COLMENA CORP.

ORIGINAL

December 26, 2001

Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

011676-TX

RE: Colmena Corp. Application for an ALEC

To Whom It May Concern,

Please find 1 original and 6 copies and a check for the amount of $250.00, which will cover the filing fee.

Should you have any questions please direct all questions to myself at 305-468-1645.

Kind regards,

Kenneth Jacobi

KJ/lvw

Enclosures

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check:

DOCUMENT NUMBER-DATE
16099 DEC 27 ō
FPSC-COMMISSION CLERK

APPLICATION

1. **This is an application for √ (check one):**

   (√) **Original certificate** (new company).

   (   ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

   (   ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

   (   ) **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. **Name of company:**

   COLMENA CORP.

3. **Name under which the applicant will do business (fictitious name, etc.):**

   COLMENA CORP.

4. **Official mailing address (including street name & number, post office box, city, state, zip code):**

   1941 SOUTHEAST 51ST TERRACE
   OCALA FLORIDA 34471

DOCUMENT NUMBER-DATE
16099 DEC 27 ō
FPSC-COMMISSION CLERK

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

5. **Florida address (including street name & number, post office box, city, state, zip code):**

2500 NORTH MILITARY TRAIL
SUITE 225
BOCA RATON FL 33431

6. **Structure of organization:**

( ) Individual
( ) Foreign Corporation
( ) General Partnership
( ) Other ______________
(✓) Corporation
( ) Foreign Partnership
( ) Limited Partnership

7. **<u>If individual,</u> provide:**

Name: ______________________________

Title: ______________________________

Address: ______________________________

City/State/Zip: ______________________________

Telephone No.: ______________________________ Fax No.: ______________________________

Internet E-Mail Address: ______________________________

Internet Website Address: ______________________________

8. **<u>If incorporated in Florida,</u> provide proof of authority to operate in Florida:**

(a) **The Florida Secretary of State corporate registration number:**

F01000000243

9. **<u>If foreign corporation,</u> provide proof of authority to operate in Florida:**

(a) The Florida Secretary of State corporate registration number:

____

10. **<u>If using fictitious name-d/b/a,</u> provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:**

(a) The Florida Secretary of State fictitious name registration number:

____

11. **<u>If a limited liability partnership</u>, provide proof of registration to operate in Florida:**

(a) The Florida Secretary of State registration number:

____

12. **<u>If a partnership</u>, provide name, title and address of all partners and a copy of the partnership agreement.**

Name:____

Title:____

Address:____

City/State/Zip:____

Telephone No.:______________________ Fax No.:______________________

Internet E-Mail Address:____

Internet Website Address:____

13. **<u>If a foreign limited partnership,</u> provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.**

(a) The Florida registration number:______________________________

14. **Provide <u>F.E.I. Number</u>(if applicable):** 54-1778587

15. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation.

NONE

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

NONE

16. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: KENNETH JACOBI
Title: CONSULTANT
Address: 8181 NW 36 ST - SUITE 4
City/State/Zip: MIAMI FL 33166
Telephone No.: 305-468-1645 Fax No.: 305-468-8509
Internet E-Mail Address: Kjacobi@regnumgroup.com
Internet Website Address:

(b) Official point of contact for the ongoing operations of the company:

Name: EDWARD C. DMYTRYK
Title: PRESIDENT
Address: 2500 North Military TRAIL - STE 225
City/State/Zip: BOCA RATON FL 33431
Telephone No.: 352-694-6661 Fax No.: 352-694-1325

Internet E-Mail Address: ________
Internet Website Address: ________

(c) Complaints/Inquiries from customers:

Name: VANESSA H. LINDSEY

Title: Director

Address: 1941 SOUTHEAST 51st TERRACE

City/State/Zip: OCala FL 34471

Telephone No.: 352-694-6661 Fax No.: 352-694-1325

Internet E-Mail Address: ________
Internet Website Address: ________

17. List the states in which the applicant:

(a) has operated as an alternative local exchange company.

N/A

(b) has applications pending to be certificated as an alternative local exchange company.

N/A

(c) is certificated to operate as an alternative local exchange company.

N/A

(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

NONE

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

NONE

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

NONE

18. **Submit the following:**

 A. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

 B. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

C. Financial capability.

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet:
2. income statement: and
3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. **written explanation** that the applicant has sufficient financial capability to maintain the requested service.
3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

EDWARD C. DMYTRYK
Print Name

[signature]
Signature

PRESIDENT
Title

12-20-01
Date

352-694-6661
Telephone No.

352-694-1325
Fax No.

Address: 2500 NORTH MILITARY TRAIL
SUITE 225
BOCA RATON FL 33431

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

EDWARD C. DMYTRYK
Print Name

Signature

PRESIDENT
Title

12-20-01
Date

352-694-6666
Telephone No.

352-694-1325
Fax No.

Address: 2500 NORTH MILITARY TRAIL
SUITE 225
BOCA RATON FL 33431

INTRASTATE NETWORK (if available)

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

1. **POP:** Addresses where located, and indicate if owned or leased.

   1)________________ 2)________________

   ________________ ________________

   3)________________ 4)________________

   ________________ ________________

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased.

   1)________________ 2)________________

   ________________ ________________

   3)________________ 4)________________

   ________________ ________________

3. **TRANSMISSION FACILITIES:** POP-to-POP facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

POP-to-POP	OWNERSHIP
1)________________	________________
2)________________	________________
3)________________	________________
4)________________	________________

CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT

N/A

I, (Name)____
(Title)____ of (Name of Company)

____
and current holder of Florida Public Service Commission Certificate Number # ________
________________, have reviewed this application and join in the petitioner's request for a:

( ) sale

( ) transfer

( ) assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

Print Name	**Signature**
Title	**Date**
Telephone No.	**Fax No.**

Address: ____

____

____

____

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 11:21 AM 11/10/1997
971381528 – 2521519

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
SPORTS-GUARD, INC.

SPORTS-GUARD, INC., a corporation duly organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

I. The amendment to the Corporation's Certificate of Incorporation set forth below was duly adopted in accordance with the provisions of Section 242 and has been consented to in writing by the Joint Written Consent of the Sole Director and Majority Stockholder of the Corporation dated October 31, 1997, in accordance with Section 228 of the General Corporation Law of the State of Delaware.

II. Article I of the Corporation's Certificate of Incorporation is amended to read in its entirety as follows:

"I. The name of this corporation is Colmena Corp."

III. Article IV of the Corporation's Certificate of Incorporation is amended to read in its entirety as follows:

"IV. The corporation shall be authorized to issue one class of shares of stock to be designated "Common Stock;" the total number of shares which the corporation shall have authority to issue is Twenty Million (20,000,000) and each such share shall have $.01 par value. Each ten shares of Common Stock outstanding on the effective date of this amendment shall be automatically converted into one share of Common Stock and in lieu of fractional shares, each share so converted shall be rounded up to the next highest number of full shares of Common Stock."

IN WITNESS WHEREOF, the undersigned hereby duly executes this Certificate of Amendment hereby declaring and certifying under penalty of perjury that this is the act and deed of the Corporation and the facts herein stated are true, this 31st day of October, 1997.

SPORTS-GUARD, INC.

By: ______________________
Troy D. Wiseman, President

F:\SSDATA\MBI\CERTAMND\60432.1

CERTIFICATE
FOR
RENEWAL AND REVIVAL OF CHARTER
OF
Colmena Corp.

Colmena Corp., a corporation organized under the laws of Delaware, the certificate of incorporation of which was filed in the office of the Secretary of State on the 9th day of August, 2001, the charter of which was voided for failure to pay taxes and penalty, now desires to procure a restoration, renewal and revival of its charter, and hereby certifies as follows:

FIRST: The name of this corporation is:
Colmena Corp..

SECOND: Its registered office in the State of Delaware is located at 25 Greystone Manor, Lewes, DE 19958, County of Sussex. The name of its registered agent is Harvard Business Services, Inc.

THIRD: The date when the restoration, renewal, and revival of the charter of this company is to commence is the Twenty-ninth day of February, 2000 same being prior to the date of the expiration of the charter. This renewal and revival of the charter of this corporation is to be perpetual.

FOURTH: This corporation was duly organized and carried on the business authorized by its charter until the First day of March A.D. 2000, at which time its charter became inoperative and void for failure to pay taxes and penalty, and this certificate for renewal and revival is filed by authority of the duly elected directors of the corporation in accordance with the laws of the State of Delaware.

IN TESTIMONY WHEREOF, and in compliance with the provisions of Section 312 of the General Corporation Law of the State of Delaware, as amended, providing for the renewal, extension and restoration of charter of Colmena Corp., have hereunto signed by the last and acting President, to this certificate this 10th day of August, 2001.

BY: Edward C Dmytryk -Signature

Name: EDWARD C. DMYTRYK -please print

Title: President -please print

State of Delaware

Office of the Secretary of State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "COLMENA CORP." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-FIFTH DAY OF SEPTEMBER, A.D. 2001.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

2521519 8300

010470588

AUTHENTICATION: 1357458

DATE: 09-25-01

FLORIDA DEPARTMENT OF STATE
Katherine Harris
Secretary of State

December 6, 2001

VANESSA H. LINDSEY
1941 SOUTHEAST 51ST TERRACE
OCALA, FL 34471

Qualification documents for COLMENA CORP. doing business in Florida as COLMENA CORP, OF DELAWARE were filed on December 6, 2001 and assigned document number F01000006243. Please refer to this number whenever corresponding with this office.

Your corporation is now qualified and authorized to transact business in Florida as of the file date.

A corporation annual report/uniform business report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (850) 245-6051, the Foreign Qualification/Tax Lien Section.

Michael Mays
Document Specialist
Division of Corporations

Letter Number: 001A00064479

Florida Department of State, Division of Corporations

Corporations Online

www.sunbiz.org **Public Inquiry**

Foreign Profit

COLMENA CORP. OF DELAWARE

Cross Reference Name

COLMENA CORP.

PRINCIPAL ADDRESS
2500 NORTH MILITARY TRAIL
STE 225
BOCA RATON FL 33431

MAILING ADDRESS
1941 SOUTHEAST 51ST TERRACE
OCALA FL 34471

Document Number	**FEI Number**	**Date Filed**
F01000006243	541778587	12/06/2001
State	**Status**	**Effective Date**
DE	ACTIVE	NONE

Registered Agent

Name & Address
LINDSEY, VANESSA H 1941 SOUTHEAST 51ST TERRACE OCALA FL 34471

Officer/Director Detail

Name & Address	Title
DMYTRYK, EDWARD C 2500 NORTH MILITARY TRAIL, STE 225 BOCA RATON FL	PD
JOFFE, ANTHONY Q 2500 NORTH MILITARY TRAIL, STE 225	

BOCA RATON FL	CD
CHAMPION JR, CHARLES J 2500 NORTH MILITARY TRAIL, STE 225 BOCA RATON FL	D
GIGLIOTTI, ROBERT S 2500 NORTH MILITARY TRAIL, STE 225 BOCA RATON FL	D
JOFFE, ANTHONY Q 2500 NORTH MILITARY TRAIL, STE 225 BOCA RATON FL	D
LINDSEY, VANESSA H 1941 SOUTHEAST 51ST TERRACE OCALA FL	VSD

Annual Reports

Report Year	Filed Date	Intangible Tax

Previous Filing Return to List Next Filing

No Events

No Name History Information

View Document Image(s)

THIS IS NOT OFFICIAL RECORD; SEE DOCUMENTS IF QUESTION OR CONFLICT

Corporations Inquiry Corporations Help

ITEM 7. FINANCIAL STATEMENTS.

Index to Financial Statements and Financial Statement Schedules.

The auditor's report and audited balance sheet of our Company for the year ended September 30, 2001, and related statements of operations, stockholder's equity, cash flows for the years ended September 30, 2001 and 2000 and notes to financial statements for such years, including indexes therefor, follow in sequentially numbered pages numbered 22 through 37.

Colmena Corp.
Financial Statements
September 30, 2001 and 2000

Colmena Corp.

Contents

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:
Colmena Corp.

We have audited the accompanying balance sheet of Colmena Corp. as of September 30, 2001 and the related statements of operations, changes in stockholders' deficiency and cash flows for the years ended September 30, 2001 and 2000. 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 of America. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colmena Corp. as of September 30, 2001 and the results of its operations and its cash flows for the years ended September 30, 2001 and 2000 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 10 to the financial statements, except for recently initiated consulting activities, the Company has no active business operations and has a stockholders' deficiency and working capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

SALBERG & COMPANY, P.A.
Boca Raton, FL
October 24, 2001

Colmena Corp.
Balance Sheet
September 30, 2001

Assets

Assets		
Cash	$	22
Total Current Assets	$	22

Liabilities and Stockholders' Deficiency

Liabilities		
Accrued expenses	$	400,757
Guaranteed loan		331,000
Loan and fees payable to related party		199,201
Total Current Liabilities		930,958
Stockholders' Deficiency		
Common stock, $0.01 par value; 20,000,000 shares authorized, 19,975,204 shares issued and outstanding		199,752
Common stock issuable, $0.01 par value (10,474,970 shares)		104,749
Additional paid-in capital		17,182,541
Accumulated deficit		(18,417,978)
Total Stockholders' Deficiency		(930,936)
Total Liabilities and Stockholders' Deficiency	$	22

See Accompanying Notes to Financial Statements

Colmena Corp.
Statements of Operations
Years Ended September 30, 2001 and 2000

	2001	2000
Operating Expenses		
Compensation expense	$ 73,056	$ 7,323
Consulting	614,142	436,125
Professional and legal fees	48,235	28,689
Selling, general and administrative	97,629	7,882
Total Operating Expenses	833,062	480,019
Loss from Operations	(833,062)	(480,019)
Other Expenses		
Settlement expense	(15,000)	(55,678)
Interest expense	(64,855)	(65,998)
Total Other Expenses	(79,855)	(121,676)
Net Loss	$ (912,917)	$ (601,695)
Net Loss Per Common Share – Basic and Diluted	$ (0.03)	$ (0.03)
Weighted Common Shares Outstanding – Basic and Diluted	26,505,535	20,480,684

See Accompanying Notes to Financial Statements

Colmena Corp.
Statements of Changes in Stockholders' Deficiency
Years Ended September 30, 2001 and 2000

	Common Stock		Common Stock Issuable		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance, September 30, 1999	13,991,692	$ 139,917	-	$ -	$ 16,128,629	$ (16,903,366)	$ (634,820)
Common stock issued as settlement	1,380,567	13,806	-	-	41,873	-	55,679
Common stock issued as consulting fee	200,000	2,000	-	-	2,000	-	4,000
Common stock issued to employee	200,000	2,000	-	-	4,000	-	6,000
Common stock options issued to directors	-	-	-	-	5,490	-	5,490
Common stock warrants issued under consulting agreement	-	-	-	-	432,125	-	432,125
Common stock issuable pursuant to anti-dilutive rights of consultant warrants	-	-	8,670,552	86,705	(75,505)	-	11,200
Net loss, 2000	-	-	-	-	-	(601,695)	(601,695)
Balance, September 30, 2000	15,772,259	157,723	8,670,552	86,705	16,538,612	(17,505,061)	(722,021)
Common stock issued as settlement	100,000	1,000	-	-	14,000	-	15,000
Common stock issuable as compensation	-	-	200,000	2,000	13,000	-	15,000
Common stock issued as settlement	1,844,444	18,444	-	-	119,889	-	138,333
Common stock options issued to directors	-	-	-	-	2,881	-	2,881
Physical issuance of common stock to consultant	2,000,000	20,000	(2,000,000)	(20,000)	-	-	-

Colmena Corp.
Statements of Changes in Stockholders' Deficiency
Years Ended September 30, 2001 and 2000

Common stock warrants issued under consulting agreement	-	-	-	-	509,142	-	509,142
Common stock issued in exchange for accrued compensation	258,501	2,585	-	-	21,061	-	23,646
Common stock issuable pursuant to anti-dilution rights of consultant warrants	-	-	3,604,418	36,044	(36,044)	-	-
Net loss, 2001	-	-	-	-	-	(912,917)	(912,917)
Balance, September 30, 2001	**19,975,204**	**$ 199,752**	**10,474,970**	**$ 104,749**	**$ 17,182,541**	**$ (18,417,978)**	**$ (930,936)**

See Accompanying Notes to Financial Statements

Colmena Corp.
Statements of Cash Flows
Years Ended September 30, 2001 and 2000

		2001		2000
Cash Flows From Operating Activities:				
Net loss	$	(912,917)	$	(601,695)
Adjustments to reconcile net loss to net cash used in operating activities:				
Stock and options issued to consultants and employees		550,669		443,448
Stock based settlement expense		15,000		55,679
Changes in operating assets and liabilities:				
Increase (decrease) in:				
Accounts payable and accrued expenses		172,611		66,000
Due to related party		97,855		-
Total Adjustments		750,529		565,127
Net Cash Used in Operating Activities		(76,782)		(36,568)
Cash Flows from Financing Activities:				
Borrowings from related party		74,726		25,420
Proceeds from issuance of common stock from warrant exercise		-		11,200
Net Cash Provided By Financing Activities		74,726		36,620
Net Increase (Decrease) in Cash		(2,056)		52
Cash – Beginning of Year		2,078		2,026
Cash – End of Year	$	22	$	2,078

Non-Cash Investing and Financing Activities:

In May 2001, the Company issued 1,844,444 common shares to settle a note payable of $100,000 and related accrued interest of $38,333.

In August 2001, the Company issued 258,501 common shares for accrued compensation of $23,646.

See Accompanying Notes to Financial Statements

Colmena Corp.
Notes to Financial Statements
September 30, 2001

Note 1 Nature of Operations and Summary of Significant Accounting Policies

(A) Nature of Operations

Colmena Corp. (the "Company"), a Delaware corporation, was formerly involved in the telecommunications industry and other industries through operating subsidiaries which were sold in fiscal 1999 (see Note 2). The Company currently seeks to renew suspended activities as a reseller in the telecommunications industry, and to serve as a consultant to developing public companies.

(B) Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required 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 financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(C) Cash and Cash Equivalents

For purpose of the cash flow statements, the Company considers all highly liquid investments with original maturities of three months or less at time of purchase to be cash equivalents.

(D) Stock Options

In accordance with Statement of Financial Accounting Standards Number 123, the Company has elected to account for stock options and warrants issued to employees under Accounting Principles Board Opinion Number 25 and related interpretations. The Company accounts for stock options and warrants issued to consultants and other non-employees under the fair value method of Statement of Financial Accounting Standards 123.

(E) Income Taxes

The Company accounts for income taxes under the Financial Accounting Standards Board Statement of Financial Accounting Standards Number 109, "Accounting for Income Taxes" ("Statement No.109"). Under Statement No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those assets or liabilities are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(F) Loss per Share

Net income (loss) per common share for the years ended September 30, 2001 and 2000 is based upon the weighted average common shares and dilutive common stock equivalents outstanding during the year as defined by Statement of Financial Accounting Standards, Number 128 "Earnings Per Share." The assumed exercise of common stock equivalents was not utilized in 2001 and 2000 since the effect was anti-dilutive. At September 30, 2001, there were 1,102,000 shares of common stock underlying outstanding options and 18,274,969 shares of common stock underlying warrants outstanding, which could potentially dilute future earnings per share.

Note 2 Reorganization Agreement and Sale of Subsidiaries

On March 16, 1999, the Company sold all of its subsidiaries but retained 10% of Techtel Communications, Inc., a telecommunications company.

In November 1999, the interest of all stockholders in TechTel, including the Company, was acquired by FON Digital Network, Inc. ("FON"), an OTC Bulletin Board company. FON issued 50,000 shares to various parties including 5,000 to the Company in exchange for TechTel shares. The shares were recorded at zero cost due to the de minimis value.

Note 3 Property and Equipment

On October 1, 1999, the Company received a notice of proposal to retain collateral pursuant to a security agreement dated August 14, 1998 in full satisfaction of the obligation secured by the security agreement totaling $275,000 at September 30, 1999. Equipment, which had been recorded at a book value of $275,000, was repossessed.

Note 4 Note Settlement

On May 30, 2001, a $100,000 promissory note and related accrued interest of $38,333 from an unrelated party was settled for 1,844,444 shares of the Company's common stock. (See Note 7(A))

Note 5 Guaranteed Loan and Accrued Expenses

(A) Guaranteed Loan

On or about February 26, 1997 (the "Effective Date"), an agreement, as amended, for wholesale financing (the "Loan Agreement") was entered into between Deutsche Financial Services Corporation, Business Technology Systems, Inc. (the "Borrower"), and Colmena Corp. and certain individuals (the "Guarantors"). The Loan Agreement provided for inventory financing for the Borrower. The loans made under the Loan Agreement were secured by a first priority perfected lien and security interest in all of Borrower's assets, rights, and proceeds thereof, owned at the Effective Date or thereafter acquired by the Borrower.

On August 19, 1998, an extension agreement (the "Extension Agreement") was entered into between the Borrower and the Guarantors.

In 1999, Deutsche Financial Services Corporation filed a consent arbitration award based upon alleged breach of the extension agreement. Due to matters relating to the execution of the consent arbitration award, the Company repudiated its signing of the extension agreement and has taken the position that the consent arbitration award entered pursuant to the extension agreement is not legally binding (see Note 9(B)).

Based on the contingency to the Company relating to the initial guarantee, the Company has recorded the liability of $331,000 plus accrued interest of $156,000 on its records as of September 30, 2001.

(B) Accrued Expenses

The Company is subject to current litigation relating to an alleged promissory note for $85,606 allegedly executed by a former officer of the Company. The $85,606 has been included in general and administrative expenses for 2001 and accrued expenses at September 30, 2001 (see Note 9).

Other litigation related amounts totaling $101,300 are also included in accrued expenses at September 30, 2001 (see Note

9).

Note 6 Commitments and Contingencies

(A) Consulting Agreement with Related Party

Under a consulting agreement with a principal stockholder (the "Consultant"), who became a principal stockholder by virtue of the consulting agreements discussed herein, as consideration for the first 200 hours of services provided (in lieu of document license fees and required cash payments valued at $20,000), the Company agreed to issue within the first 365 days of the agreement (the "Initial Term") to the Consultant options designated as Class A options to purchase shares of the Company's common stock at an aggregate exercise price of $40,000, in an amount equal to 51% of the Company's common stock at the time exercise was completed.

At the date of the consulting agreement, 8,066,326 shares of common stock would have been issuable, had the Class A options been exercised in full on such date. Any increase or decrease in the outstanding or reserved shares would result in a corresponding adjustment of the options' quantity and exercise price per share. The options were exercisable from the 10th day until the 365th day following the effective date.

For additional services provided, during the initial term, the Company agreed to pay the following consideration:

(a) If the Consultant arranges or provides funding for the Company on more beneficial terms than those reflected in the Company's current principal financing agreements, the Consultant shall be entitled, at its election, to either

 (i) a fee of 25% of the savings achieved, on a continuing basis, or

 (ii) if equity funding is provided through Consultant or its affiliates, a discount of 10% from the bid price for the subject equity securities if issuable as free trading securities, or a discount of 50% if issuable as restricted securities, or

 (iii) an introduction fee of 5% of the aggregate proceeds obtained if funding is provided by any persons introduced to the Company by the Consultant;

(b) If the Consultant generates business for the Company, the Consultant shall be entitled to a commission of 10% of the gross income derived by the Company therefrom on a continuing basis;

(c) If the Consultant arranges for an acquisition by the Company, the Consultant shall be entitled to 10% of the compensation paid for such acquisition. In addition, the Company will be responsible for the payment of all costs and disbursements associated with the Consultant's services subject to certain limitations and/or approvals, as stipulated in the Agreement.

On January 2, 2000, the Agreement was amended to modify the required payments to the Consultant based on the Consultant's standard hourly rates, by permitting the Consultant to accept payment in capital stock at the conversion rate of 50% of the fair market value of such stock; increase the Consultant's ownership after exercise of the warrants to 75% from 51% and the aggregate exercise price to $80,000 from $40,000, and to clarify the Consultant's preferential rights to subscribe for additional securities at a purchase price of 50% of the fair market value. The term of the warrants was extended to the later of December 31, 2002 or the 100th day after the Company registers the stock underlying any unexercised warrants.

On January 4, 2001, an additional amendment changed the consulting fee to $10,000 per month, eliminating hourly and document licensing fees, and changed the discounts as noted in item (a)(*ii*) above to a discount of 10% from the lowest price at which such securities are offered to any other person, if issuable as free trading securities, or a discount of 50% if issuable as restricted securities, and it eliminated the 5% introduction fee. All provisions from prior agreements regarding issuance of warrants remain intact. At September 30, 2001, $90,000 was accrued and included in the due to related party balance. (See Note 11)

See Note 7 for warrant grants and exercise under these agreements.

(B) Employment Agreements

The Company entered into an employment agreement on May 4, 1999 expiring May 3, 2000 and automatically renewing unless terminated, to employ its President. Compensation is 200,000 common shares of the Company each year payable only upon the 365th day of service (the "vesting date"), and certain commissions or fees based on stipulated criteria. Based on this contingency the Company recorded compensation expense over the one-year service period based on the estimated fair market value on the vesting date resulting in the expense of $15,000 in 2001 and $1,833 in 2000. The 200,000 shares issuable for 2001 are based on the service period ending in May 2001. The agreement terminated in May 2001.

The Company entered into an employment agreement on January 12, 2000 with a term through the later of December 31, 2000 or the election of a new Secretary, to employ its corporate secretary (the "Secretary"). Compensation is 24,000 common stock options pro rata each year exercisable at $0.02 per share, beginning January 1, 2001 through December 31, 2001. In addition, the Secretary shall receive certain commissions or fees based on stipulated criteria. On January 29, 1999, the Secretary was granted 20,000 options; on January 3, 2000, the Secretary was granted 24,000 options and in January 2001, the Secretary was granted 24,000 options at an increase exercise price of $0.05. The stock options vest immediately and are recorded as compensation expense over the service period under the intrinsic value method of APB 25, at the trading price of the underlying common stock on the vesting date, resulting in no expense in 2001 and $655 in 2000.

Effective June 14, 2001, the Company entered into an employment agreement with an individual (the "President") pursuant to which he is engaged as the Company's president and chief executive officer. The agreement is for a term of one year, with renewal thereafter from year to year unless either the Company or the President gives at least 60 days notice prior to the end of the then current term of an intention not to renew, and contains confidentiality and non-competition clauses. As consideration for the President's services, the Company has agreed to compensate him at the rate of $50.00 per hour of service to the Company, plus reimbursement for all reasonable expenses related thereto. This compensation is paid at the end of each month in shares of the Company's common stock calculated by using the average closing transaction price of the stock for the month then ended.

Effective June 14, 2001, the Company entered into an employment agreement with an individual (the "Secretary") pursuant to which she is engaged as the Company's vice president and secretary. The agreement is for a term of one year, with renewal thereafter from year to year unless either the Company or the Secretary gives at least 60 days notice prior to the end of the then current term of an intention not to renew, and contains confidentiality and non-competition clauses. As consideration for the Secretary's services, the Company has agreed to compensate her according to the Company's pro rata share (assuming a 40 hour work week) of a base salary of $5,000 per month, for time actually devoted to her duties on behalf of the Company. This compensation is paid at the end of each month, and is paid partly in cash and partly in an amount of the Company's common stock calculated by using the average closing transaction price of the stock for the month then ended.

Effective June 18, 2001, the Company engaged an individual as its general counsel. As consideration for his services, the Company has agreed to compensate him according to the Company's pro rata share (based on the number of Yankees' clients for whom he is providing legal services) of (1) his current base salary of $40,000 per year and (2) $2,500 per month in common stock. The stock portion is paid at the end of each month, and is paid by an equivalent amount of the Company's common stock calculated by using the average closing transaction price of the stock for the month then ended.

(C) BellSouth Agreement

In November 1999, the Company entered into a two-year agreement with BellSouth Telecommunications, Inc. to become an alternative local exchange telecommunications company ("CLEC") in stipulated states. The Company has not activated its service and has no obligation under the agreement until usage begins. The Company also currently does not have any of the required regulatory licenses to offer such services. The agreement's initial term ends November 22, 2001 and then continues from month to month unless terminated. The Company is in the process of renewing the BellSouth agreement and applying for the requisite regulatory permits.

Note 7 Stockholders' Deficiency

(A) Stock Issuances

On January 14, 2000 (the "Settlement Date"), the Company settled various disputes with an individual who was owed legal fees from one of the Company's divested subsidiaries by issuing 34,000 shares of its common stock. A $510 expense was recorded on the Settlement Date based on the trading price of the common stock. The expense represents the write-off of the amount due from that subsidiary to settle its obligation.

On March 17, 2000 (the "Settlement Date"), a vendor who provided legal services to a subsidiary of the Company was issued 677,087 restricted shares of common stock of the Company. The Company recognized an expense of $27,083 based on the trading price of the common stock on the Settlement Date. The expense represents a write-off of the amount due from the subsidiary to settle its obligation.

On May 4, 2000, 200,000 common shares were issued under an employment agreement (see Note 6).

On May 11, 2000 (the "Settlement Date"), the Company settled various disputes with an individual by issuing 136,147 of its common shares. The Company recorded an expense of $4,086 based on the trading price of the common shares on the Settlement Date.

On May 31, 2000 (the "Settlement Date"), the Company entered into a settlement with a creditor of one of its divested subsidiaries. The Company issued 533,333 shares of its common stock. An expense of $24,000 was recognized based on the trading price of the common shares on the Settlement Date. The expense represents the write-off of the amount due from that subsidiary to settle its obligation.

In September 2000, 200,000 common shares were issued under a consulting agreement. An expense of $4,000 was recognized in 2000 based on the trading price on the vesting date.

On November 8, 2000 (the "Settlement Date"), the Company became obligated to issue 100,000 of its common shares under a court-ordered settlement stipulation. The certificate for the shares was issued in February 2001 to settle an obligation of Tio Mariano Cigar Corp., a divested subsidiary of the Company, and any other unknown obligations of the Company. The Company recorded a $15,000 settlement expense based on the trading price of the common stock at the Settlement Date. The expense represents the write-off of the amount due from that subsidiary to settle its obligation.

On May 30, 2001 (the "Settlement Date"), the Company settled a note payable of $100,000 plus accrued interest of $38,333 by issuing 1,844,444 of the Company's common stock to the creditor who was also a consultant. Based on the $0.075 trading price of the common stock on the Settlement Date, the Company had no gain or loss on settlement. The settlement also terminated all potential obligations under the consulting agreement. (See Note 4)

As of May 2001, the Company is obligated to issue 200,000 common shares to a former president and current Chairman of the Board under his employment agreement, which has terminated (see Note 6). The shares are included in common stock issuable.

In July 2001, 2,000,000 of the 8,670,552 common shares issuable at September 30, 2000 under the consultant warrants, were issued.

In August 2001, 258,501 common shares were issued in exchange for accrued officer compensation of $23,646 based on an average fair market value of stock as stipulated in the related employment agreements. The effective dates of election by the employees to convert the accrued compensation was June 30, 2001 for 98,891 shares and July 31, 2001 for 159,610 shares.

During 2001 and 2000, 7,208,835 and 21,014,574 common shares, respectively, became subject to the consultant warrants. Of the total 36,549,939 shares of common stock underlying the warrants with an aggregate exercise price of $80,000, 18,274,970 are considered as having been issuable based on a $40,000 payment for exercise made through September 30, 2001, 8,000,000 of which have been issued, leaving 10,274,970 issuable as of September 30, 2001. The Company cannot issue such shares until its articles of incorporation are amended to increase the authorized common shares which is scheduled for the annual stockholders' meeting in December 2001 (see Notes 6 and 7(C)).

(B) Stock Option Plan

On February 27, 1998, the Board of Directors of the Company adopted the 1998 Stock Option Plan (the "Plan") to provide added incentive for high levels of performance to officers, directors, employees, consultants, and independent contractors of the Company. Options granted under the plan are designed either as incentive stock options or as non-qualified stock options. The plan will terminate on February 27, 2008, unless earlier terminated.

The Stock Option Plan authorizes options for the purchase of up to an aggregate of 600,000 shares of the Company's common stock. The Company grants non-qualified and incentive stock options. Non-qualified options may be granted to officers, employees, directors, consultants, independent contractors, or other service providers of the Company at an exercise price determined by the Stock Option Plan Committee of the Company's Board of Directors (the "Committee") which shall be at least equal to 85% of the fair market value of the common stock at the date of the grant. Incentive stock options may only be granted to officers, employees, and directors, who are also employees of the Company at an exercise price determined by the Committee, which shall not be less than 100% of the fair market value of the common stock at the date of grant and may not be less than 110% of the fair market value of the common stock at the date of grant if granted to an individual owning more than ten percent of the total combined voting power.

Options are exercisable at dates and conditions determined by the Committee at the time of grant. However, an option may not be exercised after the expiration of 10 years from the date it is granted. In the case of incentive stock options the term may not exceed five years if granted to an option holder owning more than ten percent of the total combined voting power. Through the date of the accompanying audit report, no stock options have been granted under the plan. The plan was terminated in November 2001.

(C) Warrants and Options

The Company granted options to purchase 296,000 shares of common stock to directors and officers in January 2000 at an exercise price of $0.02 expiring December 31, 2002. A compensation expense of $4,440 was recognized in 2000 under the intrinsic value method of APB 25.

The Company granted options to purchase 70,000 shares of common stock in March 2000 to a director at an exercise price of $0.05 expiring January 12, 2002. A compensation expense of $1,050 was recognized in 2000 under APB 25.

The Company granted options to purchase 400,000 shares of common stock to directors and officers in January 2001, at an exercise price of $0.05 per share, for services. These warrants expire on December 31, 2002. No compensation expense was recognized since the exercise price exceeded the fair market value of the stock on the grant date.

The Company granted options to purchase 36,000 shares of common stock to two directors in July 2001 at an exercise price of $0.02 for services performed in year 2000. These options expire December 31, 2002. An expense of $2,881 was recognized immediately based in the intrinsic value method under APB 25.

A summary of the options issued to officers and directors as of September 30, 2001 is presented below:

	Number of Options		Weighted Average Exercise Price
Stock Options			
Balance at beginning of year	666,000	$	.036
Granted	436,000	$	.048
Exercised	-	$	-
Forfeited	-	$	-
Balance at end of year	1,102,000	$	.040
Options exercisable at end of year	1,102,000	$	.040
Weighted average fair value of options granted during the year		$	.034

The following table summarizes information about officers and directors stock options at September 30, 2001:

Options Outstanding						Options Exercisable		
	Range of Exercise Price	Number Outstanding at September 31, 2001	Weighted Average Remaining Contractual Life		Weighted Average Exercise Price	Number Exercisable at September 31, 2001		Weighted Average Exercise Price
				$			$	
$	0.02	332,000	0.77 Years		0.02	332,000	--	0.02
$	0.05	770,000	1.25 Years		0.05	770,000	$	0.05

The Company issued warrants for the purchase of 8,326,530, 21,014,574, and 7,208,835 shares of common stock to a consultant in fiscal years 1999, 2000, and 2001, respectively (see Note 6). A consulting expense of $1,501,378, $432,125, and $509,142 was recognized in 1999, 2000, and 2001, respectively, based on the fair value options pricing method of SFAS 123 (see Notes 7(A) and 6).

(D) Pro Forma Disclosures

In accordance with Statement of Financial Accounting Standards 123, for options issued to employees, the Company has elected to apply the intrinsic value method of Accounting Principles Board Opinion Number 25 and related interpretations. Accordingly, $2,881 and $7,323 were charged to compensation during 2001 and 2000, respectively, since the fair market value of the common stock based upon the trading price at the grant date exceeded the exercise price. Had compensation cost been recognized based on the fair market value of the options on the grant date consistent with Statement of Financial Accounting Standards 123, the Company's change in net loss for the years ended September 30, 2001 and 2000 would not have been material.

The effect of applying Statement of Financial Accounting Standards 123 is not likely to be representative of the effects on reported net income (loss) for future years due to, among other things, the effects of vesting.

Note 8 Income Taxes

There was no current income tax provision for the years ended September 30, 2001 and 2000 due to the Company's net loss.

The Company's tax expense differs from the "expected" tax expense for the years ended September 30, 2001 and 2000 (computed by applying the Federal Corporate tax rate of 34 percent to loss before taxes), as follows:

	2001	2000
Computed "expected" tax expense (benefit)	$ (310,391)	$ (204,576)
Non-deductible stock based compensation	187,227	150,772
Effect of net operating loss carry forwards	123,164	53,804
	$ -	$ -

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at September 30, 2001 and 2000 are as follows:

	2001	2000
Deferred tax assets:		
Net operating loss carryforward	$ 1,162,694	$ 1,076,879
Stock based compensation	5,099,419	4,912,192
Total gross deferred tax assets	6,262,113	5,989,089
Less valuation allowance	(6,262,113)	(5,989,089)
Net deferred tax assets	$ -	$ -

The valuation allowance at September 30, 2000 was 5,989,089. The increase during 2001 was $273,024.

At September 30, 2001, the Company had net operating loss carry forwards of approximately $3,419,688 for income tax purposes, available to offset future taxable income expiring on various dates through 2021. Usage of the net operating losses may be limited if the Company undergoes a change in ownership or change in business.

In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portions or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or changes in ownership or business during the periods in which the temporary differences become deductible. Due to the Company's reorganization (see Note 2) and the ceasing of all operations, except for consulting activities, it is more likely than not that; the deferred tax assets will not be realized.

Note 9 Legal Matters

(A) The Company versus ITA

In September 1998, ITA defaulted in its payments to T2U Co., doing business as RCP, for services rendered to third parties, payment of which was collected by ITA. Thereafter, RCP and two other corporations, Psychic Discovery Network, Inc. ("PDN"), a Delaware corporation affiliated with the Company through common ownership by the principal shareholder of PDN's parent, Viatech Communications Group, Inc. and BLJ Communications, Inc., a Florida corporation, all creditors of ITA, filed a petition seeking ITA'S involuntary bankruptcy pursuant to Chapter 7 of the United States Bankruptcy Code. It is management's assertion that a favorable outcome for the Company is not likely.

(B) Filing of Litigation: Deutsche Financial Services Corporation versus BTS, Mr. Peplin, and the Company

Subsequent to the balance sheet date, on October 8, 1999, Deutsche Financial Services Corporation caused a Consent Arbitration Award in the amount of $348,858 plus interest at the per annum rate of prime plus 6.5% from August 1, 1998 less any sums received pursuant to the Extension Agreement referred to below, to be entered against the Company and others based on the Company's purportedly having consented to such award. The Company signed the Consent Award after having signed a loan extension agreement (the "Extension Agreement") in August of 1998, along with the Company's former President (Mr. Peplin). Because the Company agreed to the terms of the Extension Agreement, and the accompanying Consent Arbitration Award, on the express condition that two additional parties (Mr. and Mrs. Sethi) would sign them both and be similarly bound by them, and because these additional parties did not sign the Extension Agreement by September 15, 1998, the time that the payment of $348,858 was due under the Extension Agreement, the Company repudiated its signing of both the Extension Agreement and the Consent Arbitration Award. Accordingly, the Company has taken the position that the Consent Arbitration Award exceeded the jurisdiction of the arbitration and consequently, is not binding and enforceable. (See Note 5 for contingent liability accrued as of September 30, 2001.) Nonetheless, to eliminate the uncertainty of on-going litigation, the Company is activity engaged in settlement discussions concerning this matter, the outcome of which the Company cannot predict.

(C) Ziff Davis, Inc. vs. BTS

On February 12, 1999, Ziff-Davis filed an action for damages against BTS. A material judgment was entered against BTS on July 26, 1999 for $133,348 plus interest at 10% through December 31, 1999 and at the Florida legal rate thereafter. At the time of the judgment, BTS was no longer a subsidiary of the Company. Management of the Company and its counsel believe that absent the ability to "pierce the corporate veil" no liabilities attributable to BTS should affect the Company.

(D) Various Creditor Claims

The Company has judgments and claims against it aggregating $186,906. The $101,300 was expensed in 1999 and $85,606 in 2001 and the total of $186,906 remains accrued by the Company as of September 30, 2001 (See Note 5(B)).

Note 10 Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Except for recently initiated consulting activities, the Company has no other active business operations, has recurring losses, had cash used in operations of $76,782 in 2001 and had a working capital deficiency of $930,936 and an accumulated deficit of $18,417,978 at September 30, 2001. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company maintains an agreement as a telephone service reseller with BellSouth and management looks to expand on such operations, or locate a merger/acquisition candidate.

Note 11 Related Parties

During 2001, the Company accrued $90,000 in consulting fees payable to a principal stockholder under a consulting agreement. (See Note 6(A))

The Company owes its principal stockholder $199,201 at September 30, 2001. That balance consists of $101,346 principle and $7,855 accrued interest pursuant to a promissory note expiring September 2002 (interest at prime plus 2%, 8.28% at September 20, 2001) and $90,000 of accrued consulting fees (see Note 6(A)).

The Company is employing its corporate counsel under a shared employment agreement with the Company's principal stockholder and consultant (see Notes 6(A) and 6(B)). In the event of any conflict of interest, under the agreement, the corporate counsel represents the principal stockholder only.

The Company's vice-president, corporate secretary and director is also an officer of the consultant and principal stockholder (see Note 6(A)).

Note 12 Subsequent Events

In November 2001, 24,788 of the shares issuable at September 30, 2001, were issued.

COLMENA CORP.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2000 AND 1999

Colmena Corp.

Contents

SALBERG & COMPANY, P.A.
Certified Public Accountants and Consultants

Independent Auditors' Report

To the Board of Directors of:
Colmena Corp.

We have audited the accompanying balance sheet of Colmena Corp. as of September 30, 2000 and the related statements of operations, changes in stockholders' deficiency and cash flows for the years ended September 30, 2000 and 1999. 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 of America. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colmena Corp. as of September 30, 2000 and the results of its operations and its cash flows for the years ended September 30, 2000 and 1999 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 11 to the financial statements, except for recently initiated consulting activities, the Company has no active business operations and has a stockholders' deficiency and working capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Salberg & Company, P.A.

SALBERG & COMPANY, P.A.
Boca Raton, FL
August 20, 2001

20283 State Road 7, Suite 300 • Boca Raton, FL 33498
Phone: (561) 995-8270 • Toll Free: (866) CPA-8500 • Fax: (561) 995-1920
www.salbergco.com • info@salbergco.com
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Colmena Corp.
Balance Sheet
September 30, 2000

Assets

		2000
Assets		
Cash	$	2,078
Total Current Assets	$	2,078

Liabilities and Stockholders' Deficiency

Liabilities		
Accounts payable and accrued expenses	$	266,479
Notes payable		100,000
Guaranteed loan		331,000
Due to related party		26,620
Total Current Liabilities		724,099
Stockholders' Deficiency		
Common stock, \$0.01 par value; 20,000,000 shares authorized, 15,772,259 shares issued and outstanding		157,723
Common stock issuable, \$0.01 par value (8,670,552 shares)		86,705
Additional Paid-In Capital		16,538,612
Accumulated deficit		(17,505,061)
Total Stockholders' Deficiency		(722,021)
Total Liabilities and Stockholders' Deficiency	$	2,078

See accompanying notes to financial statements.

Colmena Corp.
Statements of Operations
Years Ended September 30, 2000 and 1999

	2000	1999
Operating Expenses		
Compensation expense	$ 7,323	$ 4,167
Consulting	436,125	1,522,978
Professional and legal fees	28,689	19,819
Selling, general and administrative	7,882	131,799
Total Operating Expenses	480,019	1,678,763
Loss from Operations	(480,019)	(1,678,763)
Other Expenses		
Settlement expense	(55,678)	-
Loss on impairment of assets	-	(2,900)
Interest expense, net	(65,998)	(84,085)
Total Other Expenses	(121,676)	(86,985)
Loss Before Discontinued Operations	(601,695)	(1,765,748)
Loss From Discontinued Operations		
Loss from operations	-	(108,665)
Gain (loss) on disposal	-	1,584,117
Total Loss from Discontinued Operations	-	1,475,452
Net Loss	$ (601,695)	$ (290,296)
Net Loss Per Common Share – Basic and Diluted		
Loss from continuing operations	$ (0.03)	$ (0.17)
Income from discontinued operations	-	0.14
	$ (0.03)	$ (0.03)
Weighted Common Shares Outstanding – Basic and Diluted	20,480,684	10,502,651

See accompanying notes to financial statements.

Colmena Corp.
Statements of Changes in Stockholders' Deficiency
Years Ended September 30, 2000 and 1999

	Common Stock		Common Stock Issuable		Additional Paid-In Capital	Accumulated Earnings (Deficit)	Total
	Shares	Amount	Shares	Amount			
Balance, September 30, 1998	7,741,692	$ 77,417	-	$ -	$ 14,614,351	$ (16,613,070)	$ (1,921,302)
Common stock warrants issued to consultants, officers and directors	-	-	-	-	1,522,978	-	1,522,978
Common stock issued for settlement	250,000	2,500	-	-	22,500	-	25,000
Exercise of warrants	6,000,000	60,000	-	-	(31,200)	-	28,800
Net loss, 1999	-	-	-	-	-	(290,296)	(290,296)
Balance, September 30, 1999	13,991,692	139,917	-	-	16,128,629	(16,903,366)	(634,820)
Common stock issued as settlement	1,380,567	13,806	-	-	41,873	-	55,679
Common stock issued as consulting fee	200,000	2,000	-	-	2,000	-	4,000
Common stock issued to employee	200,000	2,000	-	-	4,000	-	6,000
Common stock options issued to directors	-	-	-	-	5,490	-	5,490
Common stock warrants issued under consulting agreement	-	-	-	-	432,125	-	432,125
Common stock issuable pursuant to anti-dilutive rights of consultant warrants	-	-	8,670,552	86,705	(75,505)	-	11,200
Net loss, 2000	-	-	-	-	-	(601,695)	(601,695)
Balance, September 30, 2000	15,772,259	$ 157,723	8,670,552	$ 86,705	$ 16,538,612	$ (17,505,061)	$ (722,021)

See accompanying notes to financial statements

Colmena Corp.
Statements of Cash Flows
Years Ended September 30, 2000 and 1999

	2000	1999
Cash Flows From Operating Activities:		
Net loss	$ (601,695)	$ (290,296)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	-	4,500
Impairment loss on marketable securities	-	2,900
Gain on disposal of subsidiaries	-	(1,584,117)
Stock and options issued to consultants and employees	443,448	1,547,978
Stock based settlement expense	55,679	-
Changes in operating assets and liabilities:		
Increase (decrease) in:		
Accounts payable and accrued expenses	66,000	269,754
Total Adjustments	565,127	241,015
Net Cash Used in Operating Activities	(36,568)	(49,281)
Cash Flow from Investing Activities		
Cash of subsidiaries sold	-	(2,480)
Net Cash Used in Investing Activities	-	(2,480)
Cash Flows from Financing Activities		
Borrowings from related party	25,420	1,200
Proceeds from borrowings – non-related parties	-	17,500
Proceeds from issuance of common stock from warrant exercise	11,200	28,800
Net Cash Provided By Financing Activities	36,620	47,500
Net Increase (Decrease) in Cash	52	(4,261)
Cash – Beginning of Year	2,026	6,287
Cash – End of Year	$ 2,078	$ 2,026
Non-Cash Investing and Financing Activities:		
Issued common stock for compensation liability	$ 4,167	$ -

See accompanying notes to financial statements

Colmena Corp.
Notes to Financial Statements
September 30, 2000 and 1999

Note 1 Nature of Operations and Summary of Significant Accounting Policies

(A) Nature of Operations

Colmena Corp. (the "Company"), a Delaware corporation, through its former subsidiaries was engaged in various industries. Through its former subsidiary, T2U Co. (formerly known as RCP Enterprises Group, Inc.), which did business as RCP Communications Group, Inc. ("RCP"), and through its former subsidiary, TechTel Communications, Inc. ("TechTel"), the Company was engaged in the business of marketing and distributing telecommunications services. Through its former subsidiary, Business Technology Systems, Inc., ("BTS") whose operations were discontinued in 1998 (See Note 2), the Company was in the business of selling computer equipment. In addition, the Company was in the business of manufacturing and distributing premium hand-rolled cigars through its former subsidiary, Tio Mariano Cigar Corp. ("Tio"), whose operations were discontinued in 1998 (See Note 2). In March 1999, the Company transferred one hundred percent of its subsidiaries, RCP, BTS, and Tio to its president and principal stockholder in a transaction accounted for as a sale. In addition, in March 1999, 90% of TechTel was sold to various parties. In November 1999, the Company sold its 10% holdings in TechTel (See Note 2).

(B) Principles of Consolidation

The 1999 financial statements include the operating activity of the subsidiaries RCP, BTS, Tio, and Techtel through the sale date of March 16, 1999. The investment in TechTel was recorded at a zero cost and accounted for using the cost basis from March 1999. All significant intercompany transactions have been eliminated in consolidation.

(C) Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required 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 financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(D) Cash and Cash Equivalents

For purpose of the cash flow statements, the Company considers all highly liquid investments with original maturities of three months or less at time of purchase to be cash equivalents.

(E) Investments

The Company accounts for investments in marketable equity securities in accordance with Statement of Financial Accounting Standards Number 115, "Accounting for Certain Investments in Debt and Equity Securities." Management determines the appropriate classification of its investments at the time of acquisition and reevaluates such determination at each balance sheet date. Trading securities are characterized by the Company's intent to sell them in the near term, while available-for-sale securities are those securities that do not qualify as trading securities. Trading securities are carried at fair value, with unrealized trading gains and losses included in earnings. Available-for-sale securities are carried at fair value, with unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity. In determining realized gains and losses, the cost of the securities sold is based on the specific identification method (see Note 2).

(F) Stock Options

In accordance with Statement of Financial Accounting Standards Number 123, the Company has elected to account for stock options and warrants issued to employees under Accounting Principles Board Opinion Number 25 and related interpretations. The Company accounts for stock options and warrants issued to consultants and other non-employees under the fair value method of Statement of Financial Accounting Standards 123.

(G) Income Taxes

The Company accounts for income taxes under the Financial Accounting Standards Board Statement of Financial Accounting Standards Number 109, "Accounting for Income Taxes" ("Statement No.109"). Under Statement No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those assets or liabilities are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(H) Loss Per Share

Net income (loss) per common share for the years ended September 30, 2000 and 1999 is based upon the weighted average common shares and dilutive common stock equivalents outstanding during the year as defined by Statement of Financial Accounting Standards, Number 128 "Earnings Per Share." The assumed exercise of common stock equivalents was not utilized in 2000 and 1999 since the effect was anti-dilutive. At September 30, 2000, there were 666,000 shares of common stock underlying outstanding options and 14,670,552 shares of common stock underlying warrants outstanding, which could potentially dilute future earnings per share.

(I) Reclassifications

Certain amounts in the 1999 financial statements have been reclassified to conform with the 2000 presentation.

Note 2 Reorganization Agreement and Sale of Subsidiaries

On March 16, 1999 (the "Sale Date"), a Reorganization Agreement (the "Agreement") was entered into between the Company and Mr. Peplin, the principal stockholder and former president of the Company. Under the terms of the Agreement, as amended, the Company conveyed to the order of Mr. Peplin, and Mr. Peplin accepted, all of the Company's right, title, and interest in and to all of the capital stock of T2U Co., BTS, and Tio (the "Subsidiaries"), expecting that Mr. Peplin would designate a newly organized corporation to assume ownership of the Subsidiaries. The transaction was accounted for as a sale, at fair market value, the consideration being an assumption of net liabilities by Mr. Peplin. The Company agreed to pay all reasonable costs required to effect a liquidation of the Subsidiaries by Mr. Peplin's designee pursuant to Chapter 7 of the United States Bankruptcy Code and to defend any resulting litigation or regulatory actions provided that all work required is effected through the Company's attorneys. Furthermore, the Company agreed to spin out 20% of the capital stock of TechTel to the Company's stockholders and to use the remaining 80% of the capital stock of TechTel to settle outstanding liabilities of TechTel to Mr. Peplin, to a principal of Yankees and to other persons, based on negotiations to be conducted by Yankees. Mr. Peplin irrevocably agreed that any net assets remaining after liquidation of the Subsidiaries would be used to pay taxes and liabilities of TechTel guaranteed by Mr. Peplin or the Company, with the net balance returned to the Company, such net balance interest to be represented by a security interest memorialized in one or more Forms UCC-1 to be filed in each state in which the Subsidiaries have any assets. Ultimately, 90% of TechTel common stock was transferred to Mr. Peplin and others in a transaction accounted for as a sale, the consideration being the assumption by the transferees of all liabilities of TechTel. The TechTel spinout discussed above never occurred. In November 1999, the interest of all stockholders in TechTel, including the Company, was acquired by FON Digital Network, Inc. ("FON"), an OTC Bulletin Board company. FON issued 50,000 shares to various parties including 5,000 to the Company in exchange for TechTel shares. The shares were recorded at zero cost due to the de minimis value.

At the Sale Date, the Company recognized a gain on sale of $1,584,117 net of the retention of a BTS loan and related accrued interest liability of $343,000 at the Sale Date, which the Company had guaranteed.

The reorganizations discussed above do not qualify as tax-free reorganizations. However, no taxes will be payable, as the income generated by the Company as a result of its reorganizations is from the relief of liabilities which is fully excludable under the insolvency/bankruptcy exception. Under such exception, the net operating loss and other tax attributes are reduced in lieu of reporting income.

On May 4, 1999, Mr. Peplin resigned from all offices and directorships held in the Company.

Note 3 Property and Equipment

On October 1, 1999, the Company received a notice of proposal to retain collateral pursuant to a security agreement dated August 14, 1998 in full satisfaction of the obligation secured by the security agreement totaling $275,000 at September 30, 1999. Equipment, which had been recorded at a book value of $275,000, was repossessed.

Depreciation of $4,500 on the equipment of a subsidiary is included in 1999 for the period up to the subsidiary sale date of March 16, 1999. (See Note 2)

Note 4 Loss on Impairment of Stock

Impairment of $2,900 on the stock held for investment was recognized in 1999. The stock was owned by a subsidiary, which was sold in March 1999.

Note 5 Notes Payable

The following schedule reflects loans payable at September 30, 2000:

Note payable, interest at 10% per annum, due and payable on July 30, 1999. Holder may convert any portion of the principal balance into shares of the Company's common stock at a conversion price of $0.40 per share. In default as of August 1, 1999.	100,000
	$ 100,000

On May 30, 2001, the $100,000 note and related accrued interest was settled for 1,844,444 shares of the Company's common stock. (See Note 12)

Note 6 Guaranteed Loans

On or about February 26, 1997 (the "Effective Date"), an agreement, as amended, for wholesale financing (the "Loan Agreement") was entered into between Deutsche Financial Services Corporation, Business Technology Systems, Inc. (the "Borrower"), and Colmena Corp. and certain individuals (the "Guarantors"). The Loan Agreement provided for inventory financing for the Borrower. The loans made under the Loan Agreement were secured by a first priority perfected lien and security interest in all of Borrower's assets, rights, and proceeds thereof, owned at the Effective Date or thereafter acquired by the Borrower.

On August 19, 1998, an extension agreement (the "Extension Agreement") was entered into between the Borrower and the Guarantors.

In 1999, Deutsche Financial Services Corporation filed a consent arbitration award based upon alleged breach of the extension agreement. Due to matters relating to the execution of the consent arbitration award, the Company repudiated its signing of the extension agreement and has taken the position that the consent arbitration award entered pursuant to the extension agreement is not legally binding (see Note 10).

Based on the contingency to Colmena Corp. relating to the initial guarantee, the Company has recorded the liability of $331,000 plus accrued interest of $108,000 on its records as of September 30, 2000.

Note 7 Income Taxes

There was no current income tax provision for the years ended September 30, 2000 and 1999 due to the Company's net loss.

The Company's tax expense differs from the "expected" tax expense for the years ended September 30, 2000 and 1999 (computed by applying the Federal Corporate tax rate of 34 percent to loss before taxes), as follows:

	2000	1999
Computed "expected" tax expense (benefit)	$ (204,576)	$ (64,258)
Non-deductible stock based compensation	150,772	517,812
Effect of net operating loss carry forwards	53,804	(453,554)
	$ -	$ -

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at September 31, 2000 and 1999 are as follows:

	2000	1999
Deferred tax assets:		
Net operating loss carryforward	$ 1,076,879	$ 1,023,075
Stock based compensation	4,912,192	4,761,420
Total gross deferred tax assets	5,989,089	5,784,495
Less valuation allowance	(5,989,089)	(5,784,495)
Net deferred tax assets	$ -	$ -

At September 30, 2000, the Company had net operating loss carry forwards of approximately $3,167,291 for income tax purposes, available to offset future taxable income expiring on various dates through 2020.

In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portions or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or changes in ownership or business during the periods in which the temporary differences become deductible. Due to the Company's reorganization (See Note 2) and the ceasing of all operations, it is more likely than not that, the deferred tax assets will not be realized.

The valuation allowance at September 30, 1999 was $5,784,495. The net change in the valuation allowance was an increase of $204,594.

Note 8 Stockholders' Equity (Deficiency)

(A) Stock Issuances

In June 1999, the Company issued 250,000 common shares as a settlement. The shares were valued at $25,000 based on the trading price of the shares at the settlement date and an expense was recorded.

During 1999, the Company issued 6,000,000 common shares upon exercise of warrants.

On January 14, 2000 (the "Settlement Date"), the Company settled various disputes with an individual who was owed legal fees from one of the Company's divested subsidiaries by issuing 34,000 shares of its common stock. A $510 expense was recorded on the Settlement Date based on the trading price of the common stock. The expense represents the write-off of the amount due from that subsidiary to settle its obligation.

On March 17, 2000 (the "Settlement Date"), a vendor who provided legal services to a subsidiary of the Company was issued 677,087 restricted shares of common stock of the Company. The Company recognized an expense of $27,083 based on the trading price of the common stock on the Settlement Date. The expense represents a write-off of the amount due from the subsidiary to settle its obligation.

On May 4, 2000, 200,000 common shares were issued under an employment agreement and on May 4, 2001, another 200,000 were issuable (see Note 9(B)).

On May 11, 2000 (the "Settlement Date"), the Company settled various disputes with an individual by issuing 136,147 of its common shares. The Company recorded an expense of $4,086 based on the trading price of the common shares on the Settlement Date.

On May 31, 2000 (the "Settlement Date"), the Company entered into a settlement with a creditor of one of its divested subsidiaries. The Company issued 533,333 shares of its common stock. An expense of $24,000 was recognized based on the trading price of the common shares on the Settlement Date. The expense represents the write-off of the amount due from that subsidiary to settle its obligation.

In September 2000, 200,000 common shares were issued under a consulting agreement. An expense of $4,000 was recognized in 2000 based on the trading price on the vesting date.

During 1999 and 2000, 8,826,566 and 21,014,538 common shares, respectively, became subject to the consultant warrants. Of the total 29,341,104 shares of common stock underlying the warrants with an aggregate exercise price of $80,000, 14,670,552 are considered as having been issuable based on a $40,000 payment for exercise made through September 30, 2000, 6,000,000 of which have been issued, leaving 8,670,552 issuable as of September 30, 2000. The Company cannot issue such shares until its articles of incorporation are amended to increase the authorized common shares (see Notes 8(C) and 9). The Company understands that certain stockholders may seek to take action increasing its authorized capital stock by written consent in lieu of a meeting, if such stockholders can meet the requirements of Delaware law as well as the exemptive provisions of Commission Rule 14a-2(b)(2), pertaining to exempt proxy solicitations, without triggering Schedule 14-C information schedule dissemination requirements.

(B) Stock Option Plan

On February 27, 1998, the Board of Directors of the Company adopted the 1998 Stock Option Plan (the "Plan") to provide added incentive for high levels of performance to officers, directors, employees, consultants, and independent contractors of the Company. Options granted under the plan are designed either as incentive stock options or as non-qualified stock options. The plan will terminate on February 27, 2008, unless earlier terminated.

The Stock Option Plan authorizes options for the purchase of up to an aggregate of 600,000 shares of the Company's common stock. The Company grants non-qualified and incentive stock options. Non-qualified options may be granted to officers, employees, directors, consultants, independent contractors, or other service providers of the Company at an exercise price determined by the Stock Option Plan Committee of the Company's Board of Directors (the "Committee") which shall be at least equal to 85% of the fair market value of the common stock at the date of the grant. Incentive stock options may only be granted to officers, employees, and directors, who are also employees of the Company at an exercise price determined by the Committee, which shall not be less than 100% of the fair market value of the common stock at the date of grant and may not be less than 110% of the fair market value of the common stock at the date of grant if granted to an individual owning more than ten percent of the total combined voting power.

Options are exercisable at dates and conditions determined by the Committee at the time of grant. However, an option may not be exercised after the expiration of 10 years from the date it is granted. In the case of incentive stock options the term may not exceed five years if granted to an option holder owning more than ten percent of the total combined voting power. Through the date of this report, no stock options have been granted under the plan.

(C) Warrants and Options

The Company granted options to purchase 300,000 shares of common stock in January 1999 at an exercise price of $0.05 expiring January 2002. Pursuant to APB25, an expense of

$21,600 was recognized in 1999 pro rata over the service period based on the trading price of the underlying common stock on the grant date.

The Company granted options to purchase 296,000 shares of common stock to directors and officers in January 2000 at an exercise price of $0.02 expiring December 2002. A compensation expense of $4,440 was recognized in 2000 under the intrinsic value method of APB 25.

The Company granted options to purchase 70,000 shares of common stock in March 2000 to a director at an exercise price of $0.05 expiring January 2002. A compensation expense of $1,050 was recognized in 2000 under APB 25.

The Company issued warrants for the purchase of 8,326,530, 21,014,574, and 5,833,332 shares of common stock to a consultant in fiscal years 1999, 2000, and 2001, respectively (see Note 9). A consulting expense of $1,501,378, $432,125, and $460,000 was recognized in 1999, 2000, and 2001, respectively, based on the fair value options pricing method of SFAS 123. As of September 30, 2000, 14,670,552 of these warrants were exercised at an effective exercise price as of September 30, 2000 of $0.0027 per share with 8,670,552 of such common shares issuable pending increase of the authorized shares of the Company (see Notes 8(A) and 9).

(D) Pro Forma Disclosures

In accordance with Statement of Financial Accounting Standards 123, for options issued to employees, the Company has elected to apply the intrinsic value method of Accounting Principles Board Opinion Number 25 and related interpretations. Accordingly, $7,323 and $4,167 were charged to compensation during 2000 and 1999, respectively, since the fair market value of the common stock based upon the trading price at the grant date exceeded the exercise price. Had compensation cost been recognized based on the fair market value of the options on the grant date consistent with Statement of Financial Accounting Standards 123, the Company's change in net loss for the year ended September 30, 2000 was not material and the net loss for the year ended September 30, 1999 would have been increased to the pro forma amounts as follows:

		1999
Net loss:		
As reported	$	(290,296)
Pro Forma	$	(291,196)
Net loss per share:		
As reported	$	(0.03)
Pro Forma	$	(0.03)

The effect of applying Statement of Financial Accounting Standards 123 is not likely to be representative of the effects on reported net income for future years due to, among other things, the effects of vesting.

Note 9 Commitments and Contingencies

(A) Consulting Agreement Between The Company and a Consultant

As consideration for the first 200 hours of services provided (in lieu of document license fees and required cash payments valued at $20,000), the Company agreed to issue within the first 365 days of the Agreement (the "Initial Term") to the Consultant options designated as Class A options to purchase shares of the Company's common stock at an aggregate exercise price of $40,000, in an amount equal to 51% of the Company's common stock at the time exercise was completed.

At the date of the Consulting Agreement, 8,066,326 shares of common stock would have been issuable, had the Class A options been exercised in full on such date. Any increase or decrease in the outstanding or reserved shares would result in a corresponding adjustment of the options' quantity and exercise price per share. The options were exercisable from the 10th day until the 365th day following the Effective date. The term of Class A options was amended in January 2, 2000 to extend the term for exercise to the later of December 31, 2002 or the 100th day following the date the Company becomes current in its SEC filings under the Exchange Act. (See Notes 8 and 9)

For additional services provided, during the initial term, the Company agreed to pay the following consideration:

(a) If the Consultant arranges or provides funding for the Company on more beneficial terms than those currently reflected in the Company's current principal financing agreements, the Consultant shall be entitled, at its election, to either
  (i) a fee of 25% of the savings achieved, or
  (ii) if equity funding is provided through Consultant or its affiliates, a discount of 10% from the bid price for the subject equity securities, if issuable as free trading securities, or a discount of 50%, if issuable as restricted securities, or
  (iii) an introduction fee of 5% of the aggregate proceeds obtained if funding is provided by any persons introduced to the Company by the Consultant;

(b) If the Consultant generates business for the Company, the Consultant shall be entitled to a commission of 10% of the gross income derived by the Company therefrom on a continuing basis;

(c) If the Consultant arranges for an acquisition by the Company, the Consultant shall be entitled to 10% of the compensation paid for such acquisition. In addition, the Company will be responsible for the payment of all costs and disbursements associated with the

Consultant's services subject to certain limitations and/or approvals, as stipulated in the Agreement.

On January 4, 2000, the Agreement was amended a second time to modify the required payments to the Consultant based on the Consultant's standard hourly rates, by permitting the Consultant to accept payment in capital stock at the conversion rate of 50% of the fair market value of such stock; increase the Consultant's ownership after exercise of the warrants to 75% from 51% and the aggregate exercise price to $80,000 from $40,000 and to clarify the Consultant's preferential rights to subscribe for additional securities at a purchase price of 50% of the fair market value. The term of the warrants was extended to the later of December 31, 2002 or the 100th day after the Company registers the stock underlying any unexercised warrants.

On January 4, 2001, a third amendment changed the consulting fee to $10,000 per month, eliminating hourly and document licensing fees and changed the discounts as noted in item (a)(*ii*) above to a discount of 10% from the lowest price at which such services are offered to any other person, and eliminated the 5% introduction fee. All provisions from prior agreements regarding issuance of warrants remain intact.

See Note 8 for warrant grants and exercise under these agreements.

(B) Employment Agreements

The Company entered into an employment agreement on May 4, 1999 expiring May 3, 2000 and automatically renewing unless terminated, to employ its President. Compensation is 200,000 common shares of the Company each year payable only upon the 365th day of service (the "vesting date"), and certain commissions or fees based on stipulated criteria. Based on this contingency the Company recorded compensation expense over the one-year service period based on the estimated fair market value on the vesting date resulting in the expense of $4,167 in 1999 and $1,833 in 2000. An additional 200,000 shares are issuable based on the service period ending in May 2001. The agreement terminated in May 2001.

The Company entered into an employment agreement on January 12, 2000 with a term through the later of December 31, 2000 or the election of a new Secretary, to employ its corporate secretary (the "Secretary"). Compensation is 24,000 common stock options pro rata each year exercisable at $0.02 per share, beginning January 1, 2001 through December 31, 2001. In addition, the Secretary shall receive certain commissions or fees based on stipulated criteria. On January 29, 1999, the Secretary was granted 20,000 shares and on January 3, 2000, the Secretary was granted 24,000 shares. The stock options vest immediately and are recorded as compensation expense over the service period under the intrinsic value method of APB 25, at the trading price of the underlying common stock on the vesting date, resulting in an expense in 1999 of $75 and in 2000 of $655.

Effective June 14, 2001, the Company entered into an employment agreement with an individual (the "President") pursuant to which he is engaged as the Company's president and chief executive officer. The agreement is for a term of one year, with renewal thereafter from year to year unless either the Company or the President gives at least 60 days notice prior to the end of the then current term of an intention not to renew, and contains confidentiality and non-competition clauses. As consideration for the President's services, the Company has agreed to compensate him at the rate of $50.00 per hour of services to the Company, plus reimbursement for all reasonable expenses related thereto. This compensation is paid at the end of each month in shares of the Company's common stock calculated by using the average closing transaction price of the stock for the month then ended.

Effective June 14, 2001, the Company entered into an employment agreement with an individual (the "Secretary") pursuant to which she is engaged as the Company's vice president and secretary. The agreement is for a term of one year, with renewal thereafter from year to year unless either the Company or the Secretary gives at least 60 days notice prior to the end of the then current term of an intention not to renew, and contains confidentiality and non-competition clauses. As consideration for the Secretary's services, the Company has agreed to compensate her according to the Company's pro rata share (assuming a 40 hour work week) of a base salary of $5,000 per month, for time actually devoted to her duties on behalf of the Company. This compensation is paid at the end of each month, and is paid partly in cash and partly in an amount of the Company's common stock calculated by using the average closing transaction price of the stock for the month then ended.

Effective June 18, 2001, the Company engaged an individual as its general counsel. As consideration for his services, the Company has agreed to compensate him according to the Company's pro rata share (based on the number of Yankees' clients for whom he is providing legal services) of (1) his current base salary of $40,000 per year and (2) $2,500 per month in common stock. The stock portion is paid at the end of each month, and is paid by an equivalent amount of the Company's common stock calculated by using the average closing transaction price of the stock for the month then ended.

(C) Bell South Agreement

In November 1999, the Company entered into a two-year agreement with Bell South Telecommunications, Inc. to become an alternative local exchange telecommunications company ("CLEC") in stipulated states. The Company has not activated its service and has no obligation under the agreement until usage begins.

Note 10 Legal Matters

(A) The Company Versus ITA

In September 1998, ITA defaulted in its payments to T2U Co., doing business as RCP, for services rendered to third parties, payment of which was collected by ITA. Thereafter, RCP and two other corporations, Psychic Discovery Network, Inc. ("PDN"), a Delaware corporation affiliated with the Company through common ownership by the principal shareholder of PDN's parent, Viatech Communications Group, Inc. and BLJ Communications, Inc., a Florida corporation, all creditors of ITA, filed a petition seeking ITA'S involuntary bankruptcy pursuant to Chapter 7 of the United States Bankruptcy Code. It is management's assertion that a favorable outcome for the Company is not likely.

(B) Filing of Litigation: Deutsche Financial Services Corporation versus BTS, Mr. Peplin, and the Company

Subsequent to the balance sheet date, on October 8, 1999, Deutsche Financial Services Corporation caused a Consent Arbitration Award in the amount of $348,858 plus interest at the per annum rate of prime plus 6.5% from August 1, 1998 less any sums received pursuant to the Extension Agreement referred to below, to be entered against the Company and others based on the Company's purportedly having consented to such award. The Company signed the Consent Award after having signed a loan extension agreement (the "Extension Agreement") in August of 1998, along with the Company's former President (Mr. Peplin). Because the Company agreed to the terms of the Extension Agreement, and the accompanying Consent Arbitration Award, on the express condition that two additional parties (Mr. and Mrs. Sethi) would sign them both and be similarly bound by them, and because these additional parties did not sign the Extension Agreement by September 15, 1998, the time that the payment of $348,858 was due under the Extension Agreement, the Company repudiated its signing of both the Extension Agreement and the Consent Arbitration Award. Accordingly, the Company takes the position that the Consent Arbitration Award exceeded the jurisdiction of the arbitration and consequently, is not binding and enforceable. (See Note 6 for contingent liability accrued as of September 30, 2000.)

(C) Ziff Davis, Inc. vs. BTS

On February 12, 1999, Ziff-Davis filed an action for damages against BTS. A material judgment was entered against BTS on July 26, 1999 for $133,348 plus interest at 10% through December 31, 1999 and at the Florida legal rate thereafter. At the time of the judgment, BTS was no longer a subsidiary of the Company. Management of the Company and its counsel believe that absent the ability to "pierce the corporate veil" no liabilities attributable to BTS should affect the Company.

(D) Various Creditor Claims

The Company has judgments and claims against it aggregating $101,300. The $101,300 was expensed in 1999 and remains accrued by the Company as of September 30, 2000.

Note 11 Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Except for recently initiated consulting activities, the Company has no other active business operations, has recurring losses, had cash used in operations of $36,568 in 2000 and had a working capital deficiency of $722,021 and an accumulated deficit of $17,505,061 at September 30, 2000. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company maintains a license as a telephone service reseller with Bell South and management looks to expand on such operations, or locate a merger/acquisition candidate.

Note 12 Subsequent Events

(A) Stock Issuances

On November 8, 2000 (the "Settlement Date"), the Company became obligated to issue 100,000 of its common shares under a court ordered settlement stipulation. The shares were physically issued in February 2001 to settle an obligation of Tio Mariano Cigar Corp., a divested subsidiary of the Company, and any other unknown obligations of the Company. The Company recorded a $15,000 expense based on the trading price of the common stock at the Settlement Date. The expense represents the write-off of the amount due from that subsidiary to settle its obligation.

On May 30, 2001 (the "Settlement Date"), the Company settled a note payable of $100,000 plus accrued interest of $38,333 by issuing 1,844,444 of the Company's common stock to the creditor who was also a consultant. Based on the $0.075 trading price of the common stock on the Settlement Date, the Company had no gain or loss on settlement. The settlement also terminated all potential obligations under the consulting agreement. (See Note 5)

In July 2001, 2,000,000 of the 8,670,552 common shares issuable under the consultant warrants were issued.

As of May 2001, the Company is obligated to issue 200,000 common shares to a former president and current Chairman of the Board under his employment agreement, which has terminated (see Note 9).

(B) Warrants and Options

The Company granted options to purchase 400,000 shares of common stock to directors and officers in January 2001, at an exercise price of $0.05 per share, for services. These warrants expire on December 31, 2002. Compensation expense will be recognized immediately based on the intrinsic value method under APB 25.

The Company granted options to purchase 36,000 shares of common stock to two directors in July 2001 at an exercise price of $0.02 for services performed in year 2000. These options expire December 31, 2002. An expense of $2,880 was recognized immediately based in the intrinsic value method under APB 25.

COLMENA CORP.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2001 AND 2000

Colmena Corp.

Contents

Independent Auditors' Report

To the Board of Directors of:
Colmena Corp.

We have audited the accompanying balance sheet of Colmena Corp. as of September 30, 2001 and the related statements of operations, changes in stockholders' deficiency and cash flows for the years ended September 30, 2001 and 2000. 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 of America. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colmena Corp. as of September 30, 2001 and the results of its operations and its cash flows for the years ended September 30, 2001 and 2000 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 10 to the financial statements, except for recently initiated consulting activities, the Company has no active business operations and has a stockholders' deficiency and working capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Salberg Company, P.A.

SALBERG & COMPANY, P.A.
Boca Raton, FL
October 24, 2001

Colmena Corp.
Balance Sheet
September 30, 2001

Assets

Assets		
Cash	$	22
Total Current Assets	$	22

Liabilities and Stockholders' Deficiency

Liabilities		
Accrued expenses	$	400,757
Guaranteed loan		331,000
Loan and fees payable to related party		199,201
Total Current Liabilities		930,958
Stockholders' Deficiency		
Common stock, $0.01 par value; 20,000,000 shares authorized, 19,975,204 shares issued and outstanding		199,752
Common stock issuable, $0.01 par value (10,474,970 shares)		104,749
Additional paid-in capital		17,182,541
Accumulated deficit		(18,417,978)
Total Stockholders' Deficiency		(930,936)
Total Liabilities and Stockholders' Deficiency	$	22

See accompanying notes to financial statements.

Colmena Corp.
Statements of Operations
Years Ended September 30, 2001 and 2000

		2001		2000
Operating Expenses				
Compensation expense	$	73,056	$	7,323
Consulting		614,142		436,125
Professional and legal fees		48,235		28,689
Selling, general and administrative		97,629		7,882
Total Operating Expenses		833,062		480,019
Loss from Operations		(833,062)		(480,019)
Other Expenses				
Settlement expense		(15,000)		(55,678)
Interest expense		(64,855)		(65,998)
Total Other Expenses		(79,855)		(121,676)
Net Loss	$	(912,917)	$	(601,695)
Net Loss Per Common Share – Basic and Diluted	$	(0.03)	$	(0.03)
Weighted Common Shares Outstanding – Basic and Diluted		26,505,535		20,480,684

See accompanying notes to financial statements.

Colmena Corp.
Statements of Changes in Stockholders' Deficiency
Years Ended September 30, 2001 and 2000

	Common Stock		Common Stock Issuable		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, September 30, 1999	13,991,692	$ 139,917	-	$ -	$ 16,128,629	$ (16,903,366)	$ (634,820)
Common stock issued as settlement	1,380,567	13,806	-	-	41,873	-	55,679
Common stock issued as consulting fee	200,000	2,000	-	-	2,000	-	4,000
Common stock issued to employee	200,000	2,000	-	-	4,000	-	6,000
Common stock options issued to directors	-	-	-	-	5,490	-	5,490
Common stock warrants issued under consulting agreement	-	-	-	-	432,125	-	432,125
Common stock issuable pursuant to anti-dilutive rights of consultant warrants	-	-	8,670,552	86,705	(75,505)	-	11,200
Net loss, 2000	-	-	-	-	-	(601,695)	(601,695)
Balance, September 30, 2000	15,772,259	157,723	8,670,552	86,705	16,538,612	(17,505,061)	(722,021)
Common stock issued as settlement	100,000	1,000	-	-	14,000	-	15,000
Common stock issuable as compensation	-	-	200,000	2,000	13,000	-	15,000
Common stock issued as settlement	1,844,444	18,444	-	-	119,889	-	138,333
Common stock options issued to directors	-	-	-	-	2,881	-	2,881
Physical issuance of common stock to consultant	2,000,000	20,000	(2,000,000)	(20,000)	-	-	-
Common stock warrants issued under consulting agreement	-	-	-	-	509,142	-	509,142
Common stock issued in exchange for accrued compensation	258,501	2,585	-	-	21,061	-	23,646
Common stock issuable pursuant to anti-dilution rights of consultant warrants	-	-	3,604,418	36,044	(36,044)	-	-
Net loss, 2001	-	-	-	-	-	(912,917)	(912,917)
Balance, September 30, 2001	**19,975,204**	**$ 199,752**	**10,474,970**	**$ 104,749**	**$ 17,182,541**	**$ (18,417,978)**	**$ (930,936)**

See accompanying notes to financial statements

Colmena Corp.
Statements of Cash Flows
Years Ended September 30, 2001 and 2000

	2001	2000
Cash Flows From Operating Activities:		
Net loss	$ (912,917)	$ (601,695)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock and options issued to consultants and employees	550,669	443,448
Stock based settlement expense	15,000	55,679
Changes in operating assets and liabilities:		
Increase (decrease) in:		
Accounts payable and accrued expenses	172,611	66,000
Due to related party	97,855	-
Total Adjustments	750,529	565,127
Net Cash Used in Operating Activities	(76,782)	(36,568)
Cash Flows from Financing Activities:		
Borrowings from related party	74,726	25,420
Proceeds from issuance of common stock from warrant exercise	-	11,200
Net Cash Provided By Financing Activities	74,726	36,620
Net Increase (Decrease) in Cash	(2,056)	52
Cash – Beginning of Year	2,078	2,026
Cash – End of Year	$ 22	$ 2,078

Non-Cash Investing and Financing Activities:

In May 2001, the Company issued 1,844,444 common shares to settle a note payable of $100,000 and related accrued interest of $38,333.

In August 2001, the Company issued 258,501 common shares for accrued compensation of $23,646.

See accompanying notes to financial statements

Colmena Corp.
Notes to Financial Statements
September 30, 2001

Note 1 Nature of Operations and Summary of Significant Accounting Policies

(A) Nature of Operations

Colmena Corp. (the "Company"), a Delaware corporation, was formerly involved in the telecommunications industry and other industries through operating subsidiaries which were sold in fiscal 1999 (see Note 2). The Company currently seeks to renew suspended activities as a reseller in the telecommunications industry, and to serve as a consultant to developing public companies.

(B) Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required 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 financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(C) Cash and Cash Equivalents

For purpose of the cash flow statements, the Company considers all highly liquid investments with original maturities of three months or less at time of purchase to be cash equivalents.

(D) Stock Options

In accordance with Statement of Financial Accounting Standards Number 123, the Company has elected to account for stock options and warrants issued to employees under Accounting Principles Board Opinion Number 25 and related interpretations. The Company accounts for stock options and warrants issued to consultants and other non-employees under the fair value method of Statement of Financial Accounting Standards 123.

(E) Income Taxes

The Company accounts for income taxes under the Financial Accounting Standards Board Statement of Financial Accounting Standards Number 109, "Accounting for Income Taxes" ("Statement No.109"). Under Statement No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those assets or liabilities are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(F) Loss per Share

Net income (loss) per common share for the years ended September 30, 2001 and 2000 is based upon the weighted average common shares and dilutive common stock equivalents outstanding during the year as defined by Statement of Financial Accounting Standards, Number 128 "Earnings Per Share." The assumed exercise of common stock equivalents was not utilized in 2001 and 2000 since the effect was anti-dilutive. At September 30, 2001, there were 1,102,000 shares of common stock underlying outstanding options and 18,274,969 shares of common stock underlying warrants outstanding, which could potentially dilute future earnings per share.

Note 2 Reorganization Agreement and Sale of Subsidiaries

On March 16, 1999, the Company sold all of its subsidiaries but retained 10% of Techtel Communications, Inc., a telecommunications company.

In November 1999, the interest of all stockholders in TechTel, including the Company, was acquired by FON Digital Network, Inc. ("FON"), an OTC Bulletin Board company. FON issued 50,000 shares to various parties including 5,000 to the Company in exchange for TechTel shares. The shares were recorded at zero cost due to the de minimis value.

Note 3 Property and Equipment

On October 1, 1999, the Company received a notice of proposal to retain collateral pursuant to a security agreement dated August 14, 1998 in full satisfaction of the obligation secured by the security agreement totaling $275,000 at September 30, 1999. Equipment, which had been recorded at a book value of $275,000, was repossessed.

Note 4 Note Settlement

On May 30, 2001, a $100,000 promissory note and related accrued interest of $38,333 from an unrelated party was settled for 1,844,444 shares of the Company's common stock. (See Note 7(A))

Note 5 Guaranteed Loan and Accrued Expenses

(A) Guaranteed Loan

On or about February 26, 1997 (the "Effective Date"), an agreement, as amended, for wholesale financing (the "Loan Agreement") was entered into between Deutsche Financial Services Corporation, Business Technology Systems, Inc. (the "Borrower"), and Colmena Corp. and certain individuals (the "Guarantors"). The Loan Agreement provided for inventory financing for the Borrower. The loans made under the Loan Agreement were secured by a first priority perfected lien and security interest in all of Borrower's assets, rights, and proceeds thereof, owned at the Effective Date or thereafter acquired by the Borrower.

On August 19, 1998, an extension agreement (the "Extension Agreement") was entered into between the Borrower and the Guarantors.

In 1999, Deutsche Financial Services Corporation filed a consent arbitration award based upon alleged breach of the extension agreement. Due to matters relating to the execution of the consent arbitration award, the Company repudiated its signing of the extension agreement and has taken the position that the consent arbitration award entered pursuant to the extension agreement is not legally binding (see Note 9(B)).

Based on the contingency to the Company relating to the initial guarantee, the Company has recorded the liability of $331,000 plus accrued interest of $156,000 on its records as of September 30, 2001.

(B) Accrued Expenses

The Company is subject to current litigation relating to an alleged promissory note for $85,606 allegedly executed by a former officer of the Company. The $85,606 has been included in general and administrative expenses for 2001 and accrued expenses at September 30, 2001 (see Note 9).

Other litigation related amounts totaling $101,300 are also included in accrued expenses at September 30, 2001 (see Note 9).

Note 6 Commitments and Contingencies

(A) Consulting Agreement with Related Party

Under a consulting agreement with a principal stockholder (the "Consultant"), who became a principal stockholder by virtue of the consulting agreements discussed herein, as consideration for the first 200 hours of services provided (in lieu of document license fees and required cash payments valued at $20,000), the Company agreed to issue within the first 365 days of the agreement (the "Initial Term") to the Consultant options designated as Class A options to purchase shares of the Company's common stock at an aggregate exercise price of $40,000, in an amount equal to 51% of the Company's common stock at the time exercise was completed.

At the date of the consulting agreement, 8,066,326 shares of common stock would have been issuable, had the Class A options been exercised in full on such date. Any increase or decrease in the outstanding or reserved shares would result in a corresponding adjustment of the options' quantity and exercise price per share. The options were exercisable from the 10th day until the 365th day following the effective date.

For additional services provided, during the initial term, the Company agreed to pay the following consideration:

(a) If the Consultant arranges or provides funding for the Company on more beneficial terms than those reflected in the Company's current principal financing agreements, the Consultant shall be entitled, at its election, to either

  (i) a fee of 25% of the savings achieved, on a continuing basis, or

  (ii) if equity funding is provided through Consultant or its affiliates, a discount of 10% from the bid price for the subject equity securities if issuable as free trading securities, or a discount of 50% if issuable as restricted securities, or

  (iii) an introduction fee of 5% of the aggregate proceeds obtained if funding is provided by any persons introduced to the Company by the Consultant;

(b) If the Consultant generates business for the Company, the Consultant shall be entitled to a commission of 10% of the gross income derived by the Company therefrom on a continuing basis;

(c) If the Consultant arranges for an acquisition by the Company, the Consultant shall be entitled to 10% of the compensation paid for such acquisition. In addition, the Company will be responsible for the payment of all costs and disbursements associated with the Consultant's services subject to certain limitations and/or approvals, as stipulated in the Agreement.

On January 2, 2000, the Agreement was amended to modify the required payments to the Consultant based on the Consultant's standard hourly rates, by permitting the Consultant to accept payment in capital stock at the conversion rate of 50% of the fair market value of such stock; increase the Consultant's ownership after exercise of the warrants to 75% from 51% and the aggregate exercise price to \$80,000 from \$40,000, and to clarify the Consultant's preferential rights to subscribe for additional securities at a purchase price of 50% of the fair market value. The term of the warrants was extended to the later of December 31, 2002 or the 100th day after the Company registers the stock underlying any unexercised warrants.

On January 4, 2001, an additional amendment changed the consulting fee to \$10,000 per month, eliminating hourly and document licensing fees, and changed the discounts as noted in item (a)(*ii*) above to a discount of 10% from the lowest price at which such securities are offered to any other person, if issuable as free trading securities, or a discount of 50% if issuable as restricted securities, and it eliminated the 5% introduction fee. All provisions from prior agreements regarding issuance of warrants remain intact. At September 30, 2001, \$90,000 was accrued and included in the due to related party balance. (See Note 11)

See Note 7 for warrant grants and exercise under these agreements.

(B) Employment Agreements

The Company entered into an employment agreement on May 4, 1999 expiring May 3, 2000 and automatically renewing unless terminated, to employ its President. Compensation is 200,000 common shares of the Company each year payable only upon the 365th day of service (the "vesting date"), and certain commissions or fees based on stipulated criteria. Based on this contingency the Company recorded compensation expense over the one-year service period based on the estimated fair market value on the vesting date resulting in the expense of $15,000 in 2001 and $1,833 in 2000. The 200,000 shares issuable for 2001 are based on the service period ending in May 2001. The agreement terminated in May 2001.

The Company entered into an employment agreement on January 12, 2000 with a term through the later of December 31, 2000 or the election of a new Secretary, to employ its corporate secretary (the "Secretary"). Compensation is 24,000 common stock options pro rata each year exercisable at $0.02 per share, beginning January 1, 2001 through December 31, 2001. In addition, the Secretary shall receive certain commissions or fees based on stipulated criteria. On January 29, 1999, the Secretary was granted 20,000 options; on January 3, 2000, the Secretary was granted 24,000 options and in January 2001, the Secretary was granted 24,000 options at an increase exercise price of $0.05. The stock options vest immediately and are recorded as compensation expense over the service period under the intrinsic value method of APB 25, at the trading price of the underlying common stock on the vesting date, resulting in no expense in 2001 and $655 in 2000.

Effective June 14, 2001, the Company entered into an employment agreement with an individual (the "President") pursuant to which he is engaged as the Company's president and chief executive officer. The agreement is for a term of one year, with renewal thereafter from year to year unless either the Company or the President gives at least 60 days notice prior to the end of the then current term of an intention not to renew, and contains confidentiality and non-competition clauses. As consideration for the President's services, the Company has agreed to compensate him at the rate of $50.00 per hour of service to the Company, plus reimbursement for all reasonable expenses related thereto. This compensation is paid at the end of each month in shares of the Company's common stock calculated by using the average closing transaction price of the stock for the month then ended.

Effective June 14, 2001, the Company entered into an employment agreement with an individual (the "Secretary") pursuant to which she is engaged as the Company's vice president and secretary. The agreement is for a term of one year, with renewal thereafter from year to year unless either the Company or the Secretary gives at least 60 days notice prior to the end of the then current term of an intention not to renew, and contains confidentiality and non-competition clauses. As consideration for the Secretary's services, the Company has agreed to compensate her according to the Company's pro rata share (assuming a 40 hour work week) of a base salary of $5,000 per month, for time actually devoted to her duties on behalf of the Company. This compensation is paid at the end of each month, and is paid partly in cash and partly in an amount of the Company's common stock calculated by using the average closing transaction price of the stock for the month then ended.

Effective June 18, 2001, the Company engaged an individual as its general counsel. As consideration for his services, the Company has agreed to compensate him according to the Company's pro rata share (based on the number of Yankees' clients for whom he is providing legal services) of (1) his current base salary of $40,000 per year and (2) $2,500 per month in common stock. The stock portion is paid at the end of each month, and is paid by an equivalent amount of the Company's common stock calculated by using the average closing transaction price of the stock for the month then ended.

(C) BellSouth Agreement

In November 1999, the Company entered into a two-year agreement with BellSouth Telecommunications, Inc. to become an alternative local exchange telecommunications company ("CLEC") in stipulated states. The Company has not activated its service and has no obligation under the agreement until usage begins. The Company also currently does not have any of the required regulatory licenses to offer such services. The agreement's initial term ends November 22, 2001 and then continues from month to month unless terminated. The Company is in the process of renewing the BellSouth agreement and applying for the requisite regulatory permits.

Note 7 Stockholders' Deficiency

(A) Stock Issuances

On January 14, 2000 (the "Settlement Date"), the Company settled various disputes with an individual who was owed legal fees from one of the Company's divested subsidiaries by issuing 34,000 shares of its common stock. A $510 expense was recorded on the Settlement Date based on the trading price of the common stock. The expense represents the write-off of the amount due from that subsidiary to settle its obligation.

On March 17, 2000 (the "Settlement Date"), a vendor who provided legal services to a subsidiary of the Company was issued 677,087 restricted shares of common stock of the Company. The Company recognized an expense of $27,083 based on the trading price of the common stock on the Settlement Date. The expense represents a write-off of the amount due from the subsidiary to settle its obligation.

On May 4, 2000, 200,000 common shares were issued under an employment agreement (see Note 6).

On May 11, 2000 (the "Settlement Date"), the Company settled various disputes with an individual by issuing 136,147 of its common shares. The Company recorded an expense of $4,086 based on the trading price of the common shares on the Settlement Date.

On May 31, 2000 (the "Settlement Date"), the Company entered into a settlement with a creditor of one of its divested subsidiaries. The Company issued 533,333 shares of its common stock. An expense of $24,000 was recognized based on the trading price of the common shares on the Settlement Date. The expense represents the write-off of the amount due from that subsidiary to settle its obligation.

In September 2000, 200,000 common shares were issued under a consulting agreement. An expense of $4,000 was recognized in 2000 based on the trading price on the vesting date.

On November 8, 2000 (the "Settlement Date"), the Company became obligated to issue 100,000 of its common shares under a court-ordered settlement stipulation. The certificate for the shares was issued in February 2001 to settle an obligation of Tio Mariano Cigar Corp., a divested subsidiary of the Company, and any other unknown obligations of the Company. The Company recorded a $15,000 settlement expense based on the trading price of the common stock at the Settlement Date. The expense represents the write-off of the amount due from that subsidiary to settle its obligation.

On May 30, 2001 (the "Settlement Date"), the Company settled a note payable of $100,000 plus accrued interest of $38,333 by issuing 1,844,444 of the Company's common stock to the creditor who was also a consultant. Based on the $0.075 trading price of the common stock on the Settlement Date, the Company had no gain or loss on settlement. The settlement also terminated all potential obligations under the consulting agreement. (See Note 4)

As of May 2001, the Company is obligated to issue 200,000 common shares to a former president and current Chairman of the Board under his employment agreement, which has terminated (see Note 6). The shares are included in common stock issuable.

In July 2001, 2,000,000 of the 8,670,552 common shares issuable at September 30, 2000 under the consultant warrants, were issued.

In August 2001, 258,501 common shares were issued in exchange for accrued officer compensation of $23,646 based on an average fair market value of stock as stipulated in the related employment agreements. The effective dates of election by the employees to convert the accrued compensation was June 30, 2001 for 98,891 shares and July 31, 2001 for 159,610 shares.

During 2001 and 2000, 7,208,835 and 21,014,574 common shares, respectively, became subject to the consultant warrants. Of the total 36,549,939 shares of common stock underlying the warrants with an aggregate exercise price of $80,000, 18,274,970 are considered as having been issuable based on a $40,000 payment for exercise made through September 30, 2001, 8,000,000 of which have been issued, leaving 10,274,970 issuable as of September 30, 2001. The Company cannot issue such shares until its articles of incorporation are amended to increase the authorized common shares which is scheduled for the annual stockholders' meeting in December 2001 (see Notes 6 and 7(C)).

(B) Stock Option Plan

On February 27, 1998, the Board of Directors of the Company adopted the 1998 Stock Option Plan (the "Plan") to provide added incentive for high levels of performance to officers, directors, employees, consultants, and independent contractors of the Company. Options granted under the plan are designed either as incentive stock options or as non-qualified stock options. The plan will terminate on February 27, 2008, unless earlier terminated.

The Stock Option Plan authorizes options for the purchase of up to an aggregate of 600,000 shares of the Company's common stock. The Company grants non-qualified and incentive stock options. Non-qualified options may be granted to officers, employees, directors, consultants, independent contractors, or other service providers of the Company at an exercise price determined by the Stock Option Plan Committee of the Company's Board of Directors (the "Committee") which shall be at least equal to 85% of the fair market value of the common stock at the date of the grant. Incentive stock options may only be granted to officers, employees, and directors, who are also employees of the Company at an exercise price determined by the Committee, which shall not be less than 100% of the fair market value of the common stock at the date of grant and may not be less than 110% of the fair market value of the common stock at the date of grant if granted to an individual owning more than ten percent of the total combined voting power.

Options are exercisable at dates and conditions determined by the Committee at the time of grant. However, an option may not be exercised after the expiration of 10 years from the date it is granted. In the case of incentive stock options the term may not exceed five years if granted to an option holder owning more than ten percent of the total combined voting power. Through the date of the accompanying audit report, no stock options have been granted under the plan. The plan was terminated in November 2001.

(C) Warrants and Options

The Company granted options to purchase 296,000 shares of common stock to directors and officers in January 2000 at an exercise price of $0.02 expiring December 31, 2002. A compensation expense of $4,440 was recognized in 2000 under the intrinsic value method of APB 25.

The Company granted options to purchase 70,000 shares of common stock in March 2000 to a director at an exercise price of $0.05 expiring January 12, 2002. A compensation expense of $1,050 was recognized in 2000 under APB 25.

The Company granted options to purchase 400,000 shares of common stock to directors and officers in January 2001, at an exercise price of $0.05 per share, for services. These warrants expire on December 31, 2002. No compensation expense was recognized since the exercise price exceeded the fair market value of the stock on the grant date.

The Company granted options to purchase 36,000 shares of common stock to two directors in July 2001 at an exercise price of $0.02 for services performed in year 2000. These options expire December 31, 2002. An expense of $2,881 was recognized immediately based in the intrinsic value method under APB 25.

A summary of the options issued to officers and directors as of September 30, 2001 is presented below:

	Number of Options		Weighted Average Exercise Price
Stock Options			
Balance at beginning of year	666,000	$	.036
Granted	436,000	$	.048
Exercised	-	$	-
Forfeited	-	$	-
Balance at end of year	1,102,000	$	.040
Options exercisable at end of year	1,102,000	$	.040
Weighted average fair value of options granted during the year		$	.034

The following table summarizes information about officers and directors stock options at September 30, 2001:

Options Outstanding						Options Exercisable		
	Range of Exercise Price	Number Outstanding at September 31, 2001	Weighted Average Remaining Contractual Life		Weighted Average Exercise Price	Number Exercisable at September 31, 2001		Weighted Average Exercise Price
$	0.02	332,000	0.77 Years	$	0.02	332,000	$	0.02
$	0.05	770,000	1.25 Years		0.05	770,000	$	0.05

The Company issued warrants for the purchase of 8,326,530, 21,014,574, and 7,208,835 shares of common stock to a consultant in fiscal years 1999, 2000, and 2001, respectively (see Note 6). A consulting expense of $1,501,378, $432,125, and $509,142 was recognized in 1999, 2000, and 2001, respectively, based on the fair value options pricing method of SFAS 123 (see Notes 7(A) and 6).

(D) Pro Forma Disclosures

In accordance with Statement of Financial Accounting Standards 123, for options issued to employees, the Company has elected to apply the intrinsic value method of Accounting Principles Board Opinion Number 25 and related interpretations. Accordingly, $2,881 and $7,323 were charged to compensation during 2001 and 2000, respectively, since the fair market value of the common stock based upon the trading price at the grant date exceeded the exercise price. Had compensation cost been recognized based on the fair market value of the options on the grant date consistent with Statement of Financial Accounting Standards 123, the Company's change in net loss for the years ended September 30, 2001 and 2000 would not have been material.

The effect of applying Statement of Financial Accounting Standards 123 is not likely to be representative of the effects on reported net income (loss) for future years due to, among other things, the effects of vesting.

Note 8 Income Taxes

There was no current income tax provision for the years ended September 30, 2001 and 2000 due to the Company's net loss.

The Company's tax expense differs from the "expected" tax expense for the years ended September 30, 2001 and 2000 (computed by applying the Federal Corporate tax rate of 34 percent to loss before taxes), as follows:

	2001	2000
Computed "expected" tax expense (benefit)	$ (310,391)	$ (204,576)
Non-deductible stock based compensation	187,227	150,772
Effect of net operating loss carry forwards	123,164	53,804
	$ -	$ -

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at September 30, 2001 and 2000 are as follows:

	2001	2000
Deferred tax assets:		
Net operating loss carryforward	$ 1,162,694	$ 1,076,879
Stock based compensation	5,099,419	4,912,192
Total gross deferred tax assets	6,262,113	5,989,089
Less valuation allowance	(6,262,113)	(5,989,089)
Net deferred tax assets	$ -	$ -

The valuation allowance at September 30, 2000 was 5,989,089. The increase during 2001 was $273,024.

At September 30, 2001, the Company had net operating loss carry forwards of approximately $3,419,688 for income tax purposes, available to offset future taxable income expiring on various dates through 2021. Usage of the net operating losses may be limited if the Company undergoes a change in ownership or change in business.

In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portions or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or changes in ownership or business during the periods in which the temporary differences become deductible. Due to the Company's reorganization (see Note 2) and the ceasing of all operations, except for consulting activities, it is more likely than not that; the deferred tax assets will not be realized.

Note 9 Legal Matters

(A) The Company versus ITA

In September 1998, ITA defaulted in its payments to T2U Co., doing business as RCP, for services rendered to third parties, payment of which was collected by ITA. Thereafter, RCP and two other corporations, Psychic Discovery Network, Inc. ("PDN"), a Delaware corporation affiliated with the Company through common ownership by the principal shareholder of PDN's parent, Viatech Communications Group, Inc. and BLJ Communications, Inc., a Florida corporation, all creditors of ITA, filed a petition seeking ITA'S involuntary bankruptcy pursuant to Chapter 7 of the United States Bankruptcy Code. It is management's assertion that a favorable outcome for the Company is not likely.

(B) Filing of Litigation: Deutsche Financial Services Corporation versus BTS, Mr. Peplin, and the Company

Subsequent to the balance sheet date, on October 8, 1999, Deutsche Financial Services Corporation caused a Consent Arbitration Award in the amount of $348,858 plus interest at the per annum rate of prime plus 6.5% from August 1, 1998 less any sums received pursuant to the Extension Agreement referred to below, to be entered against the Company and others based on the Company's purportedly having consented to such award. The Company signed the Consent Award after having signed a loan extension agreement (the "Extension Agreement") in August of 1998, along with the Company's former President (Mr. Peplin). Because the Company agreed to the terms of the Extension Agreement, and the accompanying Consent Arbitration Award, on the express condition that two additional parties (Mr. and Mrs. Sethi) would sign them both and be similarly bound by them, and because these additional parties did not sign the Extension Agreement by September 15, 1998, the time that the payment of $348,858 was due under the Extension Agreement, the Company repudiated its signing of both the Extension Agreement and the Consent Arbitration Award. Accordingly, the Company has taken the position that the Consent Arbitration Award exceeded the jurisdiction of the arbitration and consequently, is not binding and enforceable. (See Note 5 for contingent liability accrued as of September 30, 2001.) Nonetheless, to eliminate the uncertainty of on-going litigation, the Company is activity engaged in settlement discussions concerning this matter, the outcome of which the Company cannot predict.

(C) Ziff Davis, Inc. vs. BTS

On February 12, 1999, Ziff-Davis filed an action for damages against BTS. A material judgment was entered against BTS on July 26, 1999 for $133,348 plus interest at 10% through December 31, 1999 and at the Florida legal rate thereafter. At the time of the judgment, BTS was no longer a subsidiary of the Company. Management of the Company and its counsel believe that absent the ability to "pierce the corporate veil" no liabilities attributable to BTS should affect the Company.

(D) Various Creditor Claims

The Company has judgments and claims against it aggregating $186,906. The $101,300 was expensed in 1999 and $85,606 in 2001 and the total of $186,906 remains accrued by the Company as of September 30, 2001 (See Note 5(B)).

Note 10 Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Except for recently initiated consulting activities, the Company has no other active business operations, has recurring losses, had cash used in operations of $76,782 in 2001 and had a working capital deficiency of $930,936 and an accumulated deficit of $18,417,978 at September 30, 2001. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company maintains an agreement as a telephone service reseller with BellSouth and management looks to expand on such operations, or locate a merger/acquisition candidate.

Note 11 Related Parties

During 2001, the Company accrued $90,000 in consulting fees payable to a principal stockholder under a consulting agreement. (See Note 6(A))

The Company owes its principal stockholder $199,201 at September 30, 2001. That balance consists of $101,346 principle and $7,855 accrued interest pursuant to a promissory note expiring September 2002 (interest at prime plus 2%, 8.28% at September 20, 2001) and $90,000 of accrued consulting fees (see Note 6(A)).

The Company is employing its corporate counsel under a shared employment agreement with the Company's principal stockholder and consultant (see Notes 6(A) and 6(B)). In the event of any conflict of interest, under the agreement, the corporate counsel represents the principal stockholder only.

The Company's vice-president, corporate secretary and director is also an officer of the consultant and principal stockholder (see Note 6(A)).

Note 12 Subsequent Events

In November 2001, 24,788 of the shares issuable at September 30, 2001, were issued.

Anthony Q. Joffe, Director and Chairman

Anthony Q. Joffe, age 59, has served as a member of our Company's board of directors since January 12, 1999. In March 1999, Mr. Joffe was elected as chairman of the board of directors, and in May 1999 he was elected as its president. He resigned as president and chief executive officer on May 14, 2001, but remains as chairman of the board and a director. Mr. Joffe holds a degree in Aeronautical Engineering Management from Boston University, Boston, Massachusetts. Subsequent to his graduation, Mr. Joffe was employed as the Quality Control Manager for Cognitronics Corporation, a computer manufacturer, where he was responsible for overseeing the United States Air Force compliance testing program as well as normal day-to-day management. In 1967, Mr. Joffe was employed by General Electric as a production engineer in the insulating materials field. In 1970, Mr. Joffe was employed by King's Electronics, a RF coaxial connector manufacturer, where he was responsible for major accounts and guided the field sales force. In 1973, Mr. Joffe was one of the founders and vice-president of J.S. Love Associates, Inc., a commodity brokerage house no longer in operation (then headquartered in New York City). In 1976, Mr. Joffe formed and served as president and chief operating officer of London Futures, Ltd., a commodity broker with 275 employees in nine offices. London Futures, Ltd. was closed in 1979 and Mr. Joffe moved to Florida. From 1979 until 1986, Mr. Joffe was vice president of Gramco Holdings, Inc. (and its predecessor companies), a firm that owned and operated a variety of companies. These companies included five cemeteries and funeral homes in Broward County, Florida, a 33-acre marina, a general contracting company, a boat title insurance underwriting firm, three restaurants, a real estate brokerage company, a mortgage brokerage company and a leasing company. His responsibilities included supervision of the day-to-day operations and new business development. From 1986 to 1991, Mr. Joffe served as consultant and/or principal to a variety of small businesses in the South Florida area. In 1989 he became president of Windy City Capital Corp., a small publicly traded, reported company that was originally formed as a "blind pool" for the express purpose of finding an acquisition candidate. Eventually, a reverse merger was consummated with a computer software company from Pennsylvania. Mr. Joffe then took the position of president of Rare Earth Metals, Inc. (and its predecessor companies), a small publicly traded company that purchased Spinecare, Inc., a medical clinic in New York. Spinecare changed its name to Americare Health Group and relocated its legal domicile to Delaware. Since March 1993, Mr. Joffe has performed consulting services for First Commodities, Inc., an Atlanta based commodities firm, and has been involved in fundraising for the Multiple Sclerosis Foundation. He also assisted Digital Interactive Associates and IVDS Partnership with financial affairs in conjunction with their successful bid to the Federal Communications Commission for licenses in the cities of Atlanta, Georgia, Minneapolis/St. Paul, Minnesota, and Kansas City, Missouri. Mr. Joffe served as the interim president of Madison Sports & Entertainment Group, Inc., a publicly held Utah corporation then headquartered in Fort Lauderdale, Florida, from September 1, 1994, until February 16, 1996, during which time he became its vice president and vice chairman, chief operating officer, treasurer and chief financial officer until he resigned. Since 1996, he has founded a boat financing company and joined NorthStar Capital ("NorthStar") as Managing Director. NorthStar is an investment banking firm with offices in Stamford, Connecticut and Boca Raton, Florida that specializes in assisting small to mid-size private and publicly traded companies with business and financial planning, acquisition and divestiture, financial public relations and market position advice, and treasury services. Mr. Joffe served as a member of the Board of Directors of AmeriNet Group.com, Inc., (currently Fields Technologies, Inc.), a publicly held Delaware corporation from November 1998 to June 2001.

Edward C. Dmytryk, Director, President and Chief Executive Officer.

Mr. Dmytryk, age 55, serves as a member of our Company's board of directors and as the president and chief executive officer since May 14, 2001. Mr. Dmytryk graduated *summa cum laude* from The Citadel, the Military College of South Carolina, in 1968 with a bachelor of science degree in business administration. From 1968 until 1973, Mr. Dmytryk served in the United States Air Force as a fighter and instructor pilot, attaining the rank of captain (regular United States Air Force). From 1973 until 1975, he served as a sales manager for Wulfsberg Electronics, Inc., a national avionics firm specializing in airborne radio telephone systems and headquartered in Overland Park, Kansas. From 1976 until 1981, he served as a regional sales manager for Polaroid Corporation a multi faceted imaging company headquartered in Cambridge, Massachusetts. From 1981 until 1985, he was vice president of sales for West Chemical, Inc., a company involved in the manufacture of animal health feed additives, pharmaceutical products, iodophor concentrates and specialty chemicals, headquartered in Princeton, New Jersey. From 1985 until 1986, he served as vice president for sales and marketing at Animed, Inc., a veterinary products manufacturing company specializing in sales to veterinarians, headquartered in Roslyn, New York. From 1987 until 1988, he was president of Mac's Snacks, Inc., the world's largest processor of pork rinds, headquartered in Grand Prairie, Texas. From 1988 until

1995, he served as the chief operating officer for Bollinger Industries, Inc., a fitness products manufacturer headquartered in Irvine, Texas. Since June 1990, he has been the owner and chief executive officer of Benchmark Industries, Inc., a metal fabrications company headquartered in Fort Worth, Texas. Since September 1999, he has served as the president of GNR Health Systems, Inc., a physical therapy products sales company located in Ocala, Florida. In addition, he currently serves as president and chief financial officer of Sohn, Inc., located in Roswell, Georgia, a company specializing in marketing, sales, and installing fitness products in the hospitality and apartment market (fitness centers in hotels, condominium complexes, and apartments throughout the United States.) From December 2000 to June 2001, he served as president and chief executive officer of AmeriNet Group.com, Inc., (currently Fields Technologies, Inc.), a publicly held Delaware corporation and as a member of its board of directors from 1999 to the present.

Charles J. Champion, Jr., Director, audit committee chair.

Charles J. Champion, Jr., age 34, has served as a member of our Company's board of directors since January 12, 1999, and has the chairperson of our Company's audit committee since January 29, 1999. Mr. Champion graduated from Florida State University in 1988 with a bachelor's degree in political science. Following graduation, he joined the Champion Group of Companies, a family owned enterprise involved in the insurance and financial industries. In 1991, while continuing his association with the Champion Group of Companies, he became a vice president with Sunshine Securities Corporation, a licensed broker dealer in securities and a member of the National Association of Securities Dealers, Inc. Mr. Champion purchased Sunshine Securities Corporation in 1996, at which time it became one of the Champion Group of Companies. He then became Sunshine Securities Corporation's president and its business capabilities were expanded to include practice as a registered investment advisor. Sunshine Securities Corporation's name was changed to Champion Capital Corporation on or about February 5, 2000. Mr. Champion holds a number of insurance and securities licenses, including series 7 and series 24 securities licenses. Mr. Champion served as a member of the board of directors of AmeriNet Group.com, Inc., (currently Fields Technologies, Inc.), a publicly held Delaware corporation from December 2000 to June 2001.

Vanessa H. Lindsey, vice-president, secretary and director.

Vanessa H. Lindsey, age 30, was elected vice-president of our Company on June 14, 2001, has served as our Company's secretary and chief administrative officer since January 1999 and was elected as a member of its board of directors effective February 1, 2000. Mrs. Lindsey was employed by Accell Plumbing Systems, Inc., an Ohio corporation, as that company's office manager and bookkeeper from 1993 to 1995. Since 1995 she has been employed as the chief administrative officer of Diversified Corporate Consulting Group, L.L.C., a Delaware limited liability company engaged in providing diversified consulting services and in filing EDGARized documents for clients with the Commission. Since 1996 she has been employed by the Southeast Companies, Inc., a Florida corporation, involved in the entertainment industry, in business and political consulting and as a licensed mortgage brokerage company, as its chief administrative officer and currently serves as its vice president and secretary. She is also the secretary and chief administrative officer for The Yankee Companies, Inc., which serves as a strategic consultant to our Company. Mrs. Lindsey held the position of secretary of The Marion County Libertarian Party and was the Campaign Treasurer for the Cyndi Calvo for State Senate, District 8 Campaign from 1998 to 2000. From November 11, 1999 to June 13, 2001, she served as secretary for AmeriNet Group.com, Inc.,(currently Fields Technologies, Inc.), a publicly held Delaware corporation, and served as a member of its board of directors from April 6, 2000 to June 13, 2001. Since January 2001, she has served as the secretary and as a member of the board of directors for Explorations Group, Inc., a Delaware corporation.

Robert S. Gigliotti, Director, audit committee member.

Robert S. Gigliotti, age 53, served as our Company's secretary from November 10, 1997 until January 12, 1999, serves as a member of our board of directors since December 11, 1997 and as a member of our Company's audit committee since May 30, 2000. In 1970, Mr. Gigliotti received a bachelor's degree in business from Alma College, located in Alma, Michigan. He received his certified public accountant license in 1972 and joined the firm of Perrin, Fordree & Company, P.C. of Troy, Michigan in 1976 after six years in the tax department of the Detroit office of Arthur Andersen & Company. Mr. Gigliotti currently serves as the managing tax partner of Perrin, Fordree & Company. Mr. Gigliotti's specialties include estate and financial planning, franchising and corporate taxation.

Lawrence R. Van Etten, Director

Mr. Van Etten, age 64,was elected as member of our Company's board of directors on May 31, 2000. Mr. Van Etten graduated from New York Military Academy, Cornwall On Hudson, New York in 1954 and attended Gettysburg College, Gettysburg, Pennsylvania from 1954 -1956 and Marist College, Poughkeepsie, New York from 1981-1982, He was employed by IBM from 1956 until 1987, during which time he held several senior management positions including Corporate Control Operations Manager, Corporate Scheduling Manager and Director of Logistics Special Processes. Since leaving IBM, Mr. Van Etten has served as an executive with several companies in the United States and Canada (Vice President - Remtec, Inc. Chambly, QC - Manufacturer of Refueling Vehicles 1987-1988; Vice President - The Enterprise Group - Clearwater Florida - Development of New Business Opportunities 1993-1994; Vice President - International Digital Communications Systems, Inc. - Miami, FL - Telecommunications Sales - 1996-1998; President Techtel Communications, Inc., Pompano Beach, FL - CLEC Service Provider 1998 - 1999; and he owned and managed his own consulting company LVE & Associates - US & Canada - Several long term contracts with Toyada Gosei, Best Glove Canada, Remtec, Inc. Prestige Auto & Strategic Health Development Corporation). Much of Mr. Van Etten's recent work experience has dealt with business management systems, materials management, management development, personal computer application software and the Internet. From May 22, 2000 until December 22, 2000, Mr. Van Etten served as acting president and chief operating officer and until June 13, 2001 as a member of the board of directors of AmeriNet Group.com, Inc., (currently Fields Technologies, Inc.), a publicly held Delaware corporation.

Kevin W. Dornan, Esquire, General Counsel

Kevin W. Dornan, age 49, was engaged as our Company's general counsel as of June 18, 2001. He is a graduate of the Johns Hopkins University (Bachelor of Arts, philosophy, 1973); the University of North Carolina at Chapel Hill (Master of Arts, philosophy, 1975); the Catholic University of America (Master of Arts, religious studies, 1979); and the University of Maryland School of Law (Juris Doctor, 1987), where he served as editor-in-chief of the 1986-87 *Maryland Law Review*. During law school, he also served as a judicial intern for The Honorable James R. Miller, Jr., of the U.S. District Court for the District of Maryland. After practicing from 1987-1996 in Washington, DC and Maryland, primarily in the areas of corporate and commercial transactions and litigation, Mr. Dornan became the general counsel for DWA Corp. ,a telecommunications company in St. Augustine, Florida. In June 2001, he became the general counsel for The Yankee Companies, Inc. He is admitted to practice before the Court of Appeals of Maryland (1988), the District of Columbia Court of Appeals (1993); the Supreme Court of Florida (1996); the U.S. Courts of Appeals for the District of Columbia (1988), Second (1988), Fourth (1988), and Eleventh (1996) Circuits; and the U.S. District Courts for the District of Maryland (1988), the Eastern and Western Districts of Arkansas (1992), the District of Columbia (1994), and the Middle District of Florida (1997). Mr. Dornan has served since 1996 as an adjunct professor of business ethics at Saint Leo University in Saint Leo and St. Augustine, Florida, and as an adjunct professor of management and business at Eckerd College in St. Petersburg, Florida. In 1998, he was named to *Who's Who in American Law*.

BRIEF BUSINESS PLAN

In February of 1996, The Telecom Act opened up local markets to competition by removing legal barriers that were prohibiting companies from entering the larger local telephone business on a nationwide basis. Formerly, local service was available only Through one of the local Bell companies in a single region in effect a regional monopoly. On August 8, 1996, the Federal Communications Commission ("FCC") released the First Report and Order, followed immediately by a Second Report and Order, in CC Docket No. 96-98 (collectively the "Local Competition Orders") adopting rules to implement the local competition provisions of the Telecommunications Act of 1996 (the "1996 Act"). These decisions, totaling more than 1,000 pages, are a landmark step in implementation of the 1996 Act, and the first concrete national effort to fashion rules for the development of effectively competitive local telephone markets. The FCC's actions come after months of intense lobbying and political wrangling, and establish a framework of federal standards to guide state regulators and potential competitors as they open the final frontier of telecommunications competition, the local exchange service market.

Much like the sounding gun of the last great land rushes of the 19th century, the Local Competition Orders signal the beginning of an all-out stampede for companies to establish their positions in the $100 billion local telephone service market. Unlike the land rush, however, potential competitors are not home free once they stake out the territory that they wish to serve. New entrants must confront entrenched local exchange carrier ("LEC") monopolists seeking to protect their interests and endure local competition proceedings conducted by state public utility commissions to establish specific rates and procedures.

Incumbent LECs must provide, to any requesting carrier, nondiscriminatory access to network elements on an unbundled basis at any "technically feasible" point. Incumbent LECs must also provide access to the features, functions and capabilities associated with unbundled network elements, in a manner that will allow a requesting carrier to provide any service that can be offered. Through that element. Incumbent LECs must make available to competitors a minimum of seven unbundled network elements:

1.local loops;
2.network interface devices ("NID");
3.local and tandem switches;
4.interoffice transmission facilities;
5.signaling and call-related database facilities;
6.operations support systems and functions; and
7.operator and directory assistance facilities.

After a strong 1999in which the CLECs outperformed the other Telecom indices and the broader market alike by a wide margin, the best is yet to come.

While 1999 was clearly a successful year with respect to market share gains, revenue growth and operational expansion, more than anything it was a year of preparation in which the CLECs readied themselves to wage an all out war on ILECs in 1998 and beyond.

We expect this year to be characterized by an ongoing acceleration in the CLECs sales of access lines as they continue to expand their sales and distribution channels, enter new markets and see improvements in the rate of provisioning available from the ILECs. The CLECs are clearly well positioned to take a share within a robust local market approximately $105 billion in size and growing at more than five percent annually. Moreover, the entry into complementary lines of business such as long distance, data and Internet services will significantly expand the CLECs addressable market opportunity and improve their competitive position in the marketplace. With positive trends from an industry perspective and from the broader market environment, we believe the CLECs look increasingly attractive as long-term investments. The following graphs and descriptions help illustrate our thoughts on the CLECs.

We believe the fourth quarter results from the CLECs are clear evidence the market has entered a "sweet spot" in the operational cycle for these companies. The quarter was characterized by four very positive trends, which are expected to continue during the four quarters of 2000:

1. Strong sequential revenue growth in all lines of business, with particular strength in local dial tone, data and Internet services. Even the largest industry player posted 14.5 percent sequential revenue growth versus the third quarter of 2000.
2. Acceleration in the rate of access lines installed during the quarter versus last quarter.
3. An improvement in quality of the access lines installed, as more line were on net and on-switch this quarter than in any previous quarter.
4. Dramatic gains toward profitability as average CLEC posted a 500-to 1,000 basis-point expansions in its EBITDA margin during the quarter.

All of these trends show that the fundamentals are intact and that positive EBITDA is on the horizon. We believe these positive trends should continue to create an attractive market for CLEC stocks well into the second half of 1999.

The CLECs will hit their stride as sales and marketing machines during 2000. If 1999 was a year of regulatory maneuvering and 2000 was a year of preparation, then this year is likely to be the first time in which CLECs demonstrate their ability to gain market share in a big way. The CLECs took over 750,000 access lines from the ILECs during 1997, and they could triple that amount in 2001. We believe strong market share gains,
Evidenced by access line sales, will be vary favorably received by the investment community. The robust revenue growth posted by the CLECs is occurring on the back of a substantial fixed-cost network investment, creating powerful operating leverage. As such, we believe the CLECs are all poised to post diminishing EBITDA losses during the next few quarters and to post positive EBITDA during the second half of 2001.
Another important benefit of the consolidation that has occurred in the industry, is the fact that it has shrunk the over equity float of the group substantially. At the end of 2000 the CLEC industry had a float of approximately $9 billion in equity value, which after removing $1.7 billion in float associated with Brooks Fiber and the forthcoming merger of AT&T with Teleport, will reduce the CLEC industry's float to approximately $4 billion. Needless to say, any industry characterized by expanding investor demand and a shrinking supply of equity is likely to see strong stock price returns.

Our strategy will be to go after the huge minority population in the State of Florida, New York, California and Texas.

Initial Objectives

Develop CLEC Operation in South Florida Area - 460 LATA Expand CLEC operations to all BellSouth states/areas. Expand CLEC operation to other major metropolitan areas/states. Offer Long Distance, Calling Cards & Promotions to CLEC customers.

Potential Customers who have

No Credit!
Bad Credit!
Low Income!
Illegal immigration status!
Cannot afford deposit required by Bell South.

All services are prepaid no collection problems. Profit Margins are very high 35-54% Customer base will purchase other services, I.e. long distance, telephone cards, and promotions.

Implementation Logic

Payment Centers are Key.

- Each Center has 2000-3000 customers per month for other services i.e. Check Cashing
- Potential CLEC customers are **captive!**
- Signage & Literature are available for customer perusal while making other transactions
- Potential customer can obtain service "on-the-spot"
- Potential Customer can take brochure and call or mail in to StartComm

Conclusion

As you can see the telecommunications industry has just begun, over the next 5 years our company will expand. The overall telecommunications market grew by more than 11 percent in 2001, generating revenues of $406.7 billion. The fastest growing segments were emerging technology, which was up 60 percent over 1999, and CTI hardware and software, which saw an increase of 49 percent, compared 1999.

Over the years, the telecommunications industry has seen some dramatic changes. We've recognized those changes and re-engineered our company to provide competitive services. Our mission is to provide services that are flexible, scalable and competitive to support the multi-service telecommunications industry.

TITLE SHEET

FLORIDA TELECOMMUNICATIONS PRICE LIST

This price list contains the descriptions, regulations, service standards and rates applicable to the furnishing of service and facilities for local services telecommunications provided by Colmena Corp., with principal offices at 2500 North Military Trail, Suite 225 Boca Raton, Florida 33431. This price list applies for services furnished within the state of Florida. This price list is on file with the Florida Public Service Commission and copies may be inspected during normal business hours at the Company's principal place of business.

CHECK SHEET

The sheets listed below, which are inclusive of this price list, are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets, as named below, comprise all changes from the original price list and are currently in effect as of the date of the bottom of this page.

SHEET	REVISION
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original

TABLE OF CONTENTS

Vanessa H. Lindsey
2500 North Military Trail, Suite 225
Boca Raton, Florida 33431

SYMBOLS SHEET

The following are the only symbols used for the purpose indicated below:

D - Delete or Discontinue

I - Change resulting in an Increase to a Customer's Bill

M - Moved from Another Price List Location

N - New

R - Change Resulting in a Reduction to a Customer's Bill

T - Change in Text or Regulation, but no Change in Rate or Charge

By: Vanessa H. Lindsey
2500 North Military Trail, Suite 225
Boca Raton, Florida 33431

PRICE LIST FORMAT SHEETS

A. **Sheet Numbering** - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the price list. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. **Sheet Revision Numbers** - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the FPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc., the FPSC follows in their price list approval process, the most current sheet number on file with the Commission is not always the price list page in effect. Consult the Check Sheet for the sheet currently in effect.

C. **Paragraph Numbering Sequence** -There is nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1.
2.1.1.
2.1.1.A.
2.1.1.A.1.
2.1.1.A.1.(a).
2.1.1.A.1.(a). I.
2.1.1.A.1.(a). I. (i).
2.1.1.A.1. (a). I. (i). (1).

PRICE LIST FORMAT SHEETS

D. **Check Sheets** - When a price list filing is made with the FPSC, an updated check sheet accompanies the price list filing. The check sheet lists the sheets contained in the price list, with a cross-reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbol used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The price list user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the FPSC.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement that connects the customer's location to a Colmena Corp., network-switching center.

Company or Carrier - Colmena Corp.

Customer - The person, firm, corporation or other entity which orders service and is responsible for payment of charges due and compliance with the Company's price list regulations.

Day - From 8:00 A.M. up to, but not including, 5:00 P.M. local time, Saturday through Friday.

Evening - From 5:00 P.M. up to, but not including, 11:00 P.M. local time, Saturday through Friday.

Holidays - Colmena Corp. recognized holidays are: New Year's Day, Memorial Day, July 4th, Labor Day, Thanksgiving and Christmas Day.

Night/Weekend - From 11:00 P.M. up to, but not including 8:00 A.M. Saturday through Friday, and 8:00 A.M. Saturday up to, but not including, 6:00 P.M. Saturday.

SECTION 2 - RULES, REGULATIONS AND SERVICE QUALITY CRITERIA

2.1 **Availability of Service**

The Company's services and facilities are furnished for communications originating at specified points within the state of Florida under terms of this price list.

The Company's installs operates and maintains the communications services provided herein in accordance with the terms and conditions set forth under this price list. It may act as the customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the customer, to allow connection of a customer's location to the Company's network. The customer shall be responsible for all charges due for such service arrangements.

The Company's services and facilities are provided on a monthly basis unless ordered on a longer-term basis, and are available twenty-four hours per day, seven days per week.

2. 2 **Limitations.**

2. 2. 1 Service is offered subject to the availability of facilities and provisions of this price list.

2. 2. 2 The Company's reserves the right to discontinue furnishing service or limit the use of service necessitated by conditions beyond its control: or when the customer is using service in violation of the law or the provisions of this price list.

2.2.3 All facilities provided under this price list are directly controlled by the Company and the customer may not transfer or assign the use of service or facilities, except with the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.

2.2.4 Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this price list shall apply to all such permitted assignees or transferees, as well as all conditions for service.

2.2.5 Customers reselling or rebilling services must have a Certificate of Public Convenience and Necessity an Alternative Local Exchange Company from the Florida Public Service Commission.

SECTION 2 - RULES, REGULATIONS AND SERVICE QUALITY CRITERIA Continue

2.3 **Liabilities of the Company.**

2.3.1 The Company's liability for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in the transmission occurring in the course of furnishing service or facilities, and not caused by the negligence of its employees or its agents, in no event shall exceed an amount equivalent to the proportionate charge to the customer for the period during which the aforementioned faults in transmission occur.

2.3.2 The Company shall be indemnified and held harmless by the customer against:

(A) Claims for libel, slander, or infringement of copyright arising out of the material, data, and information or other content transmitted over the Company's facilities.

(B) All other claims arising out of any act or omission of the customer in connection with any service or facility provided by the Company.

2.4 **Interruption of Service.**

2.4.1 Credit allowance for the interruption of service which is not due to the Company's testing or adjusting, negligence or the customer, or to the failure of channels or equipment provided by the customer, are subject to the general liability provisions set forth in 2. 3. 1 herein. It shall be the customer's obligation to notify the Company immediately of any service interruption for which a credit allowance is desired. Before giving such notice, the customer shall ascertain that the trouble is not being caused by any action or omission by the customer within his control, if any, furnished by the customer and connected to the Company's facilities. No refund or credit will be made for the time that the Company stands ready to repair the service and the subscriber does not provide access to the Company for such restoration work.

2.4.2 No credit shall be allowed for an interruption of a continuous duration of less than twenty-four hours after the subscriber notifies the Company.

2.4.3 The customer shall be credited for an interruption of more than twenty-four hours as follows:

Credit Formula:

Credit = A/B x C

"A" - outage time in hours
"B" - 720 hours in month
"C" - total monthly charge for affected facility

SECTION 2 - RULES, REGULATIONS AND SERVICE QUALITY CRITERIA Continue

2.5 **Disconnection of Service by Carrier.**

The company (carrier), upon 5 working days written notice to the customer, may discontinue service or cancel an application for service without incurring any liability for any of the following reasons:

2.5.1 Non-payment of any sum due to carrier for regulated service for more than thirty days beyond the date of rendition of the bill for such service.

2.5.2 A violation of any regulation governing the service under this price list.

2.5.3 A violation of any law, rule, or regulation of any government authority having jurisdiction over such service.

2.5.4 The Company has given the customer notice and has allowed a reasonable time to comply with any rule, or remedy, and deficiency.

2.6 **Deposits**

The Company does not require a deposit from the customer.

2.7 **Advance Payments**

For customers whom the Company feels an advance payment is necessary, the Company reserves the right to collect an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges and if necessary, a new advance payment will be collected for the next month.

2.8 **Taxes**

All state and local taxes (i. e., gross receipts tax, sales tax, municipal utilities tax) are listed as separate line items and is not included in the quoted rates.

2.9 **Billing of Calls**

All charges due by the subscriber are payable at any agency duly authorized to receive such payments. Any objection to billed charges should be promptly reported to the Company. Adjustments to customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate.

SECTION 2 - RULES, REGULATIONS AND SERVICE QUALITY CRITERIA Continue

2.10 **Emergency Telephone Number Service (911 Service)**

Emergency Telephone Number Service (911 Service) is an arrangement of Company central office and trunking facilities whereby any telephone use who dials the number 911 will reach the emergency report center for the telephone from which the number is dialed or will be routed to an operator if all lines to an emergency report center are busy. If no emergency report center exists for a central office entity, a telephone user who dials the number 911 will be routed to an operator. The telephone user who dials the 911 numbers will not be charged for the call. During temporary disconnection for residential service 911 will not be disconnected for non-payment.

2.11 **Customer Complaints and/or Billing Inquiries**

Customers have the right to refer billing disputes and any other complaints to Colmena Corp., Inc. at 1020 NW 163rd Drive Miami, FL 33169. Colmena Corp. Customer Service Department can be reached by dialing 1-800-832-8875. Fax 305-914-3435

SECTION 3 - BASIC SERVICE DESCRIPTIONS

3.1 **Prepaid Local Exchange Service**

Prepaid Local Exchange Service is provided to business and residential customers for inbound and outbound calling within a local exchange calling area. Service is offered on a prepaid basis only. All charges must be paid prior to activation. Monthly charges must be paid in order for service to continue uninterrupted. The quality of service provided to the customer will be equal to the service provided by the company's underlying carrier.

This service allows Customers unlimited calling each month within the local exchange calling area. Service also includes access to emergency agencies through 911, access to toll-free numbers (e.g., 800/888) and access to the local operator by dialing "0"

All other local and long distance services are blocked. Long distance calls placed through an operator must be on a collect or as a third party billing recipient.

3.2 Custom Calling Features

Any Colmena Corp. Customer Custom Calling Features, subscribing to Prepaid Local Exchange Service may obtain as listed below, where technically available.

Call Forwarding:	Permits the Customer to automatically transfer all incoming calls to another telephone number of their choice and restore it to normal operation at their discretion. Calls may only be forwarded to other telephone numbers within the same local exchange calling area.
Busy/No Answer Call Forwarding:	Transfers incoming lines when the Customer's line is busy. The numbers calls are transferred to is fixed by the Customer. Calls may be transferred only to other telephone numbers within the same local exchange calling area.
Call Waiting:	Notifies the Customer, engaged in a call, of an incoming call through a tone signal. Customers may place the first call on hold and answer the waiting call by operation of the switchhook, and may alternate between the two calls.

SECTION 3 – BASIC SERVICE DESCRIPTIONS (Continue)

Three-Way Calling: Permits the Customer to add a third party to an established connection. The third party must be within the same local exchange calling area.

Speed Dialing: Permits the Customer to place calls to other telephone numbers by dialing a one or two digit code rather than the complete telephone number

Vanessa H. Lindsey
2500 North Military Trail, Suite 225
Boca Raton, Florida 33431

SECTION 4-RATE

4.1 **Residential Monthly Charges**

Customers are billed a one-time activation charge for each Prepaid Account and a monthly recurring charge for usage.

Activation fee:	$69.95
Monthly Usage Charge:	$39.95
Activation Fee Second Line:	$35.95
Second Line -	$20.00

Custom Calling Features

Call Forwarding:	$6.95
Busy/No Answer	$6.95
Call Waiting	$6.95
Three Way Calling	$6.95
Speed Dialing	$6.95
Package A (3 Features)	$15.00
Package B (all Features)	$25.00

SECTION 4-RATES (continue)

4.2 **Business Monthly Charges**

Customers are billed a one-time activation charge for each Prepaid Account and a monthly recurring charge for usage.

Activation fee:	$39.95
Monthly Usage Charge:	$29.95
Activation Fee Second Line:	$39.95
Second Line	$25.00
Additional Lines	$15.00

Custom Calling Features

Call Forwarding:	$5.95
Busy/No Answer	$5.95
Call Waiting	$5.95
Three Way Calling	$5.95
Speed Dialing	$5.95
Package A (3 Features)	$15.00
Package B (all Features)	$25.00

SECTION 5 - NON-BASIC SERVICE DESCRIPTION

5.1 **Telecommunications Relay Service**

For intrastate toll calls received from the relay service, the Company will when billing relay calls discount relay services calls by 50 percent off of the otherwise applicable rate for a voice nonrelay call except that were either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted 60 percent off of the otherwise applicable rate for a voice nonrelay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges such as a credit card surcharge.