

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

YAAK RIVER RESOURCES INC
Form 10KSB
April 14, 2004

U.S. 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: December 31, 2002

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: 0-30489

YAAK RIVER RESOURCES, INC.

(Name of small business issuer in its charter)

Colorado

84-1097796

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identifica-
tion No.)

423 Baybridge Drive, Sugarland, TX 77478

(Address of principal executive offices, including zip code)

(281) 242-7656

(Issuer's telephone number)

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

Securities registered under Section 12(g) of the Exchange Act: Common
Stock, par value \$0.0001 per share

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

Yes X No

Check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. X

The issuer's revenues for its most recent fiscal year were \$ 0.

The aggregate market value of the voting stock held by non-affiliates, computed by reference to the average bid and asked prices of such stock as of December 31, 2004 was approximately \$349,668.80.

As of December 31, 2003, 67,308,857 shares of Series A Common Stock, par value

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

\$0.0001 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Registration Statement 33-28106, as amended, is incorporated into Parts I and IV of this Report.

Annual Report on Form 10-KSB for the fiscal year ended December 31, 1993 is incorporated into Part IV of this Report.

Transitional Small Business Disclosure Format: Yes___ No X

PART I

ITEM 1. DESCRIPTION OF BUSINESS

General

Yaak River Resources, Inc. (the "Registrant" or the "Company"), was incorporated under the laws of the State of Colorado under the name Andraplex Corporation on June 10, 1988, for the primary purpose of seeking out acquisitions of properties, businesses, or merger candidates, without limitation as to the nature of the business operations or geographic area of the acquisition candidate. From inception through the date of completion of its initial public offering of securities, the Company's activities were directed toward the acquisition of operating capital.

The Company completed its initial public offering in 1989. After completion of the offering, the Company began the process of identification and evaluation of prospective acquisition candidates and other business opportunities.

Subsequent Business Plans and Business Operations

From 1993 through 1998, the Company was a development-stage enterprise that sought to engage in the mining of gold and other precious and base metals. Toward that objective, the Company acquired a number of mining properties located in or near the Yaak Mining District in Lincoln County, Montana.

Together with its other activities, the Company sought to obtain financing for development and operating purposes. Those efforts, however, failed to raise adequate working capital from outside sources. An insufficiency of capital, combined with regulatory impediments, prevented commencement of significant mining operations.

Owing to the perceived impracticability of continuing to pursue the Company's historical business plan, management determined it to be in the best interests of the Company and its shareholders that the plan be abandoned, and that the Company dispose of its mining properties. The sale of the mining properties was consummated in July of 1999.

In September of 1999, the Company acquired 91 unimproved lots located in Teller County, Colorado. The lots are zoned for residential development, and comprise a total of approximately 4.7 acres of land. They are located in the Pike's Peak region approximately six miles by road from the historic mining town of Cripple Creek, Colorado, and approximately 40 miles by highway from the

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

Colorado Springs metropolitan area. The lots shall be referred to in this Report as the "Company Real Estate."

-2-

The Company acquired the Company Real Estate from Donald J. Smith, who is the former President and a Director of the Company. In connection with the purchase, the Company's board of directors deemed the Company Real Estate to have a total value of \$162,000. The purchase price was paid in the form of approximately 23,000,000 treasury shares of the Company's Series A Common Stock.

In the fourth quarter of the year ended December 31, 2000, management reached a determination that it would not be feasible for the Company to develop the Company Real Estate. Upon reaching that determination, management adopted the new business plan summarized under "Plan of Operations," below

Plan of Operations

Management intends to seek out and pursue a business combination with one or more existing private business enterprises that might have a desire to take advantage of the Company's status as a public corporation. Management does not intend to target any particular industry but, rather, intends to judge any opportunity on its individual merits.

In addition, management intends either to sell the Company Real Estate as an undeveloped package or to spin off the Company Real Estate into a private subsidiary corporation that has yet to be formed.

Competition

The Company is and will remain an insignificant participant among the firms that engage in mergers with and acquisitions of privately financed entities. Many established venture-capital and financial concerns have significantly greater financial and personnel resources and technical expertise than the Company.

In view of the Company's limited financial resources and limited management availability, the Company will continue to be at a significant disadvantage compared to the Company's competitors. See "Risk Factors -- Competition."

Employees

The Company has no full time employees. Its officers devote as much time as they deem necessary to conduct the Company's business. See "Item 10. Executive Compensation." See also "Risk Factors -- Dependence upon Management" and "Risk Factors -- Limited Participation of Management."

Risk Factors

An investment in the securities of the Company involves extreme risks and the possibility of the loss of a shareholder's entire investment. A prospective investor should evaluate all information discussed in this Report and the risk factors discussed below in relation to his financial circumstances before investing in any securities of the Company.

1. No Currently Relevant Operating History. The Company has no currently relevant operating history, revenues from operations, or assets other than the Company Real Estate and cash from private sales of stock. The Company faces all of the risks of a new business and those risks specifically inherent in the investigation, acquisition, or involvement in a new business opportunity.

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

Purchase of any securities of the Company must be regarded as placing funds at a high risk in a new or "start-up" venture with all of the unforeseen costs, expenses, problems, and difficulties to which such ventures are subject.

-3-

2. No Assurance of Success or Profitability. There is no assurance that the Company will acquire a favorable business opportunity. In addition, even if the Company becomes involved in a business opportunity, there is no assurance that it will generate revenues or profits, or that the market price of the Company's Common Stock will be increased thereby.

3. Possible Business - Not Identified and Highly Risky. The Company has not identified and has no commitments to enter into or acquire a specific business opportunity and therefore can disclose the risks and hazards of a business or opportunity that it may enter into in only a general manner, and cannot disclose the risks and hazards of any specific business or opportunity that it may enter into. An investor can expect a potential business opportunity to be quite risky. The Company's acquisition of or participation in a business opportunity will likely be highly illiquid and could result in a total loss to the Company and its stockholders if the business or opportunity is unsuccessful.

4. Type of Business Acquired. The type of business to be acquired may be one that desires to avoid effecting a public offering and the accompanying expense, delays, and federal and state requirements which purport to protect investors. Because of the Company's limited capital, it is more likely than not that any acquisition by the Company will involve other parties whose primary interest is the acquisition of a publicly traded company. Moreover, any business opportunity acquired may be currently unprofitable or present other negative factors.

5. Impracticability of Exhaustive Investigation. The Company's limited funds and the lack of full-time management will likely make it impracticable to conduct a complete and exhaustive investigation and analysis of a business opportunity before the Company commits its capital or other resources thereto. Management decisions, therefore, will likely be made without detailed feasibility studies, independent analysis, market surveys, and the like which, if the Company had more funds available to it, would be desirable. The Company will be particularly dependent in making decisions upon information provided by the promoter, owner, sponsor, or others associated with the business opportunity seeking the Company's participation.

6. Lack of Diversification. Because of the limited financial resources of the Company, it is unlikely that the Company will be able to diversify its acquisitions or operations. The Company's probable inability to diversify its activities into more than one area will subject the Company to economic fluctuations within a particular business or industry and therefore increase the risks associated with the Company's operations.

7. Possible Reliance upon Unaudited Financial Statements. The Company generally will require audited financial statements from companies that the Company proposes to acquire. No assurance can be given, however, that audited financials will be available to the Company. In cases where audited financials are unavailable, the Company will have to rely upon unaudited information received from target companies' management that has not been verified by outside auditors. The Company is subject, moreover, to the reporting provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and thus will be required to furnish certain information about significant acquisitions, including certified financial statements for any business that the Company shall acquire. Consequently, acquisition prospects that do not have or are unable to

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

obtain the required certified statements may not be appropriate for acquisition so long as the reporting requirements of the Exchange Act are applicable.

-4-

8. Investment Company Regulation. The Company does not intend to become classified as an "investment company" under the Investment Company Act of 1940 (the "Investment Act"). The Company believes that it will not become subject to regulation under the Investment Act because (i) the Company will not be engaged in the business of investing or trading in securities, (ii) any merger or acquisition undertaken by the Company will result in the Company's obtaining a majority interest in any such merger or acquisition candidate, and (iii) the Company intends to discontinue any investment in a prospective merger or acquisition candidate in which a majority interest cannot be obtained. Should the Company be required to register as an investment company, it shall incur significant registration and compliance costs. The Company has obtained no formal determination from the Securities and Exchange Commission (the "Commission") as to the status of the Company under the Investment Act. Any violation of the Investment Act will subject the Company to materially adverse consequences. Should the Commission find that the Company is subject to the Investment Act, and order the Company to register under such Act, the Company would vigorously resist such finding and order. Irrespective of whether the Commission or the Company were to prevail in such dispute, however, the Company would be damaged by the costs and delays involved. Because the Company will not register under the Investment Act, investors in the Company will not have the benefit of the various protective provisions imposed on investment companies by such Act, including requirements for independent directors.

9. Other Regulation. An acquisition made by the Company may be of a business that is subject to regulation or licensing by federal, state, or local authorities. Compliance with such regulations and licensing can be expected to be a time-consuming, expensive process and may limit other investment opportunities of the Company.

10. Dependence upon Management. The Company will be heavily dependent upon the skills, talents, and abilities of its management to implement its business plan. The Company's executive officers and directors may devote as little as two hours per month to the affairs of the Company, which for a company such as this that is heavily dependent upon management, may be inadequate for Company business, and may delay the acquisition of any opportunity considered. Furthermore, management has little or no significant experience in seeking, investigating, and acquiring businesses and will depend upon its limited business knowledge in making decisions regarding the Company's operations. See "Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act." Because investors will not be able to evaluate the merits of possible business acquisitions by the Company, they should critically assess the information concerning the Company's management.

11. Lack of Continuity in Management. The Company does not have employment agreements with its management, and there is no assurance that the persons named herein will manage the Company in the future. In connection with acquisition of a business opportunity, the current management of the Company probably will resign and appoint successors. This may occur without the vote or consent of the shareholders of the Company.

12. Conflicts of Interest. Certain conflicts of interest exist between the Company and its executive officers and directors. Each of them has other business interests to which they devote their primary attention, and they may be expected to continue to do so although management time should be devoted to the

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

business of the Company. As a result, conflicts of interest may arise that can be resolved only through their exercise of such judgment as is consistent with their fiduciary duties to the Company.

13. Indemnification of Officers and Directors. The Company's Articles of Incorporation provide for the indemnification of its directors, officers, employees, and agents, under certain circumstances, against attorney's fees and other expenses incurred by them in any litigation to which they become a party arising from their association with or activities on behalf of the Company. The Company may also bear the expenses of such litigation for any of its directors, officers, employees, or agents, upon such person's promise to repay the Company therefor if it is ultimately determined that any such person shall not have been entitled to indemnification. This indemnification policy could result in substantial expenditures by the Company which it will be unable to recoup.

-5-

14. Director's Liability Limited. The Company's Articles of Incorporation exclude personal liability of its directors to the Company and its stockholders for monetary damages for breach of fiduciary duty except in certain specified circumstances. Accordingly, the Company will have a much more limited right of action against its directors than otherwise would be the case. This provision does not affect the liability of any director under federal or applicable state securities laws.

15. Dependence upon Outside Advisors. To supplement the business experience of management, the Company may be required to employ accountants, technical experts, appraisers, attorneys, or other consultants or advisors. The selection of any such advisors will be made by management without any input from shareholders. Furthermore, it is anticipated that such persons may be engaged on an "as needed" basis without a continuing fiduciary or other obligation to the Company.

16. Need for Additional Financing. The Company's funds will not be adequate to take advantage of any available business opportunities. Even if the Company were to obtain sufficient funds to acquire an interest in a business opportunity, it may not have sufficient capital to exploit the opportunity. The ultimate success of the Company will depend upon its ability to raise additional capital. The Company has not investigated the availability, source, or terms that might govern the acquisition of additional capital and will not do so until it evaluates its needs for additional financing. When additional capital is needed, there is no assurance that funds will be available from any source or, if available, that they can be obtained on terms acceptable to the Company. If not available, the Company's operations will be limited to those that can be financed with its modest capital.

17. Leveraged Transactions. There is a possibility that any acquisition of a business opportunity by the Company may be leveraged, i.e., the Company may finance the acquisition of the business opportunity by borrowing against the assets of the business opportunity to be acquired, or against the projected future revenues or profits of the business opportunity. This could increase the Company's exposure to larger losses. A business opportunity acquired through a leveraged transaction is profitable only if it generates enough revenues to cover the related debt and expenses. Failure to make payments on the debt incurred to purchase the business opportunity could result in the loss of a portion or all of the assets acquired. There is no assurance that any business opportunity acquired through a leveraged transaction will generate sufficient revenues to cover the related debt and expenses.

18. Competition. The search for potentially profitable business opportunities is intensely competitive. The Company expects to be at a

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

disadvantage when competing with many firms that have substantially greater financial and management resources and capabilities than the Company. These competitive conditions will exist in any industry in which the Company may become interested.

19. No Foreseeable Dividends. The Company has not paid dividends on its Common Stock and does not anticipate paying such dividends in the foreseeable future.

20. Loss of Control by Present Management and Shareholders. The Company may consider an acquisition in which the Company would issue as consideration for the business opportunity to be acquired an amount of the Company's authorized but unissued Common Stock that would, upon issuance, constitute as much as 95% of the voting power and equity of the Company. The result of such an acquisition would be that the acquired company's stockholders and management would control the Company, and the Company's management could be replaced by persons unknown at this time. Such a merger could leave investors in the securities of the Company with a greatly reduced percentage of ownership of the Company. Management could sell its control block of stock at a premium price to the acquired company's stockholders, although management has no plans to do so.

21. Dilutive Effects of Issuing Additional Common Stock. The majority of the Company's authorized but unissued Common Stock remains unissued. The board of directors of the Company has authority to issue such unissued shares without the consent or vote of the shareholders of the Company. The issuance of these shares may further dilute the interests of investors in the securities of the Company and will reduce their proportionate ownership and voting power in the Company. See "Series B Common Shares Authorized," below.

-6-

22. Thinly-traded Public Market. There currently is only a thinly traded or virtually inactive public market for the securities of the Company, and no assurance can be given that a more active market will develop or that an investor will be able to liquidate his investment without considerable delay, if at all. If a more active market should develop, the price may be highly volatile. Factors such as those discussed in this "Risk Factors" section may have a significant impact upon the market price of the securities of the Company. Owing to what may be expected to be the low price of the securities, many brokerage firms may not be willing to effect transactions in the securities. Even if an investor finds a broker willing to effect a transaction in these securities, the combination of brokerage commissions, state transfer taxes, if any, and any other selling costs may exceed the selling price. Further, many lending institutions will not permit the use of such securities as collateral for any loans.

23. Broker-Dealer Sales of Company's Registered Securities. The Company's registered securities are covered by a Securities and Exchange Commission rule that imposes additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors. For purposes of the rule, the phrase "accredited investors" means, in general terms, institutions with assets in excess of \$5,000,000, or individuals having a net worth in excess of \$1,000,000 or having an annual income that exceeds \$200,000 (or that, when combined with a spouse's income, exceeds \$300,000). For transactions covered by the rule, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written agreement to the transaction prior to the sale. Consequently, the rule may affect the ability of broker-dealers to sell the Company's securities and also may affect the ability of investors in securities of the Company to sell their securities in any market that might develop therefor.

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

24. Preferred Shares Authorized. The Articles of Incorporation of the Company authorize issuance of a maximum of 50,000,000 nonvoting shares of Preferred Stock, par value \$0.0001 per share. No shares of Preferred Stock have been issued or are outstanding on the date of this Report, and there is no plan to issue any in the foreseeable future. Should a series of Preferred Stock be issued, however, the terms of such series could operate to the significant disadvantage of the holders of outstanding Series A Common Stock or other securities of the Company. Such terms could include, among others, preferences as to dividends and distributions on liquidation.

25. Series B Common Shares Authorized. The Articles of Incorporation of the Company authorize issuance of a maximum of 250,000,000 nonvoting shares of Series B Common Stock, par value \$0.0001 per share. No shares of Series B Common Stock have been issued or are outstanding on the date of this Report and there is no plan to issue any in the foreseeable future. Should Series B Common Stock be issued, however, such Stock could have a substantial, dilutive effect upon the interests of the holders of outstanding Series A Common Stock or other securities of the Company, and would reduce the proportionate ownership of such holders in the Company.

26. Possible Rule 144 Sales. The majority of the outstanding shares of Common Stock held by present shareholders are "restricted securities" within the meaning of Rule 144 under the Securities Act of 1933, as amended. As restricted shares, these shares may be resold only pursuant to an effective registration statement or under the requirements of Rule 144 or other applicable exemption from registration under the Act and as required under applicable state securities laws. Rule 144 provides in essence that a person who has held restricted securities for a period of one year may, under certain conditions, sell every three months, in brokerage transactions, a number of shares that does not exceed the greater of 1.0% of a company's outstanding common stock or the average weekly trading volume during the four calendar weeks prior to the sale. There is no limit on the amount of restricted securities that may be sold by a nonaffiliate after the restricted securities have been held by the owner for a period of two years. A sale under Rule 144 or under any other exemption from the Act, if available, or pursuant to subsequent registrations of shares of Common Stock of present stockholders, may have a depressive effect upon the price of the Common Stock in any market that may develop. A total of 32,841,977 shares of Series A Common Stock (49.5% of the total number of issued and outstanding shares) held by present shareholders of the Company are available for sale under Rule 144, all of which will be subject to applicable volume restrictions under the Rule.

-7-

Special Note Regarding Forward-Looking Statements

Some of the statements under "Description of Business," "Risk Factors," "Management's Discussion and Analysis or Plan of Operation," and elsewhere in this Report and in the Company's periodic filings with the Securities and Exchange Commission constitute forward-looking statements. These statements involve known and unknown risks, significant uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, those listed under "Risk Factors" and elsewhere in this Report.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "intends," "expects," "plans,"

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

"anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology.

The forward-looking statements herein are based on current expectations that involve a number of risks and uncertainties. Such forward-looking statements are based on assumptions that the Company will obtain or have access to adequate financing for each successive phase of its growth, that there will be no material adverse competitive or technological change in condition of the Company's business, that the Company's President and other significant employees will remain employed as such by the Company, and that there will be no material adverse change in the Company's operations, business or governmental regulation affecting the Company. The foregoing assumptions are based on judgments with respect to, among other things, further economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the Company's control.

Although management believes that the expectations reflected in the forward-looking statements are reasonable, management cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither management nor any other persons assumes responsibility for the accuracy and completeness of such statements.

ITEM 2. DESCRIPTION OF PROPERTY

See "Item 1. Description of Business -- Subsequent Business Plans and Business Operations"

The Company has been provided office space in the offices of its President, for which it pays no rent.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any threatened or pending legal proceedings.

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

No matters were submitted to a vote of the Company's shareholders during the fiscal year ended December 31, 2003.

-8-

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Company's Series A Common Stock is traded on the over-the-counter market on the "Electronic Bulletin Board" operated by the National Association of Securities Dealers, Inc., under the symbol YAAKA. The Company's securities began trading during the first quarter of the Company's fiscal year 1992. The reported high and low bid prices for the Company's Common Stock for the previous two fiscal years are set forth below. The bid prices shown reflect quotations between dealers, without adjustment for markups, markdowns or commissions, and may not represent actual transactions in the Company's securities.

Series A Common Stock:

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

2003	Bid Price	
	High	Low
1st Quarter	\$.03	\$.01
2nd Quarter	\$.03	\$.01
3rd Quarter	\$.02	\$.01
4th Quarter	\$.015	\$.01
2002		
1st Quarter	\$.01	\$.01
2nd Quarter	\$.01	\$0
3rd Quarter	\$.03	\$0
4th Quarter	\$.06	\$.01

The Company's securities are classified as "designated securities," which classification places significant restrictions upon broker-dealers desiring to make a market in such securities. As a result, it may be difficult for management to continue to interest market makers in the Company's securities. These difficulties may continue until such time as the Company is able to meet the criteria to qualify as a non-designated security, so that market makers may trade without complying with the stringent requirements applicable to designated securities.

Holders

At December 28, 2003, the Company had 59 shareholders of record. This does not include shareholders who hold stock in their accounts at broker/dealers.

Dividends

The Company has never paid a cash dividend on its common stock and does not expect to pay a cash dividend in the foreseeable future.

Unregistered Sales of Equity Securities: None

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

RESULTS OF OPERATIONS FOR YEAR ENDED DECEMBER 31, 2003 COMPARED TO DECEMBER 31, 2002

The Company had no revenues or operations in the years 2003 or 2002. The Company incurred expenses of \$12,242 in 2003 compared to \$16,350 in 2002. The largest components of expenses were legal and accounting of \$7,506 in 2003 and \$15,307 in 2002. The net loss in 2003 was (\$12,242) compared to (\$16,350) in 2002. The Company has accumulated (\$361,338) in deficit for its history. The net loss per share was nominal in the years 2003 and 2002. The trend of losses can be expected to continue until a business with revenues exceeding expenses can be achieved.

LIQUIDITY AND CAPITAL

The Company had \$2,219 in cash at year end 2003 compared to \$754 at December 31, 2002. Such capital is insufficient for operations. There is no other source of capital except liquidation of real estate held, loans from shareholders or potential private placements of the Company's common stock.

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

NEED FOR ADDITIONAL FINANCING

The Company does not have capital sufficient to meet the Company's cash needs, including the costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934. The Company will have to seek loans or equity placements to cover such cash needs. Lack of its existing capital may be a sufficient impediment to prevent it from accomplishing the goal of carrying out its business. The Company's needs for additional financing are likely to increase substantially. The Company will need to raise additional funds to expand any business activities in the next twelve months.

No commitments to provide additional funds have been made by management or other stockholders. Accordingly, there can be no assurance that any additional funds will be available to the Company to allow it to cover its expenses as they may be incurred.

Irrespective of whether the Company's cash assets prove to be inadequate to meet the Company's operational needs, the Company might seek to compensate providers of services by issuances of stock in lieu of cash.

The Company has no plans for any research and development in the next twelve months. The Company has no plans at this time for purchases or sales of fixed assets which would occur in the next twelve months.

The Company has no expectation or anticipation of significant changes in the number of employees in the next twelve months. However, if it achieves a business acquisition, it may acquire or add employees of an unknown number in the next twelve months.

The Company's auditor has issued a "going concern" qualification as part of his opinion in the Audit Report. There is substantial doubt about the ability of the Company to continue as a "going concern." The Company has no business, no capital, debt in excess of \$14,471, all of which is current, minimal cash, assets consisting only of real estate which may not be liquid, and no capital commitments. The effects of such conditions could easily be to cause the Company's bankruptcy, except there are no assets to liquidate in Bankruptcy.

ITEM 7. FINANCIAL STATEMENTS

Please see pages F-1 through F-7.

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

Not applicable.

ITEM 8A. CONTROL AND PROCEDURES

The management of the company has evaluated the effectiveness of the issuer's disclosure controls and procedures as of a date within 90 days prior to the filing date of the report (evaluation date) and have concluded that the disclosure controls and procedures are adequate and effective based upon their evaluation as of the evaluation date.

PART III

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

The directors and executive officers of the Company, and their respective ages, positions held in the Company, and duration as such, are as follows:

Name ----	Age ---	Positions Held and Tenure -----
Blaize N. Kaduru	53	President, Secretary and Treasurer and a Director since December 18, 2002
Robert Pike	74	Vice President and a Director since December 21, 1999

Business Experience

Set forth below is a brief account of the education and business experience during at least the past five years of each of the Company's directors and executive officers, indicating the principal occupation and employment during that period, and the name and principal business of the organization in which such occupation and employment were carried out.

Biographical Information

BLAIZE N. KADURU. Mr. Kaduru is an Adjunct Professor, teaching economics and business related college courses at Wharton Junior College in Sugarland, Texas, since January 2003. Previously, he was Executive Vice President of Business Development for Wireless Communications Technology, Inc., a spin-off of Prodigy Communications Inc. in Houston, Texas.

ROBERT PIKE. Mr. Pike has been Vice President and a Director of the Company since December 21, 1999. Mr. Pike is a retired banker. For more than the past five years, he has been an investor. Also for more than the past five years, Mr. Pike has been President and sole owner of Bob Pike Associates, Inc., a real estate consulting and inspection firm, based in Englewood, Colorado, that serves financial institutions.

The Company has not appointed an audit committee. The Board of Directors acts as the Audit Committee.

The Company has not hired a "qualified financial expert" as defined under the Sabanes-Oxley legislation implemented by the SEC. The Company intends to hire such expert when its operations justify the expenditure of monies for a qualified person.

The Company has not adopted a Code of Ethics.

ITEM 10. EXECUTIVE COMPENSATION

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

Cash Compensation

During the fiscal year ended December 31, 2003, no executive officer of the Company received any cash compensation or share compensation or stock options other than reimbursement of expenses incurred on behalf of the Company.

Compensation Pursuant to Plans

None.

Other Compensation

None.

Compensation of Directors

None.

Termination of Employment and Change of Control Arrangements

None.

LTIP: None

SARS/Options: None

-12-

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

As of December 28, 2002, the persons listed in the table set forth below were known by the Company to own or control beneficially more than five percent of its outstanding common stock, par value \$0.0001 per share, its only class of outstanding securities. The table also sets forth the total number of shares of these securities owned by the officers and directors of the Company as a group.

Name and Address of Beneficial Owner	Number of Shares Owned Beneficially	Percentage of Class
Eric Sunsvold 423 Baybridge Drive Sugarland, TX 77478	6,694,605	9.9%
Donald J. Smith 2501 E. Third St. Casper, WY 82609	31,661,977(1)	47.0%
Robert Pike 6396 E. Fair Avenue Englewood, CO 80111	680,000	1.0%
Blaize N. Kaduru 423 Baybridge Drive Sugarland, TX 77478	0	0%
Darrell Benjamin 6658 S. Starlight Rd. Morrison, CO 80465	4,325,000	6.4%

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

All officers and directors 32,341,977 48.0%
as a group (two persons)

- (1) The figure shown includes 10,000 shares held in the name of Suvo Corp. Mr. Smith is the owner of Suvo Corp.

Changes in Control

The Company knows of no arrangement or understanding, the operation of which may at a subsequent date result in a change of control of the Company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the fiscal year ended December 31, 2003, the Company did not engage in any related-party transactions.

There were no transactions, or series of transactions, for the fiscal year ended December 31, 2003, nor are there any currently proposed transactions, or series of the same, to which the Company is a party, in which the amount involved exceeds \$60,000 and in which to the knowledge of the Company any director, executive officer, nominee, five-percent shareholder or any member of the immediate family of the foregoing persons have or will have a direct or indirect material interest.

-13-

PART IV

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits

Exhibit No.	Description	Location
3.1	Articles of Incorporation	Incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-18, Registration No. 33-28106, effective July 21, 1989
3.2	Bylaws	Incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-18, Registration No. 33-28106, effective July 21, 1989
3.3	Amendment to Articles of Incorporation	Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1992
4.1	Rights of Stockholders	Included in Exhibits 3.1, 3.2, and 3.3, above.

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of the Company's fiscal year ended December 31, 2003.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

General. Michael Johnson & Co., LLC, CPAs ("MJC") is the Company's principal auditing accountant firm. The Company's Board of Directors has considered whether the provisions of audit services is compatible with maintaining MJC's independence.

Audit Fees. MJC billed the Company \$2,000 for the following professional services: audit of the annual financial statement of the Company for the fiscal year ended December 31, 2002. MJC billed the Company \$3,000 for the 2003 audit.

There were no audit related fees in 2002 or 2003. There were no tax fees or other fees in 2002 or 2003.

The Company's Board acts as the audit committee and had no "pre-approval policies and procedures" in effect for the auditors' engagement for the audit year 2002 and 2003.

All audit work was performed by the auditors' full time employees.

-14-

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 10, 2004

YAAK RIVER RESOURCES, INC.

By: /s/ Blaize N. Kaduru
Blaize N. Kaduru, President
Secretary and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Blaize N. Kaduru Blaize N. Kaduru	President, Secretary, Treasurer, and a Director (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)	April 10, 2004
/s/ Robert Pike Robert Pike	Vice President and a Director	April 10, 2004

-15-

YAAK RIVER RESOURCES, INC.
(A Development Stage Company)

FINANCIAL STATEMENTS

Years Ended December 31, 2003 and 2002

Michael Johnson & Co., LLC.
9175 Kenyon Ave., #100
Denver, CO 80237
Phone: 303-796-0099
Fax: 303-796-0137

To the Board of Directors
Yaak River Resources, Inc.
Casper, Wyoming

We have audited the accompanying balance sheets of Yaak River Resources, Inc. (A Development Stage Company) as of December 31, 2003 and 2002, and the related statements of operations, cash flows, and changes in stockholders' equity for years ended December 31, 2003 and 2002 and for the period June 10, 1988 (inception) to December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yaak River Resources, Inc. at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years ended December 31, 2003 and 2002 and for the period June 10, 1988 (inception) to December 31, 2003 in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the financial statements, the Company is in the development stage, conditions exist which raise substantial doubt about the Company's ability to continue as a going concern unless it is able to generate sufficient cash flows to meet its

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

obligations and sustain its operations. Management's plans in regard to these matters are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Michael Johnson & Co., LLC.
 Denver, Colorado
 March 24, 2004

F-1

Yaak River Resources, Inc.
 (A Development Stage Company)
 Balance Sheets
 December 31,

	2003
ASSETS:	
Current Assets:	
Cash	\$ 2,219
Total Current Assets	2,219
Other Assets:	
Investment - Properties	35,743
Total Other Assets	35,743
TOTAL ASSETS	\$ 37,962
LIABILITIES AND STOCKHOLDERS' EQUITY:	
Current Liabilities:	
Accounts Payable	\$ 9,971
Shareholder Loans	4,500
Total Current Liabilities	14,471
STOCKHOLDERS' EQUITY:	
Preferred Stock, par value \$.0001 per share, 50,000,000 shares authorized, issued and outstanding - none	-
Series A Common Stock, par value \$.0001 per share; 250,000,000 shares, Issued and outstanding - 67,308,857 shares in 2003 and 2002, respectively	6,730
Series B Common Stock, par value \$.0001 per share; 250,000,000 shares authorized, issued and outstanding,	

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

None	-
Capital paid in excess of par value	378,099
Deficit accumulated during the development stage	(361,338)

Total Stockholders' Equity	23,491

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 37,962
	=====

The accompanying notes are an integral part of these financial statements.

F-2

Yaak River Resources, Inc.
(A Development Stage Company)
Statements of Operations

	Year Ended December 31, 2003	2002	June 10, 198 (Inception) t December 31 2003
	-----	-----	-----
Revenue	\$ -	\$ -	\$ -
Expenses:			
Amortization	-	-	1,500
Bank Charges	67	16	649
Legal & Accounting	7,506	15,307	113,765
Director Fees	-	-	800
Office Expense	1,000	-	8,990
Stock Fees & Other Costs	2,355	60	13,303
Administration/Consulting	1,314	967	128,389
Mining Assessments & Fees	-	-	75,479
Bad Debt	-	-	6,250
Rent/Telephone	-	-	12,213
	-----	-----	-----
Total Expenses	12,242	16,350	361,338
	-----	-----	-----
Net Loss Accumulated During the Development Stage	\$ (12,242)	\$ (16,350)	\$ (361,338)
	=====	=====	=====
Net Loss per common share is less than \$.002	\$ *	\$ *	
	=====	=====	
Weighted average number of common shares outstanding	67,308,857	67,308,857	
	=====	=====	

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

The accompanying notes are an integral part of these financial statements.

F-3

Yaak River Resources, Inc.
(A Development Stage Company)
Statements of Stockholders' Equity

Continu

	# of Shares	Common Stock	Capital Paid In Excess of Par Value	Deficit Accum. Durin the Developme Stage
June 10, 1988 (Inception)	-	\$ -	\$ -	\$ -
Issuance of common stock:				
January 6, 1989 (for services)	10,000,000	1,000	500	-
January 6, 1989 (for cash)	5,000,000	500	-	-
November 27, 1989 (Public offering)	2,666,000	266	12,353	-
Net Loss	-	-	-	(3,765)
Balance - December 31, 1989	17,666,000	1,766	12,853	(3,765)
Net Loss	-	-	-	(10,129)
Balance - December 31, 1990	17,666,000	1,766	12,853	(13,894)
Net Loss	-	-	-	(300)
Balance - December 31, 1991	17,666,000	1,766	12,853	(14,194)
Issuance of common stock:				
January 10, 1992 (for assets YRML)	30,000,000	3,000	134,910	-
Net Loss	-	-	-	(47,589)
Balance - December 31, 1992	47,666,000	4,766	147,763	(61,783)
Issuance of common stock:				
June 30, 1993 (for cash)	6,000,000	600	149,400	-
June 30, 1993 (for services)	3,000,000	300	-	-
Net Loss	-	-	-	(54,951)
Balance - December 31, 1993	56,666,000	5,666	297,163	(116,734)
Net Loss	-	-	-	(26,293)

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

Balance - December 31, 1994	56,666,000	5,666	297,163	(143,027)
Net Loss	-	-	-	(17,764)
Balance - December 31, 1995	56,666,000	5,666	297,163	(160,791)
Net Loss	-	-	7,500	(19,842)
Balance - December 31, 1996	56,666,000	5,666	304,663	(180,633)
Net Loss	-	-	-	(24,037)
Balance - December 31, 1997	56,666,000	5,666	304,663	(204,670)
Net Loss	-	-	-	(78,712)
Balance - December 31, 1998	56,666,000	5,666	304,663	(283,382)
Net Loss	-	-	-	(15,204)
Balance - December 31, 1999	56,666,000	5,666	304,663	(298,586)

The accompanying notes are an integral part of these financial statements.

F-4

Yaak River Resources, Inc.
(A Development Stage Company)
Statements of Stockholders' Equity

	# of Shares	Common Stock	Capital Paid In Excess of Par Value	Deficit Accum. During the Development Stage
Issuance of common stock for cash	3,000,000	300	20,700	-
Issuance of common stock for cash	1,000,000	100	6,900	-
Issuance of common stock for services	1,000,000	100	6,900	-
Issuance of common stock for debt	3,142,857	314	21,686	-
Net Loss for year	-	-	-	(24,730)
Balance - December 31, 2000	64,808,857	6,480	360,849	(323,316)
Issuance of common stock for cash	1,500,000	150	10,350	-
Net Loss	-	-	-	(16,350)
Balance - December 31, 2001	66,308,857	6,630	371,199	(339,666)

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

Issuance of common stock for cash	1,000,000	100	6,900	-
Net Loss	-	-	-	(9,430)
	-----	-----	-----	-----
Balance - December 31, 2002	67,308,857	6,730	378,099	(349,096)
	-----	-----	-----	-----
Net Loss for year	-	-	-	(12,242)
	-----	-----	-----	-----
Balance - December 31, 2003	67,308,857	\$ 6,730	\$ 378,099	\$ (361,338)
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

F-5

Yaak River Resources, Inc.
(A Development Stage Company)
Statements of Cash Flows

	Year Ended December 31, 2003	2002
	-----	-----
Cash Flows from Operating Activities:		
Net Loss Accumulated During the Development Stage	\$ (12,242)	\$ (9,430)
Adjustments to reconcile net loss to net cash used in operating activities		
Amortization and Depreciation	-	
Organization Costs	-	
Stock issued for services	-	
(Decrease) Increase in Accounts Payable	9,207	(9,430)
	-----	-----
Net Cash Flows Used In Operating Activities	(3,035)	(9,430)
	-----	-----
Cash Flows from Investing Activities:		
Exchange of properties - net	-	
Investment Purchase	-	
	-----	-----
Net Cash Flow Used In Investing Activities	-	
	-----	-----
Cash Flows from Financing Activities:		
Advance from shareholders	4,500	
Proceeds from Long-Term Debt	-	
Payment of Long-Term Debt	-	
Proceeds from Sale of Stock	-	7,000
	-----	-----
Net Cash Flows Provided by Financing Activities	4,500	7,000
	-----	-----

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

Net Increase (Decrease) in Cash	1,465	(2,
Cash at beginning of period	754	3,
Cash at end of period	----- \$ 2,219 =====	----- \$ =====

Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for interest	\$ -	
Cash paid during the period for income taxes	\$ -	

Noncash Investing and financing activities:

In 1999, the Company exchanged properties with a book value of \$182,910 to a related party in payment of liabilities of \$147,167 and land with book value of \$35,743

In 2000, the Company issued 3,124,857 shares of common stock in payment of notes payable of \$22,000.

The accompanying notes are an integral part of these financial statements.

F-6

YAAK RIVER RESOURCES, INC.
(A Development Stage Company)
Notes to Financial Statements
December 31, 2003

Note 1 - General:

The Company:

On June 10, 1988, Yaak River Resources, Inc. (the Company) was incorporated under the laws of Colorado under the name of Andraplex Corporation. The name was changed at the annual shareholder's meeting on January 10, 1992. The Company's primary purpose is to engage in selected acquisitions and development of mineral and mining properties.

Going Concern:

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which contemplates continuation of the Company as a going concern. The Company's current liabilities exceed current assets by \$12,252 and has suffered recurring losses of \$361,338 from operations.

The future success of the Company is likely dependent on its ability to attain additional capital to develop its proposed products and ultimately, upon its ability to attain future profitable operations. There can be no assurance that the Company will be successful in obtaining such financing, or that it will attain positive cash flow from operations.

Note 2 - Summary of Significant Accounting Policies:

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

Development Stage Company

The Company has not earned significant revenue from planned principal operations. Accordingly, the Company's activities have been accounted for as those of a "Development Stage Enterprise" as set forth in Financial Accounting Standards Board Statement No. 7 ("SFAS 7"). Among the disclosures required by SFAS 7 are that the Company's financial statements be identified as those of a development stage company, and that the statements of operation, stockholders' equity (deficit) and cash flows disclose activity since the date of the Company's inception.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Corporation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F-7

YAAK RIVER RESOURCES, INC.
(A Development Stage Company)
Notes to Financial Statements
December 31, 2003

Note 2 - Summary of Significant Accounting Policies: (Continued)

Income Taxes

The Company accounts for income taxes under SFAS No. 109, which requires the asset and liability approach to accounting for income taxes. Under this method, deferred tax assets and liabilities are measured based on differences between financial reporting and tax bases of assets and liabilities measured using enacted tax rates and laws that are expected to be in effect when differences are expected to reverse.

Net (Loss) Per Common Share:

The net (loss) per common share of the Series A Common Stock is computed based on the weighted average number of shares outstanding.

Other Comprehensive Income

The Company has no material components of other comprehensive income

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

(loss) and accordingly, net loss is equal to comprehensive loss in all periods.

Note 3 - Purchase of Properties:

On January 10, 1992, at the Annual Meeting of Shareholders, the shareholders voted unanimously to purchase certain mineral and mining properties (the Properties) located in the State of Montana, including leases, drawings, engineering studies and other tangible and intangible assets associated with the Properties. The seller of the Properties was Yaak River Mines, Ltd. They received 30,000,000 shares of Series A Common Stock. The issuance of the 30,000,000 shares of Series A Common Stock was exempt from registration under the exemption provided in Section 4(2) of the Securities Act of 1933, as amended.

The Company is the beneficiary of 16,000,000 of the above shares, which are being held in the Con Tolman Memorial Trust C. 8,000,000 additional shares of the Company were placed in the trust as part of the original purchase of the Company.

On November 20, 1999, the Company voted to close the Con Tolman Memorial Trust and exchange of 23,168,000 shares for 92 building lots in Victor, Colorado. The remaining 832,000 shares were transferred to Yaak River Resources, Nevada in lieu of payment of shareholder loans.

Note 4 - Capital Stock Transactions

Initial Public Offering:

In the Company's initial public offering, which was closed on November 27, 1989, the Company sold 2,580,000 units (the Units). 86,000 additional shares were issued to the underwriters. Each Unit consisted of one (1) share of Series A Common Stock, one (1) A Warrant exercisable at \$.05, one (1) B Warrant exercisable at \$.10. Costs, consisting of \$9,444 and 86,000 shares of Series A Common Stock, incurred to complete the registration were offset against the gross proceeds.

F-8

YAAK RIVER RESOURCES, INC.
(A Development Stage Company)
Notes to Financial Statements
December 31, 2003

Note 5 - Yaak River Resources Timber Division, Limited Partnership:

On August 14, 1992, the Company formed a limited partnership, Yaak River Resources Timber Division L.P. (the Partnership); a Colorado limited partnership, with subscriptions for 40 Units at \$5,000 per Unit for an aggregate price of \$200,000. Each Unit contains 1/40th interest in the Partnership and 150,000 shares of Series A Common Stock of the Company. The Company is the general Partner of the Partnership. As a part of the formation of the Partnership, the Company agreed to reserve 6,000,000 shares of its Series A Common Stock for the Partnership. Said

Edgar Filing: YAAK RIVER RESOURCES INC - Form 10KSB

6,000,000 shares of Series A Common Stock represents the shares offered in the Units issued by the Partnership. The Partnership was formed for the purpose of developing certain available natural resources on properties under the management of the Company.

On June 30, 1993, the Company sold Six Million (6,000,000) shares of its \$0.0001 par value Series Common Stock for the issuance to the purchasers of the Limited Partnership interests in the Yaak River Resources, Timber Division L.P., for \$150,000.

On November 20, 1999, the Company voted to terminate the Partnership and asset interests be distributed prorata.

Note 6 - Income Taxes

There has been no provision for U.S. federal, state, or foreign income taxes for any period because the Company has incurred losses in all periods and for all jurisdictions.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets are as follows:

Deferred tax assets	
Net operating loss carryforwards	\$361,338
Valuation allowance for deferred tax assets	(361,338)

Net deferred tax assets	\$ -
	=====

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. As of December 31, 2003, the Company had net operating loss carryforwards of approximately \$361,338 for federal and state income tax purposes. These carryforwards, if not utilized to offset taxable income begin to expire in 2003. Utilization of the net operating loss may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. The annual limitation could result in the expiration of the net operating loss before utilization.