of

# Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

emailthatpays.com, Inc.

Years ended December 31, 2001 and 2000

## Independent auditors' report

The Board of Directors and Stockholders  
emailthatpays.com, Inc.

We have audited the accompanying consolidated balance sheets of emailthatpays.com, Inc. as of December 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' deficit and comprehensive income (loss) and cash flows for the years ended December 31, 2001 and 2000. 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of emailthatpays.com, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years ended December 31, 2001 and 2000 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming emailthatpays.com, Inc. will continue as a going concern. As discussed in note 2 to the consolidated financial statements, the Company's need to generate cash from operations and obtain additional financing raises substantial doubt about its ability to continue as a going concern. Management plans as to these matters are also described in note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ KPMG LLP

Chartered Accountants

Victoria, Canada

February 8, 2002

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

F-1

emailthatpays.com, Inc.  
 Consolidated Balance Sheets  
 (expressed in United States dollars)

December 31, 2001 and 2000

	2001
<hr/>	
Assets	
Current assets:	
Cash	\$ 24,387
Accounts receivable	87,195
Prepaid expenses	52,144
	<hr/>
	163,726
Property and equipment, less accumulated depreciation (note 5)	97,335
	<hr/>
	\$ 261,061
<hr/>	
Liabilities and Stockholders' Deficit	
Current liabilities:	
Bank indebtedness	\$ -
Accounts payable and accrued liabilities	269,990
Accrued salaries	79,041
Unearned revenue	259,369
Loans payable - current portion	-
Lease obligation - current portion	5,375
	<hr/>
	613,775
Due to related parties (note 6)	498,322
Loans payable (note 7)	-
Note payable (note 8)	25,578
Lease obligation (note 9)	10,041
	<hr/>
Total liabilities	1,147,716
Stockholders' deficit (notes 10 and 11):	
Common stock	52,184
Additional paid-in capital	3,593,222
Deferred stock-based compensation	-
Deficit	(4,542,324)
Accumulated other comprehensive income (loss)	10,263
	<hr/>
Total stockholders' deficit	(886,655)
Commitment (note 14)	
	<hr/>
	\$ 261,061

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

See accompanying notes to consolidated financial statements.

F-2

emailthatpays.com, Inc.  
 Consolidated Statements of Operations  
 (expressed in United States dollars)

Years ended December 31, 2001 and 2000

	2001
Revenue	\$ 1,358,465
Cost of revenue	1,058,630
Gross profit	299,835
Operating expenses:	
Depreciation	69,643
Remuneration stock-based compensation of \$634,324 (2000 - \$229,800)	1,379,522
Legal and accounting	71,883
Consulting fees and computer services	125,619
Phones and utilities	19,465
Rent	36,751
Advertising and promotion	20,824
Other selling, general and administrative	55,835
	1,779,542
Loss from operations	(1,479,707)
Other income (expense):	
Interest income	-
Interest expense	(54,579)
	(54,579)
Net loss	\$ (1,534,286)
Net loss per common share, basic and diluted	\$ (0.16)
Weighted average common shares outstanding, basic and diluted (note 3(k))	9,500,463

See accompanying notes to consolidated financial statements.

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

F-3

emailthatpays.com, Inc.

Consolidated Statements of Stockholders' Deficit and Comprehensive Income (Loss)  
(expressed in United States dollars)

Year ended December 31, 2001

	Common stock	Additional paid in capital	Deficit	Deferred stock compensation
Balance at December 31, 1998	\$ -	3,914	(252,792)	-
Shares issued in connection with:				
Issuance of common stock (8,428,092 shares)	42,140	1,072,518	-	-
Deferred stock-based compensation	1,000	1,148,000	-	(1,149,000)
Amortization of deferred compensation	-	-	-	19,000
Net loss	-	-	(1,120,001)	-
Comprehensive loss:				
Foreign exchange translation adjustment	-	-	-	-
Balance at December 31, 1999	43,140	2,224,432	(1,372,793)	(1,130,000)
Shares issued in connection with:				
Private placement for cash (275,000 shares)	1,375	1,263,625	-	-
Acquisition of promotional goods (20,000 shares)	100	44,900	-	-
Amortization of deferred compensation	-	-	-	229,800
Net loss	-	-	(1,635,245)	-
Comprehensive loss:				
Foreign exchange translation adjustment	-	-	-	-
Balance at December 31, 2000	44,615	3,532,957	(3,008,038)	(900,200)
Shares issued in connection with:				
Exercise of stock options (75,000 shares)	-	375	-	-
Private placement for cash/reduction of debt (1,333,333 shares)	6,667	260,001	-	-
Private placement for cash/reduction of debt (333,333 shares)	1,667	65,000	-	-
Cancellation or change in option status	(250)	(287,000)	-	287,250
Share options issued for services	300	21,074	-	-
Cancellation of shares	(815)	815	-	-
Amortization of deferred compensation	-	-	-	612,950
Net loss	-	-	(1,534,286)	-
Foreign exchange translation				



Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

adjustment - - - -

-----  
 Balance at December 31, 2001 \$ 52,184 3,593,222 (4,542,324) -  
 =====

See accompanying notes to consolidated financial statements.

F-4

emailthatpays.com, Inc.  
 Consolidated Statements of Cash Flows  
 (expressed in United States dollars)

Years ended December 31, 2001 and 2000

	2001
-----	
Cash provided by (used in):	
Operations:	
Net loss	\$ (1,534,286)
Items not involving cash:	
Depreciation	69,643
Stock-based compensation	634,324
Foreign exchange on subsidiary operations	29,244
Loss on disposal of equipment	-
Changes in operating assets and liabilities:	
Change in accounts receivable	(12,263)
Change in prepaid expenses	3,080
Change in accounts payable and accrued liabilities	40,884
Increase in unearned revenue	259,369
Increase in accrued salaries	59,756
Net cash used in operating activities	(450,249)
Cash flows used in investing activities:	
Purchase of property and equipment	(16,027)
Proceeds from disposal of equipment	-
Net cash used in investing activities	(16,027)
Cash flows from financing activities:	
Repayment of loans payable and lease obligation	(248,448)
Proceeds from (repayment of) bank indebtedness	(8,479)
Proceeds from notes payable	28,358
Proceeds from (repayment of) advances from related parties	718,857
Issue of common shares for cash	375
Share issue costs	-
Net cash provided by financing activities	490,663
-----	
Increase (decrease) in cash	24,387

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

Cash, beginning of year		-
-----		
Cash, end of year	\$	24,387
=====		
Supplementary information:		
Interest paid	\$	54,579
Income taxes paid		-
Non-cash transactions:		
Issue of common shares for repayment of debt		333,335
Cancellation of options		287,250
=====		

See accompanying notes to consolidated financial statements.

F-5

emailthatpays.com, Inc.  
Notes to Consolidated Financial Statements  
(expressed in United States dollars)

Years ended December 31, 2001 and 2000

=====

1. The Company and description of business:

emailthatpays.com, Inc. (the "Company") is incorporated in the state of Florida and is an integrated advertising strategies and electronic direct marketing service. The Company's services include the creation, integration and execution of both online and offline advertising strategies, the design, delivery, tracking and analysis of targeted "one-to-one" e-mail campaigns, customized loyalty programs and comprehensive list management/brokerage packages.

On October 22, 1999, the Company, then named Realm Production and Entertainment, Inc. ("Realm"), a public company listed on the over-the-counter bulletin board in the United States, issued 6,572,000 shares of its common stock in connection with the merger of a wholly-owned subsidiary of Realm with and into emailthatpays.com ("email Nevada"), a private company incorporated in the State of Nevada. This transaction was accounted for as a recapitalization of email Nevada, effectively as if email Nevada had issued common shares for consideration equal to the net monetary assets of Realm. On October 27, 1999, Realm changed its name to tvtravel.com Inc. and, subsequently, on December 21, 1999, to emailthatpays.com, Inc.

The Company's historical financial statements reflect the financial position, results of operations and cash flows of email Nevada since its inception and include the operations of Realm from the date of the effective recapitalization, being October 22, 1999. Stockholders' equity gives effect to the shares issued to the stockholders of email Nevada prior to October 22, 1999 and of the Company thereafter.

email Nevada (formerly Hotel Media Group Inc.) was incorporated on June 26, 1998. In August 1999, it acquired 100% of Coastal Media Group Ltd.

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

("Coastal"), a full-service advertising agency founded in May 1998. A common group of shareholders controlled both Coastal and email Nevada. For accounting purposes, the transaction was considered to be an acquisition by Coastal for consideration equal to the net assets and liabilities of email Nevada. Accordingly, the assets and liabilities of email Nevada have been recorded at their carrying values in the Company's accounts.

### 2. Liquidity and future operations:

The Company has sustained net losses and negative cash flows from operations since its inception. At December 31, 2001, the Company has negative working capital of \$450,049. For the year ended December 31, 2001, the Company has used \$450,249 cash in operating activities. The Company's ability to meet its obligations in the ordinary course of business is dependent upon its ability to establish profitable operations and positive cash flows from operating activities or to obtain additional funding through public or private equity financing, collaborative or other arrangements with corporate sources, or other sources. Management is seeking to increase revenues through continued marketing of its services; however additional funding will be required.

F-6

emailthatpays.com, Inc.  
Notes to Consolidated Financial Statements  
(expressed in United States dollars)

Years ended December 31, 2001 and 2000

=====  
2. Liquidity and future operations (continued):

Management is working to obtain sufficient working capital from external sources in order to continue operations at current levels for a reasonable period of time into the future. There is however no assurance that the aforementioned events, including the receipt of additional funding, will occur and be successful. Failure to generate sufficient cash flow, will require the Company to amend or reduce operations.

### 3. Significant accounting policies:

#### (a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States and are presented in United States dollars. The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant inter-company balances and transactions have been eliminated in the consolidation process.

#### (b) Use of estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the period. The

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

valuation of stock compensation is a significant area requiring the use of estimates. Actual results could differ from the estimates used in the preparation of consolidated financial statements.

(c) Revenue recognition:

The Company earns revenue by charging fees for sending targeted e-mail and for providing integrated marketing and advertising solutions. Revenue is recognized in accordance with contractual arrangements which generally is when e-mail is transmitted and services are performed. Amounts received prior to services being performed are recorded as unearned revenue.

F-7

emailthatpays.com, Inc.  
Notes to Consolidated Financial Statements  
(expressed in United States dollars)

Years ended December 31, 2001 and 2000

=====

3. Significant accounting policies (continued):

(d) Foreign currency:

The functional currency of the operations of the Company's wholly-owned Canadian operating subsidiaries is the Canadian dollar. Assets and liabilities measured in Canadian dollars are translated into United States dollars using exchange rates in effect at the consolidated balance sheet dates with revenue and expense transactions translated using average exchange rates prevailing during the period. Exchange gains and losses arising on this translation are excluded from the determination of income and reported as foreign currency translation adjustment (which is included in the other comprehensive income (loss)) in stockholders' equity.

(e) Property and equipment:

Property and equipment are recorded at cost and are depreciated at rates which will reduce original cost to estimated residual value over the useful life of each asset. Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in the consolidated statements of operations and deficit for the period in which it is realized.

The annual rates used to compute depreciation on a declining balance basis are as follows:

Asset	Rate
Office furniture and fixtures	20%
Computer hardware	30%
Computer software	100%

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

=====  
Leasehold improvements are amortized over the term of the lease.

(f) Capital leases and obligations:

The asset value and amount of the capital lease obligations recorded at the beginning of the lease term are calculated based upon the present value of the minimum lease payments. Assets under a capital lease are depreciated at the same rates as property and equipment.

(g) Computer development software:

Programming, application development and enhancement costs associated with the Company's relational database program and Web site products are expensed as incurred.

F-8

emailthatpays.com, Inc.  
Notes to Consolidated Financial Statements  
(expressed in United States dollars)

Years ended December 31, 2001 and 2000

=====  
3. Significant accounting policies (continued):

(h) Financial instruments and concentration of risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, accounts receivable, accounts payable and accrued liabilities, accrued salaries and obligations under capital leases. At December 31, 2001 and 2000, the fair market value of these instruments approximated their financial statement carrying amount due to the short term maturity of these instruments. The Company does not require collateral for accounts receivable, but does evaluate customer creditworthiness and establishes allowances as necessary based on management estimates of collectibility.

Amounts owing to related parties are stated at their exchange values which approximates fair value due to their short term maturity and market rates of interest.

(i) Income taxes:

The Company has adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). This standard requires the use of the asset and liability approach for accounting and reporting on income taxes. Deferred tax assets and liabilities are recognized for the future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a

## Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

change in tax rates is recognized in income in the period that includes the enactment date. To the extent that it is not more likely than not that a deferred tax asset will be realized, a valuation allowance is provided.

(j) Stock-based compensation:

The Company accounts for stock-based employee and director compensation arrangements in accordance with provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations and complies with the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation". Under APB No. 25, compensation expense is based on the difference, if any, on the date the number of shares receivable is determined, between the estimated fair value of the Company's stock and the exercise price of options to purchase that stock. The Company accounts for stock-based compensation arrangements for non-employees in accordance with provisions of SFAS No. 123, "Accounting for Stock-Based Compensation". Under SFAS No. 123, compensation expense for services received from non-employees is based upon the fair value of equity instruments issued as the services are performed and the stock award is earned.

F-9

emailthatpays.com, Inc.  
Notes to Consolidated Financial Statements  
(expressed in United States dollars)

Years ended December 31, 2001 and 2000

=====

3. Significant accounting policies (continued):

(k) Net loss per share:

The Company computes net loss per share in accordance with SFAS No. 128, "Earnings per Share". Under the provisions of SFAS No. 128, basic loss per share is computed using the weighted average number of common stock outstanding during the periods, and gives retroactive effect to the shares issued on the recapitalization described in note 1. Diluted loss per share is computed using the weighted average number of common and potentially dilutive common stock outstanding during the period. As the Company generated net losses in each of the periods presented, basic and diluted net loss per share is the same as any exercise of options would be anti-dilutive.

(l) Impairment of long-lived assets and long-lived assets to be disposed of:

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". This statement requires that long-lived assets and certain identifiable recorded intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount of fair value less costs to sell. At December 31, 2001, the only long-lived assets reported on the Company's consolidated balance sheets are property and equipment.

(m) Comprehensive income (loss):

Effective January 1, 1999, the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income" SFAS No. 130 which establishes standards for reporting comprehensive income (loss) and its components in financial statements. Other comprehensive income (loss), as defined, includes all changes in equity (net assets) during a period from non-owner sources. Comprehensive loss for each of the periods presented is as follows:

	2001	2000
Net loss	\$ 1,534,286	\$ 1,635,245
Other comprehensive (income) loss:		
Foreign currency translation adjustment	(29,244)	7,600
Comprehensive loss	\$ 1,505,042	\$ 1,642,845

F-10

emailthatpays.com, Inc.  
Notes to Consolidated Financial Statements  
(expressed in United States dollars)

Years ended December 31, 2001 and 2000

4. Economic dependence:

During the year, the Company generated 60% of total revenue (approximately \$800,000) from two customers.

5. Property and equipment:

2001	Cost	Accumulated depreciation
Office furniture and fixtures	\$ 82,058	\$ 37,286
Computer hardware	106,318	56,534
Computer software	26,307	26,307
Leasehold improvements	40,904	38,125

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

	\$ 255,587	\$ 158,252
--	------------	------------

2000	Cost	Accumulated depreciation
Office furniture and fixtures	\$ 69,872	\$ 18,316
Computer hardware	119,232	41,729
Computer software	12,197	12,197
Leasehold improvements	42,844	20,952
	\$ 244,145	\$ 93,194

Assets under capital lease are included in office furniture and fixtures of \$7,280 (2000 - \$10,324) and computer hardware \$5,706 (2000 - \$8,348).

6. Due to related parties:

	2001	2000
Stockholder-controlled company	\$ 129,449	\$ 60,020
Stockholder	368,873	-
	\$ 498,322	\$ 60,020

The advances from the stockholder-controlled company and the stockholder are unsecured, bear interest at an annual rate of 7% and are not callable within 2002. Interest of \$20,500 is payable on these loans at December 31, 2001 (2000 - nil).

F-11

emailthatpays.com, Inc.  
Notes to Consolidated Financial Statements  
(expressed in United States dollars)

Years ended December 31, 2001 and 2000

7. Loans payable:

	2001	2000
Bank demand operating loan	\$ -	\$ 100,034



Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

Bank instalment loan	-	142,215
-----		
	-	242,249
Less current portion	-	139,741
-----		
	\$ -	\$ 102,508
=====		

All loans were designated in Canadian dollars and were secured by a general security agreement covering all assets of the Company and a general assignment of book debts.

8. Note payable:

The note payable is unsecured, bears interest at an annual rate of 7% and is not callable until January 1, 2003.

9. Capital leases:

The Company leases equipment under capital lease arrangements which expire in 2004. Future obligations under these leases are as follows:

=====		
2002		\$ 6,485
2003		6,485
2004		4,324
-----		
Total minimum lease payments		17,294
Less interest component		1,878
-----		
Present value of capital lease obligations		15,416
Less current portion		5,375
-----		
		\$ 10,041
=====		

F-12

emailthatpays.com, Inc.  
Notes to Consolidated Financial Statements  
(expressed in United States dollars)

Years ended December 31, 2001 and 2000

10. Capital structure:

The transaction described in note 1 between Realm and email Nevada was accounted for as a recapitalization of email Nevada, effectively as if email Nevada had issued common shares for consideration equal to the net monetary assets of Realm. Stockholders' equity gives effect to the shares issued to the stockholders of email Nevada prior to October 22, 1999 and the Company thereafter. The following table presents the issued and outstanding common stock:

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

	Company common shares	email Nevada common shares	Par value
December 31, 1999	8,428,093	-	43,140
Private placement, March 5, 2000, net of \$110,000 issuance costs	275,000	-	1,375
Acquisition of promotional goods	20,000	-	100
December 31, 2000	8,723,093	-	44,615
Stock options exercised - June 2001	75,000	-	-
Write off of options due to cancellation or change in status	-	-	(250)
Options issued for services	-	-	300
Private placement - July 2001	1,333,333	-	6,667
Private placement - July 2001	333,333	-	1,667
Settlement with former employee	(163,000)	-	(815)
December 31, 2001	10,301,759	-	52,184

The Company has authorized 100,000,000 \$0.005 par value common shares and 2,000,000 \$0.01 par value preferred shares (no preferred shares issued and outstanding).

11. Common stock options:

On December 21, 1999, the Company adopted the 1999 Equity Compensation Plan (the "Plan"). On May 5, 2000, the Company amended the Plan to increase the maximum number of aggregate shares reserved for issuance under the Plan. The Plan provides for the grant of up to 2,000,000 incentive or non-qualified stock options or shares of restricted stock to employees and key advisors (an "Optionee") of the Company. Options granted under the Plan generally vest ratably over a period of three years and expire ten years from the date of grant. If an Optionee ceases employment with or service to the Company (a "Termination"), the Optionee may exercise any vested option at the time of Termination within such period of time specified in the option agreement. In the absence of a specified time in the option agreement, the option remains exercisable for three months following the Optionee's Termination. Unvested options revert to the Plan at the date of the Termination. If, after Termination, the Optionee does not exercise the options within the time specified, the option shall terminate and the shares revert to the Plan.

F-13

emailthatpays.com, Inc.  
Notes to Consolidated Financial Statements  
(expressed in United States dollars)

Years ended December 31, 2001 and 2000

=====  
11. Common stock options (continued):

During 1999, the Company granted a total of 930,000 non-qualified stock options. 730,000 options with a three-year vesting period and an exercise price of \$5.75 (an amount that approximated or exceeded the market value of the Company stock on the date of grant) were granted to certain employees and directors. A further 200,000 options were granted with a two-year vesting period and an exercise price of \$.005 (an amount below the market value of the Company stock on the date of grant) to certain employees of the Company. The Company recorded a non-cash compensation expense in fiscal 2001 of \$612,950 (2000 - \$229,800) relating to these options, representing an implicit benefit derived from the exercise price being less than market value. As the individuals holding the options are no longer employees of the Company, the deferred compensation applicable to their vested options has been fully amortized and recognized as an expense in 2001. The unamortized deferred compensation applicable to the unvested options has been written off to additional paid-in capital.

During 2000, the Company granted a total of 403,000 non-qualified stock options. The options have a three-year vesting period and exercise prices ranging from \$1.35 to \$6.63 (amounts that approximate or exceed the market value of the Company stock on the date of the grant). Also, during 2000, 399,000 options reverted back to the Plan due to changes in the employment and contractual status of certain employees and key advisors.

During 2001, a terminated employee exercised options to purchase 75,000 shares of common stock at an exercise price of \$.005 per share. Further, due to changes in the employment status of certain employees, options to purchase 25,000 shares of common stock at an exercise price \$.005 and options to purchase 135,000 shares at exercise prices ranging from \$1.35 to \$5.75 reverted back to the Plan.

F-14

emailthatpays.com, Inc.  
Notes to Consolidated Financial Statements  
(expressed in United States dollars)

Years ended December 31, 2001 and 2000

=====  
11. Common stock options (continued):

Following is a summary of stock option activity for the year ended December 31, 2001.

=====  
Outstanding  
shares

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

Outstanding as of December 31, 1998	-
Granted	930,000
Exercised	-
Outstanding as of December 31, 1999	930,000
Granted	403,000
Exercised	-
Forfeited	(399,000)
Outstanding as of December 31, 2000	934,000
Granted	-
Exercised	(75,000)
Forfeited	(160,000)
Outstanding as of December 31, 2001	699,000
Options vested as of December 31, 2001	447,556

The following table summarizes information about stock options outstanding at December 31, 2001:

Range of exercise prices	Options outstanding			Options exercisable
	Number outstanding	Average remaining contractual life (years)	Weighted average exercise price	
\$ 0.005	100,000	8	\$ 0.005	100,000
\$ 1.35	233,000	9	\$ 1.35	103,556
\$ 5.75	366,000	8	\$ 5.75	244,000
	699,000		\$ 3.46	447,556

At December 31, 2000, the weighted average exercise prices for options outstanding and options exercisable were \$3.12 and \$2.68, respectively.

F-15

emailthatpays.com, Inc.  
Notes to Consolidated Financial Statements  
(expressed in United States dollars)

Years ended December 31, 2001 and 2000

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

11. Common stock options (continued):

The following table disaggregates stock compensation expense by employees and non-employees.

	2001
Pursuant to stock option grants to employees	\$ 612,950
Pursuant to stock option grants to non-employees	21,374
	\$ 634,324

The Company has adopted the disclosure requirements of SFAS No. 123 ("FAS 123"), "Accounting for Stock-Based Compensation", to account for grants to employees under the Company's existing stock-based compensation plan. Had compensation cost for the Company's stock option plan been determined, based on the fair value at the grant date for awards under those plans consistent with the measurement provisions of FAS 123, the Company's net loss and basic loss per share would have been adjusted as follows:

	2001
Loss for the year	\$ 1,534,286
Loss for the year - pro-forma	1,589,190
Basic loss per share	0.16
Basic loss per share - pro-forma	0.17

The fair value of each option grant has been estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

	2001
Expected dividend yield	0.0%
Expected stock price volatility	75%
Risk-free interest rate	6.0%
Expected life of options	3 years

emailthatpays.com, Inc.  
 Notes to Consolidated Financial Statements  
 (expressed in United States dollars)

Years ended December 31, 2001 and 2000

=====

12. Share purchase warrants:

Immediately prior to the share exchange between email Nevada and Realm, 65,190 stock purchase warrants were outstanding. The warrants allow the holder to purchase one common share at prices between \$12.50 and \$50.00. The exercise price of the warrants exceeded the market price of the Company's common stock on the date of issuance.

In conjunction with the March 5, 2000 private placement of common shares, the Company issued warrants to purchase 100,000 shares of common stock with an exercise price of \$5.00 and an expiry date of March 5, 2003. On June 6, 2000, the Company issued warrants to purchase 325,000 shares of common stock with an exercise price of \$3.25 and an expiry date of June 6, 2003.

In conjunction with the July 4, 2001 private placement of common shares, the Company issued warrants to purchase 1,666,666 shares of common stock with an exercise price of \$0.20 and an expiry date of January 4, 2002.

The warrants have the following price and expiration dates:

Number of warrants	Exercise price	Expiration date
1,666,666	\$ 0.20	January 4, 2002
325,000	\$ 3.25	June 6, 2003
100,000	\$ 5.00	March 5, 2003
30,000	\$ 12.50	December 31, 2005
15,000	\$ 20.00	December 31, 2005
15,000	\$ 23.00	December 31, 2005

=====

To December 31, 2001 no warrants have been exercised. On January 4, 2002, all warrants exercisable at \$0.20 expired.

emailthatpays.com, Inc.  
 Notes to Consolidated Financial Statements  
 (expressed in United States dollars)

Years ended December 31, 2001 and 2000

=====

13. Income taxes:

Edgar Filing: EMAILTHATPAYS COM INC - Form 10KSB

Current income taxes are computed at statutory rates on pre-tax income. Deferred taxes would be recorded based on differences in the carrying values of assets and liabilities for financial statement and income tax purposes. At December 31, 2001, the Company has elected to carry forward net operating losses for international, federal and state income tax purposes of approximately \$3.6 million that maybe available to reduce future taxable income to 2015. As utilization of such operating losses for tax purposes is not considered to be more likely than not, the deferred tax asset has been fully reserved through the recording of a 100% valuation allowance. These operating losses may be limited to the extent an "ownership change" occurs.

The components of the deferred tax asset as of December 31, 2001 are as follows:

	2001	2000
Deferred tax asset:		
Net operating loss carry forward	\$ 1,305,000	\$ 1,068,000
Less valuation allowance	(1,305,000)	(1,068,000)
Net deferred tax	\$ -	\$ -

At December 31, 2001, the Company has net operating loss carryforwards for federal income tax purposes of \$3,567,000, which are available to offset future federal taxable income, if any, through 2021.

14. Commitment:

The Company leases office space under an operating lease of \$19,858, which expires in 2002.