

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

FORM 10-QSB

(Mark One)

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2003

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

For the transition period from _____ to _____

001-15665

(Commission file number)

ETI Corporation

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

Nevada

(State or other jurisdiction
of incorporation or organization)

88-0389393

(IRS Employer
Identification No.)

9 Forest Road

Kirkland, Quebec H9J 3A2, Canada

(Address of principal executive offices)

(514) 426-2977

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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

The number of shares outstanding of each of the issuer's classes of common equity:
as of March 31, 2003 - 1,437,734 shares of common stock

Transitional Small Business Disclosure Format (check one): Yes ☒ No ☐

ETI Corporation

Index

	<u>Page Number</u>
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Balance Sheet as of March 31, 2003	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operations	9
Part II. OTHER INFORMATION	
Item 1. Legal Proceedings	10
Item 2. Change in Securities and Use of Proceeds	10
Item 3. Defaults Upon Senior Securities	10
Item 4. Submission of Matters to a Vote of Security Holders	10
Item 5. Other Information	10
Item 6. Exhibits and Reports on Form 8-K	10
Item 7. Controls and Procedures	10
SIGNATURES	11
CERTIFICATION	12

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Balance Sheet
for the three-month period ending
March 31, 2003

and

Statement of Operations
for the three-month period ending
March 31, 2003 and 2002 and
from inception (March 23, 1998)
through March 31, 2003

and

Statement of Cash Flows
for the three-month period ending
March 31, 2003 and 2002 and
from inception (March 23, 1998)
through March 31, 2003

and

Notes to Financial Statements

ETI Corporation
(A Development Stage Company)

BALANCE SHEET

	<u>March 31, 2003</u> (Unaudited)
Assets	
Current Assets	
Cash and cash equivalents	\$ -
Loan receivable - affiliate	295
Prepaid expenses	<u>842</u>
Total Assets	<u>\$ 1,137</u>
Liabilities and Stockholders' Equity (Deficit)	
Current Liabilities	
Legal fees payable	\$ 10,000
Loans payable - related party	<u>376,215</u>
Total Current Liabilities	<u>\$ 386,215</u>
Stockholders' Equity (Deficit)	
Common Stock, par value \$.001 per share, authorized 100,000,000; issued and outstanding 1,437,734 shares as of March 31, 2003	1,438
Additional paid-in capital	275,062
Deficit accumulated during the development stage	<u>(661,578)</u>
Total Stockholders' Equity (Deficit)	<u>(385,078)</u>
Total Liabilities and Stockholders' Equity (Deficit)	<u>\$ 1,137</u>

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

ETI Corporation
(A Development Stage Company)

STATEMENTS OF OPERATIONS

	For the Three Months Ended		From Inception
	<u>March 31, 2003</u>	<u>March 31, 2002</u>	(March 23, 1998)
			Through
			<u>March 31, 2003</u>
Income	\$ -	\$ -	\$ -
Operating expenses	<u>(11,073)</u>	<u>(61,481)</u>	<u>(661,578)</u>
Net Loss	<u>\$ (11,073)</u>	<u>\$ (61,481)</u>	<u>\$ (661,578)</u>
Basic loss per share:			
Loss from operation	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	
Basic weighted average shares outstanding	<u>5,713,333</u>	<u>5,750,700</u>	

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

ETI Corporation
(A Development Stage Company)

STATEMENTS OF CASH FLOWS

	For the Three Months Ended		From Inception
	<u>March 31, 2003</u>	<u>March 31, 2002</u>	(March 23, 1998) Through <u>March 31, 2003</u>
Cash Flows from Operating Activities			
Net loss	\$ (11,073)	\$ (61,481)	\$ (661,578)
Adjustments to reconcile net loss to net cash used in operating activities:			
Consulting services	-	-	125,100
Officer's compensation	-	60,000	360,000
(Increase) decrease in prepaid expenses	(427)	1,481	(1,908)
Decrease in loans payable	1,500	-	15,215
(Increase) in payables	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net cash used in operating activities	<u>-</u>	<u>-</u>	<u>(153,171)</u>
Cash Flows from Finance Activities			
Gross proceeds from private offerings	-	-	150,400
Loans from related party	-	-	13,066
Repayments to related party	-	-	(10,000)
Loans to related party	-	-	(32,295)
Repayments from related party	<u>-</u>	<u>-</u>	<u>32,000</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>	<u>153,171</u>
Net increase (decrease) in cash and cash equivalents	\$ -	\$ -	\$ -
Cash and cash equivalents - beginning of period	-	-	-
Cash and cash equivalents - end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTAL SCHEDULES TO STATEMENT OF CASH FLOWS

	For the Three Months Ended		From Inception
	<u>March 31, 2003</u>	<u>March 31, 2002</u>	(March 23, 1998) Through <u>March 31, 2003</u>
Cash Paid During Year For:			
Income Taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

ETI Corporation
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

Note 1. Interim Financial Statements

In the opinion of the Company's management, the accompanying unaudited financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position of the Company as of March 31, 2003, and the results of operations and cash flows for the three month ended March 31, 2003 and 2002, and for the period from the Company's inception (March 23, 1998) through March 31, 2003. The operating results of the Company on a quarterly basis may not be indicative of operating results for the full year.

Note 2. Summary of Significant Accounting Policies

Net Loss Per Share

The Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" that established standards for the computation, presentation and disclosure of earnings per share ("EPS"), replacing the presentation of Primary EPS with a presentation of Basic EPS. It also requires dual presentation of Basic EPS and Diluted EPS on the face of the income statement for entities with complex capital structures. Basic EPS is based on the weighted average number of common shares outstanding during the period.

Use of Estimates

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

Issuances Involving Non-cash Consideration

All issuances of the Company's stock for non-cash consideration have been assigned a dollar amount equaling either the market value of the shares issued or the value of consideration received, whichever is more readily determinable. The majority of the non-cash consideration received pertains to consulting services rendered by consultants and others.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash and cash equivalents to include all stable, highly liquid investments with maturities of three months or less.

Fair Value of Financial Instruments

As of March 31, 2003, the Company had financial instruments consisting of a loan receivable. The carrying value of the Company's financial instruments, based on current market and other indicators, approximate their cost bases.

Income Taxes

Income taxes are provided based on earnings reported for financial statement purposes. In accordance with FASB Statement No. 109, the asset and liability method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of assets and liabilities.

Note 3. Reverse Stock-split

On April 18, 2003, the Company authorized a 4:1 reverse stock split. The current issued and outstanding shares after the reverse is 1,437,734. The accompanying financial statements have been restated to reflect the reverse stock split as if it occurred at the beginning of each period presented.

ETI Corporation
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

Note 4. Subsequent Events

On April 18, 2003, the Company entered into a non-binding Letter of Intent with United Communications Hub, Inc. ("UC Hub") in a "reverse merger" transaction. Pursuant to the transaction, UC HUB shareholders will receive 14,000,000 shares of its common stock and 2,600,000 shares of Series A Preferred Stock. Additionally, holders of 1,400,000 warrants of UC Hub shall receive the same number of warrants of the company with comparable exercise prices and other terms. The closing is subject to execution of a definitive Agreement, UC Hub shareholder approval, and the satisfaction of other customary conditions.

UC Hub is in the business of distributing digital services to industry and to the general public through its underlying technologies.

On April 25, 2003, the Company authorized the issuance of 550,000 shares of its common stock in exchange for the cancellation of \$350,000 of indebtedness owed by the Company. The shares issued are non-voting.

Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operations

This statement may include projections of future results and “forward looking statements” as that term is defined in Section 27A of the Securities Act of 1933 as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934 as amended (the “Exchange Act”). All statements that are included in this Quarterly Report, other than statements of historical fact, are forward looking statements. Although management believes that the expectations reflected in these forward looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct.

Financial Summary

Results of Operations for the Three-Months Ended March 31, 2003

The net loss of \$11,073 was solely comprised of operating costs.

Results of Operations for the Three-Months Ended March 31, 2002

The net loss of \$61,481 was solely comprised of operating costs.

Liquidity and Capital Resources

For the Three-Months ended March 31, 2003.

During the three-month period ended March 31, 2003, the Company’s cash position remained at zero.

For the Three-Months ended March 31, 2002.

During the three-month period ended March 31, 2002 the Company’s cash position remained t zero.

Management Plan of Operations

ETI Corporation, a development stage company, has had limited business operations since its inception and has incurred operating losses to date. ETI Corporation’s management has realized a need to raise funds in order to meaningfully proceed with business plan implementation. In fiscal year 2002, management has been primarily focusing on exploring opportunities that would enhance shareholder value, and has been aggressively evaluating and pursuing an opportunity for a business combination or acquisition.

ETI Corporation has presently suspended operations. Marketing plans and pricing structures are suspended and will be revised when the company's business direction and or objectives are revisited. Cash requirements are currently being met by a shareholder, although no commitment to continue such support exists. Any further operations of the company may require the need to raise additional funds.

The board of directors of ETI has agreed, by nonbinding letter of intent, to acquire UC Hub. Related to the transaction ETI completed a one (1) for four (4) reverse share split on April 30, 2003, reducing its outstanding shares to approximately 1,437,692 shares. Outlined in the letter of intent and subject to a definitive agreement, UC Hub shareholders will receive 14,000,000 shares of its common stock and 2,600,000 shares of a Series A Preferred Stock. Additionally, holders of 1,400,000 warrants of UC Hub shall receive the same number of warrants of the Company with comparable exercise prices and other terms. This anticipated transaction is subject to all customary due diligence review by both companies.

In the event this transaction is not consummated, ETI Corporation will continue its search for opportunities intended to enhance shareholder value.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Change in Securities and Use of Proceeds

On April 18, 2003, the Company authorized a 4:1 reverse stock split. The current issued and outstanding common shares after the reverse are 1,437,734.

Item 3. Defaults Upon Senior Securities

None

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

Not applicable

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

Exhibits

ETI Corporation incorporates by reference the Company's Annual Report on Form 10-KSB, as amended, and exhibits thereto, filed with the Securities and Exchange Commission (SEC) on April 23, 2003. Included therein, as Exhibit 3, Certificate of Amendment to Articles of Incorporation, Change in Name of Corporation, filed April 16, 2003.

ETI Corporation includes herewith the following exhibit:

- | | |
|------|---|
| 99.1 | Certification of President and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
|------|---|

Reports on Form 8-K

On April 17, 2003 the company filed a current report on form 8-K, containing its press release disclosing the non-binding letter of intent to acquire United Communications Hub, Inc.

On April 29, 2003 the company filed a current report on form 8-K, containing its press release disclosing the reverse stock split and trading symbol change in connection with the intent to acquire United Communications Hub, Inc.

No other filings were made during the period covered by this report.

Item 7. Controls and Procedures

ETI Corporation management, including the Principal Executive Officer and Principal Financial Officer, have conducted an evaluation of the effectiveness of disclosure controls and procedures pursuant to Exchange Act Rule 13a-14(c) and 15d-14(c). This evaluation was conducted within 90 days prior to the filing of this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this quarterly report has been made known to them in a timely fashion. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date the Principal Executive Officer and Principal Financial Officer completed their evaluation.

SIGNATURES

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

ETI Corporation
Registrant

By: \s\ Paul Lanham, President
Paul Lanham, President

Date: May 22, 2003

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

ETI Corporation
Registrant

By: \s\ Paul Lanham, President
Paul Lanham, President and Principal Accounting Officer

Date: May 22, 2003

CERTIFICATION

I, Paul Lanham, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of ETI Corporation.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 22, 2003

/s/ Paul Lanham

Paul Lanham

President and Principal Accounting Officer