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MERCHANTPARK COMMUNICATIONS INC /NV/
Form 10QSB
May 16, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C., 20549
FORM 10-Q SB

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

For the quarter report ended March 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 000-29595

MERCHANTPARK COMMUNICATIONS, INC.

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

Nevada 88-0441332
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

2921 N. Tenaya Way, Suite 216, Las Vegas, NV 89128
(Address of principal executive office)

Registrants telephone no., including area code (702) 947-4877

Westnet Communications Group, Inc.
(Former name, changed since last report)

Check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), Yes [X] No [] and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the last practicable date.

| Class | Outstanding as of March 31, 2002 |
|-----------------------|----------------------------------|
| Common Stock, \$0.001 | 18,767,876 |

Transition Small Business Disclosure Format: Yes [] No [X]

i

TABLE OF CONTENTS
PART 1. FINANCIAL INFORMATION

| Heading | Page |
|---|------|
| Item 1. Consolidated Financial Statements | 1 |

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| | | |
|---------|---|------|
| | Consolidated Balance Sheets March 31, 2002 And December 31, 2001 | 2 |
| | Consolidated Statements of Operations three months Ended March 31, 2002 and March 31, 2001 | 3 |
| | Consolidated Statement of Stockholders Equity | 4 |
| | Consolidated Statements of Cash Flows three months Ended March 31, 2002 and 2001 | 5 |
| | Notes to Consolidated Financial Statements | 6-8 |
| Item 2. | Managements Discussion and Analysis and Result of Operations | 9-10 |

PART II. OTHER INFORMATION

| | | |
|---------|---|-----|
| Item 1. | Legal Proceedings | 10 |
| Item 2. | Changes in Security | 10 |
| Item 3. | Defaults Upon Senior Securities | 10 |
| Item 4. | Submission of Matter to a Vote of Securities Holders | 10 |
| Item 5. | Other Information | 10 |
| Item 6. | Exhibits and Reports on Form 8-K | 11 |
| | Signatures | S-1 |

ii

PART 1 FINANCIAL INFORMATION

Item 1. Financial Statement

The accompanying unaudited financial statements have been prepared in accordance with the instructions for Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnotes necessary for a complete presentation of the financial position, results of operations, cash flows, and stockholders equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

The unaudited balance sheet of the Company as of March 31, 2002, and the balance sheet of the Company as of December 31, 2001 which is derived from the

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Companys audited financial statements, the unaudited statement of operations and cash flows for the three months ended March 31, 2002, and the statement of stockholders equity from inception through March 31, 2002 are attached hereto and incorporated herein by this reference.

Operating results for the quarters ended March 31, 2002 are not necessarily indicative of the results that can be expected for the year ending December 31, 2002.

1

MERCHANTPARK COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2002 and December 31, 2001

MERCHANTPARK COMMUNICATIONS, INC. AND SUBSIDIARIES Consolidated Balance Sheets

ASSETS

| | March 31, 2002 (Unaudited) | December 31, 2001 |
|-----------------------------|----------------------------------|----------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 837 | \$ 2,335 |
| Accounts receivable | 200 | - |
| Total Current Assets | 1,037 | 2,335 |
| PROPERTY AND EQUIPMENT, NET | 250,521 | 282,206 |
| TOTAL ASSETS | \$ 251,558 | \$ 284,541 |

LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES

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| | | |
|--|------------|------------|
| Accounts payable | \$ 5,684 | \$ 5,873 |
| Loan from related party | 6,500 | 22,488 |
| Accrued interest | 49 | 1,954 |
| Total Current Liabilities | 12,233 | 30,315 |
| Total Liabilities | 12,233 | 30,315 |
| COMMITMENTS AND CONTINGENCIES (Note 6) | | |
| STOCKHOLDERS EQUITY | | |
| Common stock: 50,000,000 shares authorized of \$0.0001 par value, 18,767,876 and 18,160,400 shares issued and outstanding, respectively | | |
| | 18,768 | 18,160 |
| Additional paid-in capital | 838,297 | 661,929 |
| Accumulated deficit | (619,004) | (426,774) |
| Other comprehensive income | 1,264 | 911 |
| Total Stockholders Equity | 239,325 | 254,226 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | | |
| | \$ 251,558 | \$ 284,541 |

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

MERCHANTPARK COMMUNICATIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Other Comprehensive Income

| | For the Three Months Ended March 31, | |
|-------------------------------|---|-----------|
| | 2002 (Unaudited) | 2001 |
| GROSS SALES | \$ 29,8 | - |
| COST OF GOODS SOLD | - | - |
| NET SALES | 29,829 | - |
| EXPENSES | | |
| Depreciation and amortization | 31,685 | 30,590 |
| Consulting | 176,985 | - |
| General and administrative | 12,682 | 132,914 |
| Total Expenses | 221,352 | 163,504 |
| LOSS BEFORE OTHER INCOME | (191,523) | (163,504) |
| OTHER INCOME | | |
| Interest income | - | 106 |

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| | | |
|-----------------------------------|--------------|--------------|
| Interest expense | (707) | - |
| Total Other Income | (707) | 106 |
| NET LOSS | (192,230) | (163,398) |
| OTHER COMPREHENSIVE INCOME | | |
| Foreign currency translation | 353 | - |
| NET COMPREHENSIVE LOSS | \$ (191,877) | \$ (163,398) |
| BASIC LOSS PER SHARE | \$ (0.01) | \$ 0.00 |
| WEIGHTED AVERAGE NUMBER OF SHARES | | |
| OUTSTANDING | 18,567,150 | 11,652,328 |

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

MERCHANTPARK COMMUNICATIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders Equity

| | Common Stock Shares | Common Stock Amount | Additional Paid Capital (Deficit) |
|--|------------------------|------------------------|--|
| Balance, December 5, 2000 (Inception) | | -\$ | -\$ |
| Common stock issued to founders for cash at \$0.001 per share | 4,000,000 | 4,000 | - |
| Net loss for the period ended December 31, 2000 | - | - | - |
| Balance, December 31, 2000 | 4,000,000 | 4,000 | - |
| Common stock issued in exchange for 100% of shares of Merchantpark.com | 1,500,000 | 1,500 | (1,500) |
| Common stock issued for cash | 2,671,000 | 2,671 | 162,829 |
| Common stock issued for services | 1,030,400 | 1,030 | 257,570 |
| Common stock issued in exchange for 100% of shares of Caged Iron Technologies | 2,000,000 | 2,000 | 100,472 |
| Common stock issued for debt | 459,000 | 459 | 45,441 |
| Common stock issued for assets | 3,000,000 | 3,000 | 297,000 |

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| | | | |
|--|------------|-----------|------------|
| Stock offering costs | - | - | (12,600) |
| Recapitalization | 3,500,000 | 3,500 | (187,283) |
| Cash received for payment of stock subscription receivable | - | - | - |
| Services rendered for payment of stock subscription receivable | - | - | - |
| Assets received for payment of stock subscription receivable | - | - | - |
| Currency translation adjustment | - | - | - |
| Net loss for the year ended December 31, 2001 | - | - | - |
| Balance, December 31, 2001 | 18,160,400 | \$ 18,160 | \$ 661,929 |

| | Stock Subscription Receivable | Other Comprehensive Income | Accumulated Deficit |
|---|-------------------------------------|----------------------------------|------------------------|
| Balance, December 5, 2000 (Inception) | \$ - | \$ - | - |
| Common stock issued to founders for cash at \$0.001 per share | - | - | - |
| Net loss for the period ended December 31, 2000 | - | - | (8,901) |
| Balance, December 31, 2000 | - | - | (8,901) |
| Common stock issued in exchange for 100% of shares of Merchantpark.com | - | - | - |
| Common stock issued for cash | (34,634) | - | - |
| Common stock issued for services | - | - | - |
| Common stock issued in exchange for 100% of shares of Caged Iron Technologies | - | - | - |
| Common stock issued | | | |

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| | | | |
|--|--------|--------|--------------|
| for debt | - | - | - |
| Common stock issued for assets | - | - | - |
| Stock offering costs | - | - | - |
| Recapitalization | - | - | - |
| Cash received for payment of stock subscription receivable | 23,517 | - | - |
| Services rendered for payment of stock subscription receivable | 7,117 | - | - |
| Assets received for payment of stock subscription receivable | 4,000 | - | - |
| Currency translation adjustment | - | 911 | - |
| Net loss for the year ended December 31, 2001 | - | - | (417,873) |
| Balance, December 31, 2001 | \$ - | \$ 911 | \$ (426,774) |

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

MERCHANTPARK COMMUNICATIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders Equity (Continued)

| | Common Stock Shares | Common Stock Amount | Additional Paid Capital (Deficit) |
|--|------------------------|------------------------|--|
| Balance, December 31, 2001 | 18,160,400 | \$ 18,160 | \$ 661,929 |
| Common stock issued for services (unaudited) | 562,500 | 563 | 151,313 |
| Common stock issued for debt (unaudited) | 44,976 | 45 | 22,443 |
| Accrued interest contributed by Shareholder (unaudited) | - | - | 2,612 |
| Currency translation adjustment (unaudited) | - | - | - |
| Net loss for the three months ended March 31, 2002 (unaudited) | - | - | - |

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Balance, March
31, 2002 (unaudited) 18,767,876 \$ 18,768 \$ 838,297

| | Stock Subscription Receivable | Other Comprehensive Income | Accumulated Deficit |
|--|-------------------------------------|----------------------------------|------------------------|
| Balance, December 31, 2001 | \$ - | \$ 911 | \$(426,774) |
| Common stock issued for services (unaudited) | - | - | - |
| Common stock issued for debt (unaudited) | - | - | - |
| Accrued interest contributed by Shareholder (unaudited) | - | - | - |
| Currency translation adjustment (unaudited) | - | 353 | - |
| Net loss for the three months ended March 31, 2002 (unaudited) | - | - | (192,230) |
| Balance, March 31, 2002 (unaudited) | \$ - | \$ 1,264 | \$(619,004) |

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

MERCHANTPARK COMMUNICATIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Three Months Ended
March 31,
2002 2001
(Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|--------------|--------------|
| Net loss | \$ (192,230) | \$ (163,398) |
| Adjustments to reconcile net loss to net cash flows used by operating activities: | | |
| Depreciation and amortization | 31,685 | 30,590 |
| Common stock issued for services | 151,876 | 71,100 |
| Foreign Currency Translation Adjustment | 353 | - |
| Changes in operating assets and liabilities: | | |
| Decrease (Increase) in prepaids and other assets | (200) | 11,475 |

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| | | |
|--|---------|-----------|
| Increase in accrued interest | 707 | - |
| Increase in accounts payable | (189) | (5,000) |
| Net Cash Flows provided (Used) by Operating Activities | (7,998) | 55,233 |
| CASH FLOWS FROM INVESTING ACTIVITIES | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Common stock issued for cash | - | 165,500 |
| Stock offering costs | - | (12,600) |
| Stock subscription receivable | - | (34,634) |
| Proceeds from loans from related party | 6,500 | 14,988 |
| Net Cash Flows Provided by Financing Activities | 6,500 | 133,254 |
| NET INCREASE (DECREASE) IN CASH | (1,498) | 78,021 |
| CASH AT BEGINNING OF PERIOD | 2,335 | 99 |
| CASH AT END OF PERIOD | \$ 837 | \$ 78,120 |

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

MERCHANTPARK COMMUNICATIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)

For the Three Months Ended
March 31,
2002 2001

CASH PAID DURING THE YEAR:

| | | | | |
|--------------|----|---|----|---|
| Interest | \$ | - | \$ | - |
| Income taxes | \$ | - | \$ | - |

NON-CASH TRANSACTIONS

| | | | | |
|---|----|---------|----|---------|
| Common stock issued for debt | \$ | 22,488 | \$ | - |
| Common stock issued for assets | \$ | - | \$ | 402,472 |
| Common stock issued for services | \$ | 151,876 | \$ | 71,100 |
| Common stock issued for prepaid expenses | \$ | - | \$ | 45,900 |
| Capital contributed from interest on shareholder loan | \$ | 2,612 | \$ | - |

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

MERCHANTPARK COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
March 31, 2002 and December 31, 2001

NOTE 1 - CONDENSED FINANCIAL STATEMENTS

The accompanying March 31, 2002 financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2002 and 2001 and for all periods presented have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Companys December 31, 2001 audited financial statements. The results of operations for periods ended March 31, 2002 and 2001 are not necessarily indicative of the operating results for the full years.

NOTE 2 - GOING CONCERN

The Companys consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred losses for the periods ended March 31, 2002 and 2001 which has resulted in an accumulated deficit of approximately \$619,000 at March 31, 2002 which raises substantial doubt about the Companys ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might result from the outcome of this uncertainty. It is managements intent to seek additional financing through new stock issuances and lines of credit. The Company plans to continue generating revenues through sales of dedicated servers and professional services that include consulting web design, system architecture and server management.

NOTE 3 - MATERIAL EVENTS

During the period ended March 31, 2002, the Company issued 562,500 shares of common stock at an average price of \$0.27 per share to the Directors of the Company for services performed during the first quarter. The Company also issued 44,976 shares of common stock at \$0.50 per share to a shareholder for repayment of a related-party note.

ITEM 2. MANagements DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Going Concern and Ability of the Company to Continue

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The Company has a net operating loss carry forward of \$ 619,004 since inception through March 31, 2002.

The Companys financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not established revenues sufficient to cover its operating costs and allow it to continue as a going concern. Management believes that the Company will soon be able to generate revenues sufficient to cover its operating costs. In the interim, the Company is involved in a best efforts financing to raise additional capital to cover its operating costs.

It should be noted that the Companys auditor H.J. & Associates in Note 2 of the financial statements references the issue of the Company being considered a going concern.

Liquidity and Capital Resources

As of March 31, 2002 the Company had \$1,037 in current assets compared to \$2,335 as of December 31, 2001. The current assets are comprised of \$837 in cash and \$200 in accounts receivable. As of March 31, 2002 the Company had \$12,233 in current liabilities compared to \$30,315 as of December 31, 2001. The current liabilities are comprised of \$5,684 in accounts payable and \$ 6,549 which is due to a related party. Management recognizes that there is a severe impairment to liquidity and therefore is involved in a best efforts financing. The Company currently has a .08 to 1 current ratio.

Results of Operations

For the three months ending March 31, 2002 the Company had a net loss of \$192,230 compared to a net operating loss of \$163,398 as of March 31, 2001. The Company had revenues of \$29,829 in the three months ended March 31, 2002 compared to revenues of \$0 in three months ended March 31, 2000. For the three months ended March 31, 2002 consulting expenses increased \$176,985, this can largely be attributed to the Company further developing their software platform. General and Administrative costs decreased \$120,232 for the first 3 months of 2002 compared to the first three months the year before. A major portion of this decrease can be attributed to the Company downsizing to address their liquidity and capital resources deficit.

Net Operating Loss

The Company has accumulated approximately \$616,004 in net operating losses carryforwards as of March 31, 2002, which maybe offset against taxable income and income taxes in future years. The use of these losses to reduce future income taxes will depend on the generation of sufficient taxable income prior to the expiration of the net loss carryforwards. The carryforwards expire in the year 2022. In the event of certain changes in control of the Company, there will be an annual limitation on the amount of carryforwards, which can be used.

Sale of Common Stock

There were no sales of common stock in the quarter.

Risk Factors and Cautionary Statements

Forward looking statements in this report are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The

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Company wished to advise readers that the actual results may differ substantially from such forward looking statements. Forward looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed on or implied by the statements, including, but not limited to, the following: the ability of the Company to successfully meet its cash and working capital needs, the ability of the Company to successfully market its product, and other risks detailed in the Companys periodic report filings with the Securities and Exchange Commission.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

On January 25, 2002 the Company issued 112,500 shares of common stock to each of its five directors for services rendered. A total of 562,500 shares were issued at \$.27 per share for total consideration of \$151,876.

On March 30, 2002 the Company issued 44,976 shares of common stock to a related party for the cancellation of debt. The shares were issued at \$.50 per share for total consideration of \$22,488

All of the above issued shares were issued under section 4 (2) of the 1933 securities act and bear a restrictive legend.

AS of March 31, 2002 the Company has 18,767,876 shares of common stock issued and outstanding.

ITEM 3. DEFAULTS UPON SENIOR SECURITES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON 8-K

- a. 10SB12GA filed by reference on January 1, 2002
- b. 10SB12GA filed by reference on January 24, 2002
- c. 10QSBA filed by reference on January 24, 20023
- d. 10QSBA filed by reference on January 25, 2002
- e. 10kSB filed by reference on March 29, 2002.

Report on 8K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed in its behalf by the undersigned hereto duly authorized.

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MERCHANTPARK COMMUNICATIONS, INC.

Dated: May 15, 2002

By: /S/ Scott Thomasson
Scott Thomasson
President, Director

S-1