SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB/A

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)OF THE SECURITIES EXCHANGE ACT OF 1934

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2000

Commission File Number: 000-25415

TWIN FACES EAST ENTERTAINMENT CORP.
(Exact name of registrant as specified in our charter)

Nevada	**22-3374562**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
94 Arthur Hills Court **Henderson, Nevada**	**89074**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: (702) 617-8832

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.001 par value
(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The number of shares of Common Stock, $0.001 par value, outstanding on March 1, 2001, was 5,627,349 shares, held by approximately 47 stockholders.

This form 10KSB contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are necessarily based on certain assumptions and are subject to significant risks and uncertainties. These forward-looking statements are based on management's expectations as of the date hereof, and the Company does not undertake any responsibility to update any of these statements in the future. Actual future performance and results could differ from that contained in or suggested by these forward-looking statements as a result of factors set forth in this Form 10KSB (including those sections hereof incorporated by reference from other filings with the Securities and Exchange Commission), in particular as set forth in the "Management's Discussion and Analysis" under Item 6.

This amended form 10KSB is being submitted with financial statements prepared by the company officers. They have been independently audited and that audit report has been made a part of this document.

In this Form 10KSB references to "we," "us," and "our" refer to TWIN FACES EAST ENTERTAINMENT CORP.

PART I

ITEM 1. BUSINESS

General

Overview

Twin Faces East Entertainment Corporation, a Nevada corporation (the "Company") is a development stage company formed in 1997. The Company was incorporated under the laws of the State of Delaware on December 5, 1997 and reincorporated under the laws of the State of Nevada on June 17, 1998. The re-incorporation in the State of Nevada was the result of Nevada's policy of encouraging incorporation in that State and, in furtherance of that policy, has adopted comprehensive, modern and flexible corporate laws, which are periodically updated and revised to meet changing business needs. In addition, Nevada continues to pursue a position of no corporate taxation.

We have been plagued with insufficient capital from formation. This lack of capital has prevented the Company from developing its product base that is essentially the production and marketing of films and related products.

Business of the Company

We are in the development stage as a producer of entertainment and educational related programming and technology, which originated through the efforts of Dr. Michael Smolanoff, a director and officer of the Company. Our products include; (i), documentary films of Dr. Albert Einstein, and (ii) feature film and television scripts.

The Einstein Properties are the result of Dr. Smolanoff's acquisition of the films from Peter A. Buckey. Peter A. Buckey, the son of one of Albert Einstein’s oldest and closest friends, provides a rare insight into Albert Einstein's private life, opinions, and foibles that are now folded into unique and rare videos. The Company owns original 16mm film footage of rare moments such as the family vacation when Einstein wrote that fateful letter to Franklin D. Roosevelt that led to the Manhattan Project. Peter was Einstein’s driver, and companion initiating extensive dialogue, keeping copious notes, and storing and recording priceless memories.

"Pages From A Rabbit Journal"™, a children's book and future film script was created by Dr. Smolanoff. The story is of The Rabbit Family's adventures in their travels through the forest with many character developments along the path of their journey. The story has been turned into a series of twenty-two minute animated video episodes, each a cliff-hanger and with a positive children's message.

"The Town That Arrested Santa Claus"™. A fully illustrated children's story with a merry cast of Christmas characters in the newly discovered village of Forgottenville. Children of all ages will delight in this unique classic tale, rich with the true meaning and tradition of Christmas. Santa and Forgottenville's citizens are almost tricked by Dr. S. Neak, until a young child comes to Santa's rescue. This is anticipated to become a Christmas classic and will be available in book, audio cassette and to become a television animated special.

Properties for Future Development

In addition to the Einstein film, and Pages From a Rabbit Journal, the Company has acquired, from Dr. Smolanoff, various other entertainment books and programming. We plan to release these other products as our business expands and cash flows are adequate to launch new products. We have not established definitive time frames or costs of launching these new products.

"Hidden Treasures of the World"™. This is a series of one hour, made for television, specials showcasing specific geographic locations in the world where billion dollar plus treasure discoveries were made. The first documentary "St. Lavra" from Kiev Russia is in development.

"Jungle Bunch"™. "The Adventures of the Jungle Bunch"™ is a children's story for animation that follows the adventures of five young animals searching for their families. These five babies are brought together as a result of a terrible storm, which separates them from their families. It is a continuing series that focuses on the concept of teamwork, which is somewhat unique in the children's story. This teaches our children in an entertaining and receptive environment to overcome their differences and work together for a common goal. This series is made for television and home video placement.

"Bixbee"™. This is an animated CD ROM game that could easily evolve into a television special. Your child can be scanned into this interactive program for fun and adventures with "Bixbee"™.

"A Real Man". A script written by Johnnie King to be produced by the Company.

Research and Development

From inception in December of 1997 through present, we have devoted a majority of our time on research and development. During our development stage period from December 5, 1997 through December 31, 2000, we incurred operating expenses of $1,813,827 against revenues of $875, which resulted in an operating loss of $1,812,952.

Marketing

Management believes that, in the foreseeable future, cash generated from operations will be inadequate to support full marketing roll out and ongoing product development, and that we will thus be forced to rely on additional debt and/or equity financing. Management is reasonably confident that it can identify sources and obtain adequate amounts of such financing. We intend to enter into a cooperative arrangement with distributors, whereby we will receive marketing and sales benefits from the professional staff of such distributors. To date, we have not established any such arrangements. In the event we are unsuccessful in generating equity capital, then the Company will be unable to continue with product development and/or marketing. The lack of equity capital could in turn cause the Company to become insolvent.

Governmental Approval, Regulation and Environmental Compliance

Other than general business licensing requirements, we are unaware of any governmental approval necessary for our operations in the entertainment industry. In addition, we are unaware of existing or probable governmental regulations on the entertainment industry. We anticipate that we will have no material costs associated with compliance with either federal, state or local environmental law.

Risks Associated with Operations

Our long-term success is partially predicated on the strength of obtaining the necessary trademarks, and copyrights to protect our intellectual property.

Our principal competition consists of entities within the entertainment and technology industries, which are well established. Our ability to compete against these more established and more financially stable companies is premised upon our ability to developing products that are currently unavailable in the entertainment industry.

Another uncertainty is the dependence on key personnel familiar with our products. The loss of Dr. Smolanoff could have an adverse effect on our continued product development and business operations.

Business Strategy

Our objective is to utilize the Einstein film, Pages From a Rabbit Journal™ and other scripts owned by the Company to begin generating revenues. Our ability to generate revenues from current products is conditional upon our ability to enter into agreements for the production and distribution of the products. In some cases we will be required to provide capital required for filming, editing, and other costs associated in providing the materials required for the production and distribution of the products. We currently do not have sufficient capital to cover our portion of the costs which more than likely will cause some delay in the production and distribution of our film products.

Competition

We compete with numerous other entertainment and film production companies. Many of these competitors have substantially greater resources than we do. Should a larger and better financed company decide to directly compete with us, and be successful in its competitive efforts, our business could be adversely affected.

Developing and Changing Market

The market for films and entertainment products and peripheral technologies is continually evolving and changing. We do not believe that these risks are material at this time; however, there can be no assurance that our assessment of the market place is correct, nor that our products will continue to be accepted in the future.

Intellectual Property

Many of the processes and much of the know-how of importance to our technology depends upon the non-patentable technology, knowledge, and experience of our technical personnel and collaborators. To help protect our rights, we require employees, collaborators, and significant consultants and advisors with access to confidential information, to enter into confidentiality agreements. There can be no assurance that these agreements will provide adequate protection for our trade secrets, know-how or proprietary information in the event of any unauthorized use or disclosure. In addition, our success and ability to compete is dependent, in part, upon our proprietary technology. We rely on a combination of copyrights, trade secret laws and non-disclosure agreements to protect our proprietary technolology.

Our success will depend to a significant degree on our ability to obtain and maintain copyright protection for “Pages from a Rabbit Journal”™, “The Town That Arrested Santa Claus”™, the Einstein properties and the “St. Lavra” documentary properties. There can be no assurance that we will obtain any copyright protection covering the products we plan to market, or that any copyrights that may be issued to us will provide substantial protection or be of commercial benefit to us.

We also seek to protect our intellectual property rights by limiting access to the distribution of our software, documentation and other proprietary information. There can be no assurance that the steps taken by us in this regard will be adequate to prevent misappropriation of our technology or that our competitors will not independently develop technologies that are substantially equivalent or superior to our technologies.

Employees

As of December 31, 2000, the Company had only five paid (accrued salaries) employees. We are dependent upon Michael Smolanoff, President of the Company, and Stan Teeple, VP and Secretary/Treasurer. Mr. Smolanoff and Mr. Teeple both plan to spend the majority of their full time effort to the operations of the Company. Therefore, the Company will need to hire full time operational staff as its operations commence.

The Company's future success also depends on its ability to attract and retain other qualified personnel, for which competition is intense. The loss of Mr. Smolanoff, Mr. Teeple or the Company's inability to attract and retain other qualified employees could have material adverse effect on the Company.

Additional Information

We intend to provide an annual report to its security holders, and to make quarterly reports available for inspection by its security holders. The annual report does include audited financial statements.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and, in accordance therewith, will file reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information may be inspected at public reference facilities of the Commission at Judiciary Plaza, 450 Fifth Street N.W., Washington D.C. 20549; Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; 7 World Trade Center, New York, New York, 10048; and 5670 Wilshire Boulevard, Los Angeles, California 90036. Copies of such material can be obtained from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street N.W., Washington, D.C. 20549, at prescribed rates. For further information, the SEC maintains a website that contains reports, proxy and information statements, and other information regarding reporting companies at (http://www.sec.gov).

ITEM 2. PROPERTIES

The Company currently utilizes approximately 400 square feet of office space from employee Teeple at 94 Arthur Hills Court, Henderson, NV 89074, on a month to month basis at a cost of expense reimbursement. The space is for general administration and is sufficient for the current needs of the Company. We anticipate that we will require additional space in the future but does not anticipate any difficulty in obtaining such space in its immediate vicinity at favorable rates.

ITEM 3. LEGAL PROCEEDINGS

On November 22, 1999, Twin Faces East Entertainment Corporation filed a complaint against Daniel Covell in the U.S. District Court, District of New Jersey. On January 22, 2001 the District Court dismissed the case.

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

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of our fiscal year ended December 31, 2000 except that the Annual Meeting of Shareholders was held November 6th, 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock is traded in the over-the-counter securities market through the National Association of Securities Dealers Automated Quotation Bulletin Board System, under the symbol "TFAC". The following table sets forth the quarterly high and low bid prices for our Common Stock during our last two fiscal year, as reported by the National Quotations Bureau. The quotations reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not necessarily represent actual transactions.

	1999/2000	
	Average Bid	Average Ask
September 1999	$1.22	$1.36
December 1999	$0.59	$0.84
March 2000	$0.37	$0.43
June 2000	$0.25	$0.37
September 2000	$0.18	$0.25
December 2000	$0.12	$0.37

Note: We started trading in July 1999

As of March 1,2001, we had approximately 47 stockholders of the 5,627,349 shares outstanding.

We have never declared or paid dividends on our Common Stock. We intend to follow a policy of retaining earnings, if any, to finance the growth of the business and do not anticipate paying any cash dividends in the foreseeable future. The declaration and payment of future dividends on the Common Stock will be the sole discretion of the Board of Directors and will depend on our profitability and financial condition, capital requirements, statutory and contractual restrictions, future prospects and other factors deemed relevant.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our Financial Statements and the notes thereto appearing elsewhere in this document.

RISK FACTORS AND CAUTIONARY STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual results and events could differ materially from those projected, anticipated, or implicit, in the forward-looking statements as a result of the risk factors set forth below and elsewhere in this report.

With the exception of historical matters, the matters discussed herein are forward looking statements that involve risks and uncertainties. Forward looking statements include, but are not limited to, statements concerning anticipated trends in revenues and net income, the date of introduction or completion of our products, projections concerning operations and available cash flow. Our actual results could differ materially from the results discussed in such forward-looking statements primarily as the result of insufficient cash to pursue production and marketing efforts. The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes thereto appearing elsewhere herein.

Overview

The Company, which was organized in December 1997, is a Development Stage Company, focusing its development efforts on film production. The Company has a limited operating history and has not generated revenues from the sale of any products. The Company's activities have been limited to capital raising, corporate structuring, and arranging production schedules and marketing of existing scripts. Consequently, the Company has incurred the expenses of start-up. Future operating results will depend on many factors, including the ability of the Company to raise adequate working capital, demand for the Company's services and products, the level of competition and the Company's ability to deliver services and products while maintaining quality and controlling costs.

Results of Operations

Period from December 5, 1997 (Inception) to December 31, 2000

The first years of operation for the Company achieved three main goals. The formation of the Company's organization to pursue its business strategy and the transfer of intellectual properties to the Company from its predecessor, Michael Smolanoff, and establishing contacts with the capital markets to assist the Company with the required capital to commence production and marketing.

Revenues. The Company is a development stage enterprise as defined in SFAS #7, and has yet to generate any revenues. The Company is devoting substantially all of its present efforts to: (1) developing technology and other programs, (2) developing its market, and (3) obtaining sufficient capital to commence full operations.

Pre-Operating Expenses. Pre-Operating expenses for the period from December 5, 1997 to December 31, 2000 were $1,813,827.

Plan of Operation

During the next 12 months the Company plans to focus its efforts on its development of four primary properties including “Rabbit”, “Town Arrested Santa”, and the “Einstein” property. We are also working on the production of a new feature film, "A Real Man", written by Johnnie King; however actual production will not commence until the Company has sufficient capital for production and marketing. Among other options, the Company is pursuing partnership development opportunities with each project, production studios providing production, and film distributors looking for content.

Liquidity and Capital Resources

Cash and cash equivalents may be increasing primarily due to commencement of operations and receipt of equity capital. The receipt of funds from Private Placement Offerings and loans obtained through private sources by the Company are anticipated to offset the near term cash equivalents of the Company.

Since inception, the Company has financed its cash flow requirements through issuance of common stock, loans, and minimal cash balances. As the Company expands its activities, it may continue to experience net negative cash flows from operations, pending receipt of sales revenues. Additionally the Company may be required to obtain additional financing to fund operations through Common Stock offerings, loans, and bank borrowings, to the extent available, or to obtain additional financing to the extent necessary to augment its working capital.

The Company believes, that existing capital and anticipated funds from operations will not be sufficient to sustain operations and planned expansion in the next twelve months. Consequently, the Company will seek additional financing in order to sustain operations. There can be no assurance such additional funds will be available or that, if available, such additional funds will be on terms acceptable to the Company. In either case, the financing could have negative impact on the financial conditions of the Company and its Shareholders.

The Company anticipates that it will incur operating losses in the next twelve months. The Company's lack of operating history makes predictions of future operating results difficult to ascertain. The Company's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets. Such risks for the Company include, but are not limited to, an evolving and unpredictable business model and the management of growth. To address these risks, the Company must, among other things, obtain a customer base, implement and successfully execute its business and marketing strategy, continue to develop and upgrade its technology and products, provide superior customer services and order fulfillment, respond to competitive developments, and attract, retain and motivate qualified personnel. There can be no assurance that the Company will be successful in addressing such risks, and the failure to do so can have a material adverse effect on the Company's business prospects, financial condition and results of operations.

Initial financing is only to provide funds to prove the business concept and to finish the development of products. Additional funds will be necessary to take the product to market. The Company hopes to enter into additional funding arrangements through strategic partnerships, merger, equity offering or debt offering. Nothing has been secured as of this time.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Financial Statements and Financial Statement Schedules appearing on page F-16 through F-28 of this Form 10-KSB/A.

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

No Changes to Report. The financial statements are filed as audited.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

The following table sets forth the names, positions with the Company and ages of the executive officers and directors of the Company. Directors will be elected at the Company’s annual meeting of shareholders and serve for one year or until their successors are elected and qualify. Officers are elected by the Board, and their terms of office are, except to the extent governed by employment contract, at the discretion of the Board.

Name	Age	Title
Michael Smolanoff	58	Chief Executive Officer, President, Director
Stan Teeple	52	COO, CFO, Secretary, Treasurer, Director
Hyman Shwartzberg, MD	34	Director
Bruce Taffet	53	Director

Duties, Responsibilities and Experience

Michael Smolanoff- Michael Smolanoff has been President and a Director of the Company since its inception. From 1993 to present, Dr. Smolanoff has been self employed selling scripts, articles, and music. Dr. Michael Smolanoff has over 30 years of experience in creative development fields. He is a Juilliard graduate and past professor at Rutgers University and Philadelphia Music Academy. He has written and produced a plethora of music albums, concerts, children's programs, and works for the theatre. He is listed in the International Who's Who of music, Who's Who in America, Men of Achievement, Outstanding Young Men of America, and the Dictionary of Distinguished Americans. He is the creator and developer of the "Pages of a Rabbit Journal" and responsible for contract development to place this animated series with the Fox Kids Network as well as distribution agreements for placement into retail video stores nationwide. He is a member of the National Academy of Television Arts and Sciences, and the American Society of Composers, Authors and Publishers.

Stanley L. Teeple- Stan Teeple is COO,CFO, Secretary and Treasurer from March, 1997 to present. From 1979 until present, Mr. Teeple has been President and Chief Executive Officer of Stan Teeple, Inc., a consulting firm specializing in business turnarounds. Stan had joined Dr. Smolanoff for development of the various assets and interests in the marketplace. Stan attended Business School at the University of Colorado and has a strong national brands corporate background. In Stan's 20 plus year career as a management consultant, sales and marketing consultant, and turnaround specialist and counts among his business specialties, entertainment, intellectual property licensing, food manufacturing, the travel industry and retailing of everything from apparel to fast food. His recent client list includes, United Artists Theatre Circuit, General Mills, Inc., United Airlines, Inc., Kellogg's USA, Warner Lambert and Premiere Innovations, Inc.

Bruce Taffet Bruce Taffet has been a Director of the Company since April 1998. From 1979 until present Mr. Taffet has worked as an executive with United Artists Theatre Circuit. From 1995 until present, Bruce has been Executive Vice President of United Artists Theatre Circuit. Mr. Taffet has approximately 30 years experience in the entertainment industry. Starting in 1969, Bruce was the owner/operator of the Orkin Taffet Theatres in Jackson, Mississippi. Mr. Taffet has served as an officer or director with the National Association of Theatre Operators, National Association of Concessionaires, Variety Club of America, The 2% Club, and MPP Pioneers.

Duties, Responsibilities & Experience (continued)

Hyman Shwarzberg, MD. Hyman Shwarzberg, MD, a Director of the Company since April 1998, is a physician, entrepreneur and investor. From 1994 until present Dr. Shwarzberg has served as Assistant Professor and Director of Radiology at Mount Sinai Medical Center-Queens Hospital Center Affiliate in New York. Dr. Shwarzberg is a graduate of Yeshiva University Undergraduate School and a graduate of Albert Einstein College of Medicine.

Contract Support Staff

Jim R. Houba Jr. Mr. Houba had his beginning as a freelance illustrator primarily for advertising and production companies in the New York area. He is a specialist in airbrush with acrylics technology and has taken products and concepts from creative through the development process to finished product. He is a graduate of Rowan College with an Art Major. He has been on the creative and development staff for such Twin Faces East properties as "Jungle Bunch"™, "Bixbee"™, "NCMEC Child I.D. Kit"™. His prior engagements include design layouts for clothing lines, including the 1986 Olympics, murals, and various advertising assignments.

Buffy Saint Marie is another of our freelance talent specializing in narration and character voices. She has won an Academy Award for "Officer and a Gentleman" and numerous additional industry awards. She is the narrator for our "Pages From A Rabbit Journal"™.

Len Morris has been directing, producing, and editing film and video productions for over 20 years. His programs have been syndicated, shown on ABC, NBC, PBS, HBO, and distributed on home video and in educational markets. His awards and accolades for film and made for television would span pages but include a Cine Golden Eagle, Cindy Award, and nominations from Cable Ace Award, a Major Armstrong Award, and Best Documentary of the Year Award.

John Lord was a producer and writer at NBC for over 14 years. He has corporate experience as a Vice President with Air Time International and has collaborated with Solvinfilm of Moscow on several movie packages. His television and film credits include history, geography, current events, documentaries, live production special events, and winning Golden Eagle Awards and four Christopher Awards. He also an accomplished and published writer of many books, journals, and articles.

LIMITATION OF LIABILITY OF DIRECTORS

Pursuant to the Nevada General Corporation Law, our Articles of Incorporation exclude personal liability for our Directors for monetary damages based upon any violation of their fiduciary duties as Directors, except as to liability for any breach of the duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, or any transaction from which a Director receives an improper personal benefit. This exclusion of liability does not limit any right which a Director may have to be indemnified and does not affect any Director's liability under federal or applicable state securities laws. We have agreed to indemnify our directors against expenses, judgments, and amounts paid in settlement in connection with any claim against a Director if he acted in good faith and in a manner he believed to be in our best interests.

BOARD OF DIRECTORS COMMITTEES AND COMPENSATION

Compensation Committee Interlocks and Insider Participation

The Board of Directors does not have a Compensation Committee. Michael Smolanoff, President, oversaw the compensation of our executive officers.

Board of Director's Report on Executive Compensation

General. As noted above, our Board of Directors does not have a Compensation Committee and, accordingly, during the fiscal year ended December 31, 2000, the Board of Directors, through the President, reviewed and approved the compensation of our executive officers.

Overall Policy; Significant Factors. During fiscal 2000, the compensation decisions made by the Board of Directors in respect of our executive orders were influenced by three major factors. First, our start-up nature brings with it all of the normal capital requirements to sustain growth, therefore certain stock compensation was granted in lieu of salaries, commissions and for services rendered. This practice may be extended into the future on a case-by-case basis and accordingly filed with the Securities and Exchange Commission. Finally, as we continue to mature, certain additions to the executive staff will be required. As we are required to seek talent in outside market, we will be required to provide a competitive compensation package.

As overall policy, however, the Board continues to believe that long-term compensation tied to the creation of stockholder value should constitute a significant component of the compensation to be earned by our executive officers. In this respect, it will be the Board's policy to attempt to restrain base cash compensation (subject to competitive pressures), while providing the incentive for Management to increase stockholder value by providing such officers with significant numbers of market-price stock that will not confer value upon the officers unless and until the Company's share price rises. The Board of Directors expects that stock options will constitute a significant component of the compensation package provided to executive officers.

The Board believes that cash bonuses are, at times, appropriate based upon the performance of the Company's business compared to our internal expectations and general business conditions. In 2000 the Board decided to reduce the effect of continuing to accrue salaries for Dr. Smolanoff and Mr. Teeple by a one-time issuance of 500,000 shares of restricted common stock to each in lieu of a reduction of $100,000 of accrued compensation each. The stock value of the transaction for the benefit of the Company was thereby $200,000 while the actual value received by the employees was negligible due to the stock price, stock restriction, and financial condition of the Company at that time.

ITEM 10. EXECUTIVE COMPENSATION

Summary Compensation Table

		Annual Compensation			Long Term Compensation	
Name and Principal Position	Year	Salary(1)	Bonus	Other Annual Compensation	Restricted Stock (1)	Options
Michael Smolanoff	2000	80,000		7,200(2)	100,000	
Stan Teeple	2000	80,000		7,200(2)	100,000	
Bruce Taffet	2000					
Hyman Swartzberg	2000					

(1) This balance includes an additional 500,000 shares issued to each officer valued at $.20 per share to the Company. Both Stan Teeple and Michael Smolanoff, pursuant to employment agreements dated May 1, 1998, normally accrue salary at a rate of $15,000 per month. They further agreed not to continue accrual into 2001 until funds are available for payment or the Board directs reinstatement.

(2) Stan Teeple and Michael Smolanoff receive a $600 per month vehicle allowance per month.

Stock Option Plan

The following descriptions apply to stock option plans, which we have adopted;

The Stock Option Plans provide for the issuance of both qualified (incentive) and non-qualified stock options to employees, officers, directors, consultants and independent contractors of the Company. Qualified stock options may be granted at an exercise price equal to the fair market value per share of the Company's common stock on the date of grant. Non-qualified stock options may be granted at an exercise price not less than eighty-five percent of the fair market value per share of the Company's common stock on the date of grant. Each option granted will be exercisable for a term not more than ten years after the date of grant, and may be fully vested at the date of grant.

We intend for issuance an aggregate of 1,775,000 shares of Common Stock under a Stock Option Plan (the "Stock Option Plan") and Non-Employee Directors' Plan described below (the "Directors' Plan") which has been adopted by us. These plans are intended to encourage directors, officers, employees and consultants of the Company to acquire ownership of Common Stock. The opportunity is intended to foster in participants a strong incentive to put forth maximum effort for our continued success and growth, to aid in retaining individuals who put forth such efforts, and to assist in attracting the best available individuals to the Company in the future. From inception through 12-31-00 there has been a total of 800,000 shares issued under the Option Plan.

Officers (including officers who are members of the Board of Directors), directors (other than members of the Stock Option Committee (the "Committee") to be established to administer the Stock Option Plan and the Directors' Plan) and other employees and consultants of the Company and our subsidiaries (if established) will be eligible to receive options under a the planned Stock Option Plan. The

Committee will administer the Stock Option Plan and will determine those persons to whom options will be granted, the number of options to be granted, the provisions applicable to each grant and the time periods during which the options may be exercised. No options may be granted more than ten years after the date of the adoption of the Stock Option Plan.

Each option granted under the Stock Option Plan will be exercisable for a term of not more than ten years after the date of grant. Certain other restrictions will apply in connection with this Plan when some awards may be exercised. In the event of a change of control (as defined in the Stock Option Plan), the date on which all options outstanding under the Stock Option Plan may first be exercised will be accelerated. Generally, all options terminate 90 days after a change of control.

Directors Plan
The Directors' Plan is intended to:

* Enable us to secure persons of requisite business experience to serve on the Board of Directors,
* To motivate directors to enhance our future growth by furthering their identification with our interests and our stockholders, and
* To assist in retaining directors.

The Directors' Plan provides for the grant of stock options to persons who are members of the Board of Directors and who at the time they joined the Board of Directors were not employees of the Company or any of our affiliates ("Non-Employee Directors"). The Committee will administer the Directors' Plan. Each of the Non-Employee Directors will receive an option to purchase shares of Common Stock. Such options will vest in three equal annual installments commencing on the first anniversary of such Non-Employee Director's election. Options granted under the Directors' Plan may not be exercised more than five years after the date of grant. No option may be granted more than ten years after the date of the adoption of the Directors' Plan. In the event of a change of control (as defined in the Directors' Plan), the date on which all options outstanding under the Directors' Plan may first be exercised is accelerated. Generally, all options will terminate 90 days after a change of control.

Director's Compensation

At the date of this filing, there were no formal Director's Compensation programs. The Board of Directors does, however, reserve the right to implement such a plan as appropriate for retaining our current members and in attracting outside directors. Directors are reimbursed for their reasonable out-of-pocket expenses incurred on Company business. From time to time directors may be provided with stock options.

Other Significant Benefit Arrangements

Employees Stock Option Plan. At the date of this filing there are no formal Employee Stock Option Plans. However, Management will ask the Board of Directors to review the possible implementation of such a program as Management believes employees' ownership interest in the company is positive both in terms of employee morale and in personnel retention.

Profit Sharing 401(k) Plan. No segment of the Company currently provides a 401(k) plan for any of our employees. It is, however, expected to be a matter for our Board of Directors to review as Management believes such programs are beneficial both to our employees themselves and as a means of attracting and retaining quality personnel.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners.
The following table sets forth certain information as of December 31, 2000 with respect to the beneficial ownership of Common Stock by (i) each person who to the knowledge of the Company, beneficially owned or had the right to acquire more than 10% of the Outstanding Common Stock, (ii) each director of the Company and (iii) all executive offices and directors of the Company as a group.

Name of Beneficial Owner (1)	Number of Shares	Percent Of Class (2)	Options
Michael Smolanoff 121 Red Hill Road Holmdel, NJ 07733	1,739,507	31%	200,000
Stan Teeple 94 Arthur Hills Court Henderson, NV 89014	1,588,000	28%	200,000
Bruce Taffet 5644 Irish Pat Murphy Dr. Parker, Co 80134	149,000	3%	50,000
Hyman Shwartzberg 621 Montgomery St. Brooklyn, NY 1125	24,000	1%	50,000
All Directors & Officers as a Group	3,500,507	63%	500,000

(1) As used in this table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security). In addition, for purposes of this table, a person is deemed, as of any date, to have "beneficial ownership" of any security that such person has the right to acquire within 60 days after such date.
(2) Figures are rounded to the nearest percentage.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Contribution Agreement. Pursuant to the terms and conditions of the Contribution Agreement, entered into by and between the Company and Michael Smolanoff, dated March 15, 1998, Michael Smolanoff contributed, in exchange for 1,764,000 common shares of the Company, all Michael Smolanoff's right, title and interest to the following agreements: License Agreement dated August 8, 1996, between Rabbit Liability Company and Spring Ford Knitting Company.

ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Report

1. Financial Statements:

A. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

1. Independent Auditors' Reports……………………………………………..………F-16 & F17
2. Financial Statements:
   Balance Sheets…………………………………………………………………..F-18
   Statements of Operations………………………………………………………..F-19
   Statements of Stockholders' Deficit………………………………….…………… F-20
   Statements of Cash Flows………………………………………………...……..F-21
   Notes to Financial Statements………………………………………………F-22 - F-28

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

1- During the fiscal year 1999, the Company filed the following S-8's.
   A) S-8 filed May 10th, 2000

2- The Company did not file its 10KSB for year-end 12-31-01 pending completion of the amended 10KSB for 2000 with audited financial statements. It did file a late filing form noting this.

SIGNATURES

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

April 30,2002 TWIN FACES EAST ENTERTAINMENT CORPORATION
(Registrant)

By: /s/ Michael Smolanoff
Michael Smolanoff
Chief Executive Officer

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

Signature	Title	Date
/s/ Michael Smolanoff Michael Smolanoff	CEO, President	April 30, 2002
/s/ Stanley Teeple Stanley L. Teeple	COO, CFO, Secretary/Treasurer	April 30, 2002
/s/ Bruce Taffet Bruce Taffet	Director	April 30, 2002

G. BRAD BECKSTEAD
Certified Public Accountant

330 E. Warm Springs
Las Vegas, NV 89119
702.257.1984
702.362.0540 (fax)

INDEPENDENT AUDITOR'S REPORT

April 29, 2002

Board of Directors
Twin Faces East Entertainment Corporation
Las Vegas, NV

I have audited the Balance Sheets of Twin Faces East Entertainment Corporation (the "Company") (A Development Stage Company), as of December 31, 2000, and the related Statements of Operations, Stockholders' Equity, and Cash Flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements for the period December 5, 1997 (Date of Inception) to December 31, 1999 presented for comparative purposes. Those statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to that period of time, is based solely on the report of the other auditors.

I conducted my audit in accordance with generally accepted auditing standards in the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the balance sheets of Twin Faces East Entertainment Corporation, (A Development Stage Company), as of December 31, 2000, and its related statements of operations, equity and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has had limited operations and have not commenced planned principal operations. This raises substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

G. Brad Beckstead, CPA

Grobstein Horwath & Company
Certified Public Accountants

Independent Auditors' Report

To the Stockholders and Board of Directors
Twin Faces East Entertainment Corporation

We have audited the accompanying balance sheet of Twin Faces East Entertainment Corporation (a development stage company) as of December 31, 1999, and the related statements of operations, stockholders deficit, and cash flows for the year ended December 31, 1999 and the period from December 5, 1997 (inception) through December 31, 1998. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial 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 Twin Faces East Entertainment Corporation (a development stage company) as of December 31, 1999, and the results of its operations and cash flows for the year ended December 31, 1999 and period from December 5, 1997 (inception) through December 31, 1998.

Sherman Oaks, California
March 15, 2000

15233 Ventura Boulevard, Ninth Floor, Sherman Oaks, California 91403
(818) 501-5200 * Fax: (818) 907-9632 * Internet: horwathcal.com

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Twin Faces East Entertainment Corporation
(a Development Stage Company)
Balance Sheet

	December 31, 2000	December 31, 1999
Assets		
Current assets:		
Cash and equivalents	$ 315	$ 2,506
Total current assets	315	2,506
Fixed assets, net	477	753
	$ 792	$ 3,259
Liabilities and Stockholders' (Deficit)		
Current liabilities:		
Accrued salaries and benefits	$ 586,115	$ 287,248
Other accrued expenses	91,784	61,648
Stockholders' advances	382,650	173,297
Total current liabilities	1,060,549	522,193
Long-term debt	40,900	-
	1,101,449	522,193
Stockholders' (deficit):		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $0.001 par value, 20,000,000 shares authorized, 5,627,349 and 4,384,349 shares issued and outstanding as of 12/31/00 and 12/31/99, respectively	5,627	4,384
Additional paid-in capital	706,668	420,319
(Deficit) accumulated during development stage	(1,812,952)	(943,637)
	(1,100,657)	(518,934)
	$ 792	$ 3,259

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

Twin Faces East Entertainment Corporation
(a Development Stage Company)
Statement of Operations
for the years ended December 31, 2000 and 1999
and for the period December 5, 1997 (inception) to December 31, 2000

	For the years ended December 31, 2000	For the years ended December 31, 1999	December 5, 1997 (inception) to December 31, 2000
Pre-Operating Revenue			
Interest income	$ 126	$ 262	$ 875
Pre-Operating Expenses:			
Professional services	136,085	260,688	419,756
Salaries and benefits	553,410	195,748	877,158
Travel	16,492	48,533	120,941
Automobile	39,865	32,838	98,126
Transportation	30,506	27,248	74,771
Miscellaneous	22,241	18,276	45,850
Insurance	25,858	17,952	43,810
Telephone	14,397	15,155	39,025
Office and postage	13,458	14,928	40,896
Entertainment and meals	10,853	12,008	27,496
Pre-production costs	6,000	8,500	23,550
Advertising	-	-	1,823
Depreciation and amortization	276	276	625
	869,441	652,150	1,813,827
(Loss) Before Income taxes	(869,315)	(651,888)	(1,812,952)
Provision for income taxes	-	-	-
Net (loss)	$ (869,315)	$ (651,888)	$ (1,812,952)
Weighted average number of common shares outstanding	4,581,267	3,822,024	
Net (loss) per share	$ (0.19)	$ (0.17)	

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

Twin Faces East Entertainment Corporation
Consolidated Statement of Changes in Stockholders' Equity
for the period December 5, 1997 (Inception) to December 31, 2000

	Common Stock		Additional Paid-in Capital	(Deficit) Accumulated During Development Stage	Total Stockholders' (Deficit)
	Shares	Amount			
Balance, December 31, 1997	-	$ -	$ -	$ -	$ -
Shares issued for cash	88,115	88	94,330		94,418
Shares issued for intellectual property rights	1,764,000	1,764	(1,764)		-
Shares issued for services - related party	1,236,000	1,236	97,054		98,290
Four-for-one stock split	9,264,345	9,264	(9,264)		-
Retirement of stock	(9,000,000)	(9,000)	9,000		-
Shares issued for cash	1,600	2	3,098		3,100
Shares issued for services - related party	57,000	57	15,568		15,625
Net (loss) for the year ended December 31, 1998				(291,749)	(291,749)
Balance, December 31, 1998	3,411,060	3,411	208,022	(291,749)	(80,316)
Shares issued for cash	44,400	44	21,826		21,870
Application of deferred offering costs			(85,625)		(85,625)
Shares issued to vendors for services	660,000	660	120,115		120,775
Shares issued for services - related party	268,889	269	155,981		156,250
Net (loss) for the year ended December 31, 1999				(651,888)	(651,888)
Balance, December 31, 1999	4,384,349	4,384	420,319	(943,637)	(518,934)
Shares issued for consulting services	100,000	100	62,400		62,500
Shares issued for legal services	33,000	33	11,309		11,342
Shares issued to satisfy accrued salaries - related party	1,000,000	1,000	199,000		200,000
Shares issued for consulting services	10,000	10	1,240		1,250
Shares issued for consulting services	100,000	100	12,400		12,500
Net (loss) for the year ended December 31, 2000				(869,315)	(869,315)
Balance, December 31, 2000	5,627,349	$ 5,627	$ 706,668	$ (1,812,952)	$ (1,100,657)

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

Twin Faces East Entertainment Corporation
Consolidated Statement of Cash Flows
for the years ended December 31, 2000 and 1999
and for the period December 5, 1997 (inception) to December 31, 2000

	For the years ended December 31, 2000	For the years ended December 31, 1999	December 5, 1997 (inception) to December 31, 2000
Cash flows from operating activities			
Net (loss)	$ (869,315)	$ (651,888)	$ (1,812,952)
Depreciation expense	276	276	625
Shares issued for services	87,592	277,025	392,907
Adjustments to reconcile net (loss) to net cash (used) by operating activities:			
Increase in accrued salaries and benefits	498,867	154,448	786,115
Increase in other accrued expenses	30,136	61,648	91,784
Net cash (used) by operating activities	(252,444)	(158,491)	(541,521)
Cash flows from investing activities			
Purchase of equipment	-	-	(1,102)
Proceeds from long-term debt	40,900	-	40,900
Net cash provided (used) by investing activities	40,900	-	39,798
Cash flows from financing activities			
Stockholders' advances	209,353	133,549	382,650
Issuance of common stock	-	21,870	119,388
Net cash provided by financing activities	209,353	155,419	502,038
Net increase (decrease) in cash	(2,191)	(3,072)	315
Cash and equivalents - beginning	2,506	5,578	-
Cash and equivalents - ending	$ 315	$ 2,506	$ 315
Supplemental disclosures:			
Interest paid	$ -	$ -	$ -
Income taxes paid	$ -	$ -	$ -
Non-cash transactions:			
Shares issued for services	$ 87,592	$ 277,025	$ 478,532
Number of shares issued for services	243,000	928,889	2,464,889
Shares issued to satisfy accrued salaries - related party	$ 200,000	$ -	$ 200,000
Number of shares issued to satisfy accrued salaries - related party	1,000,000	-	1,000,000

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

Twin Faces East Entertainment Corporation
(A Development Stage Company)
Notes

Note 1 – Significant accounting policies and procedures

Organization
The Company was organized December 5, 1997 (Date of Inception) under the laws of the State of Delaware, as Twin Faces East Entertainment Corporation   The Company reincorporated in the State of Nevada on June 17, 1998.

The Company has limited operations, and in accordance with SFAS #7, the Company is considered a development stage company.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents
The Company maintains a cash balance in a non-interest-bearing account that currently does not exceed federally insured limits. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

Revenue recognition
The Company recognizes revenue on an accrual basis as it invoices for services.

Reporting on the costs of start-up activities
Statement of Position 98-5 (SOP 98-5), “Reporting on the Costs of Start-Up Activities,” which provides guidance on the financial reporting of start-up costs and organizational costs, requires most costs of start-up activities and organizational costs to be expensed as incurred. SOP 98-5 is effective for fiscal years beginning after December 15, 1998. With the adoption of SOP 98-5, there has been little or no effect on the Company’s financial statements.

Loss per share
Net loss per share is provided in accordance with Statement of Financial Accounting Standards No. 128 (SFAS #128) “Earnings Per Share”. Basic loss per share is computed by dividing losses available to common stockholders by the weighted average number of common shares outstanding during the period. The Company had no dilutive common stock equivalents, such as stock options or warrants as of December 31, 2000.

Advertising Costs
The Company expenses all costs of advertising as incurred. There were no advertising costs included in selling, general and administrative expenses for the year ended December 31, 2000.

Equipment

Equipment is stated at cost. Additions and betterments are charged to the property accounts, while maintenance and repairs, which do not enhance the useful life of the respective assets, are expensed as incurred. Depreciation is provided on the straight-line method based on the estimated useful lives of the assets, which is five years.

Fair value of financial instruments
Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2000. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and accounts payable. Fair values were assumed to approximate carrying values for cash and payables because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Impairment of long lived assets

Long lived assets held and used by the Company are reviewed for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable or is impaired. No such impairments have been identified by management at December 31, 2000.

Segment reporting

The Company follows Statement of Financial Accounting Standards No. 130, "Disclosures About Segments of an Enterprise and Related Information". The Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

Dividends

The Company has not yet adopted any policy regarding payment of dividends. No dividends have been paid or declared since inception.

Income taxes

The Company follows Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes" ("SFAS No. 109") for recording the provision for income taxes. Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

Stock Options

The Company applies the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", which requires expanded disclosures of stock-based compensation arrangements with employees and encourages (but does not require) compensation cost to be measured based on the fair value of the equity instrument awarded. Companies are permitted, however, to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. Accordingly, the Company applies Accounting Principles Board Opinion No. 25 to its stock-based compensation awards to employees.

Recent pronouncements

The FASB recently issued Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of Effective Date of FASB Statement No. 133". The Statement defers for one year the effective date of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". The rule now will apply to all fiscal quarters of all fiscal years beginning after June 15, 2000. In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Statement will require the company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income, if the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The company does not expect SFAS No. 133 to have a material impact on earning s and financial position.

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB No. 101), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 did not impact the company's revenue recognition policies.

Year-end

The Company has selected December 31 as its year-end.

Note 2 - Going concern

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has not commenced its planned principal operations. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern.

The Company has been in the development stage since its inception. As shown in the accompanying financial statements, the Company has incurred a net loss since its inception, which has resulted in a deficit accumulated during the development stage of $1,812,952. Capital advances from stockholders are the Company's only current source of funds. As such, the Company's continued existence is dependent upon obtaining sufficient investor interest and financing in order to commence development of its entertainment industry business, and achieving future profitable operations.

Note 3 – Income taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), which requires use of the liability method. SFAS No. 109 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The sources and tax effects of the differences are as follows:

U.S federal statutory rate	(34.0%)
Valuation reserve	34.0%
Total	-%

As of December 31, 2000, the Company has a net operating loss carryforward of approximately $1,812,952 for tax purposes, which will be available to offset future taxable income. If not used, this carryforward will expire in 2020. The deferred tax asset relating to the operating loss has been fully reserved at December 31, 2000 and 1999.

Note 4 - Equipment

Equipment consists of computer equipment costing $1,102. No additional equipment was purchased during the year ended December 31, 2000.

Depreciation expense was $276 and $276 for the years ended December 31, 2000 and 1999, respectively.

Note 5 – Accrued salaries and benefits

Accrued salaries and benefits in totaling $586,115 are due to officers of the Company. During the year ended December 31, 2000, 1,000,000 shares of the Company's $0.001 par value common stock were issued at $0.20 per share to the officers as payment of $200,000 against the accrued salaries and benefits.

Note 6 – Stockholder advances

The advances are non-interest bearing and are expected to be repaid with anticipated new funds from further equity offerings (see Note 2).

Note 7 - Related party transactions

The Company does not lease or rent any property. Office services are provided without charge by a director. Such costs are immaterial to the financial statements and, accordingly, have not been reflected therein. The officers and directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

Note 8 – Stockholders' Equity

The Company is authorized to issue 20,000,000 shares of its $0.001 par value common stock and 5,000,000 shares of its $0.001 par value preferred stock.

During the year ended December 31, 1998, the Company issued 1,293,000 shares of its $0.001 par value common stock to the founding stockholders, the Company's securities counsel and other financial advisors for various promotional and professional services provided on behalf of the Company. All stock was issued for approximately the fair market value of the consideration received.

During October 1998, the Company effected a 4-for-1 stock split. Concurrent with the stock split, the founding stockholders voluntarily retired 9,000,000 shares of the common stock at the common stock's par value.

During the year ended December 31, 1998, the Company issued 1,764,000 shares of its $0.001 par value common stock in exchange for certain intellectual property rights contributed by the Company's Chief Executive Officer. The property rights are valued at the par value of the underlying shares, or $1,764.

During March 1998, the Company completed an exempt placement of securities of 2,860 shares of its $0.001 par value common stock and 2,860 warrants pursuant to Rule 504 of Regulation D of the Securities and Exchange Commission ("Regulation D"). Each warrant permits the holder to purchase one share of the Company's $0.001 par value common stock at a price of $5.00 per share during a period beginning March 27, 1998 and ending March 27, 2003. In June 1998, the Company completed an exempt placement of securities of 40,000 shares of its $0.001 par value common stock pursuant to Regulation D. In September 1998, the Company completed an exempt placement of securities of 45,255 shares of its $0.001 par value common stock pursuant to Regulation D. In November 1998, the

Company completed an exempt placement of securities of 57,000 shares of its $0.001 par value common stock pursuant to Regulation D. On February 1, 1999, the Company commenced offering for sale up to 500,000 shares of its $0.001 par value common stock pursuant to Regulation D at an offering price of $.5625 per share, and sold 133,289 shares of common stock through February 15, 1999. Upon closing of the offering, the balance of deferred offering costs was charged to additional paid-in capital.

During the year ended December 31, 1999, the Company issued 928,889 shares of its $0.001 par value common stock to stockholders for various promotional and professional services provided on behalf of the Company. All stock was issued for approximately the fair market value of the consideration received.

During the year ended December 31, 2000, the Company issued 243,000 shares of its $0.001 par value common stock to the Company's securities counsel and other financial advisors for various promotional and professional services provided on behalf of the Company. All stock was issued for approximately the fair market value of the consideration received.

During the year ended December 31, 2000, 1,000,000 shares of the Company's $0.001 par value common stock were issued at $0.20 per share to the officers as payment of $200,000 against the accrued salaries and benefits.

Note 9 – Stock options

The Company has reserved for issuance an aggregate of 500,000 shares of common stock for issuance under its 1998 Stock Option Plan and Non-Employee Directors' Plan (the "Directors' Plan"). On January 1 , 2000, the Company's Board of Directors adopted the 2000 Stock Option Plan which provides for issuance of an additional 600,000 shares of common stock on similar terms to its 1998 Stock Option Plan (collectively referred to as the "Stock Option Plans"), as described below. Generally, all options terminate ninety days after a change in control of the Company.

Stock Option Plans

The Stock Option Plans provide for the issuance of both qualified (incentive) and non-qualified stock options to employees, officers, directors, consultants and independent contractors of the Company. Qualified stock options may be granted at an exercise price equal to the fair market value per share of the Company's common stock on the date of grant. Non-qualified stock options may be granted at an exercise price not less than eighty-five percent of the fair market value per share of the Company's common stock on the date of grant. Each option granted will be exercisable for a term not more than ten years after the date of grant, and may be fully vested at the date of grant.

Directors' Plan

Each non-employee director will receive an option to purchase 50,000 shares of common stock. The options of non-employee directors will be exercisable according to the Stock Option Plans, except that options granted under the Directors' Plan may not be exercised more than five years after the date of grant.

	Year ended December 31, 2000		Year ended December 31, 1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	500,000	$0.65	--	--
Granted	--	--	500,000	$0.65
Exercised	--	--	--	--
Lapsed or cancelled	--	--	--	--
Outstanding at end of period	500,000	$0.65	500,000	$0.65
Options exercisable at end of period	500,000		500,000	
Options available for future grant	600,000		600,000	
Weighted average minimum fair value of options granted during the period	--		$0.517	

The Company accounts for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” , under which no compensation cost for stock options is recognized for stock options awards granted at or above fair market value. Had compensation expense for the Company’s Stock Option Plan been determined based upon fair values at the grant dates for awards under those plans in accordance with Statement of Financial Accounting Standards No. 123 (“SFAS 123”) “Accounting for Stock-Based Compensation” , the Company’s net loss available to common stockholders would have been increased to the pro forma amounts indicated below. Additional stock option awards are anticipated in future years.

	Year ended December 31, 2000	Year ended December 31, 1999
Net loss available to common stockholders:		
As reported	$(1,812,952)	$(650,638)
Pro Forma	$(1,812,952)	$(909,238)

(A Development Stage Company)
Notes

The weighted average minimum fair value of options granted during the three years in the period ended December 31, 2000, estimated on the date of grant were determined using the Black-Scholes option-pricing model and the following assumptions : dividend yield of 0% , expected volatility of 109%, risk-free interest rate range of 5.81% to 6.09% depending on the grant date, and an expected life of five years.

The following table presents summarized information about stock options outstanding as of December 31, 2000.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/00	Weighted Avergage Remaining Contractual Life	Weighted Average Exercise Price	Number Outstanding at 12/31/00	Weighted Average Exercise Price
$0.25	300,000	3.50 years	$0.25	300,000	$0.25
$1.00	200,000	3.90 years	$1.25	200,000	$1.25

Note 10 – Commitments

The Company has entered into employment contracts with certain officers. The contracts are for a period of five years each. In consideration, the officers have agreed that they would not directly or indirectly compete against the Company for a period of one year following termination of employment.

Note 11 – Subsequent events

On October 21, 2001, the Company Board of Directors accepted three separate loan agreements at $110,000 each funded in October, November, and December of 2001. Each loan bears interest at 20%, and is payable in cash of $132,000 or $154,000 worth of the Company's $0.001 par value restricted common stock on an annual basis. Additional consideration includes 333,333 shares per note of the Company's $0.001 par value common stock bearing the Rule 144 restriction.

On October 31, 2001, the Company entered into an Asset Purchase Agreement ("Agreement") with Pangaea Education Systems, LLC ("PAN"), a multidimensional education company based in Florida. In exchange for exclusive ownership of the intellectual property of PAN, the Company issued 1,500,000 shares of its $0.001 par value preferred stock. The stock carries conversion rights to common shares on an annual basis the first week of January each year after 12/31/03. Within 30 days of completion of the first quarter end of a positive EBITDA as a wholly owned subsidiary, PAN will receive a five hundred thousand share bonus of the Company's $0.001 par value common stock. The performance bonus must occur prior to 1/1/03, at which time the bonus expires. The intellectual property has been transferred into Pangaea Education Systems, Inc., a wholly owned subsidiary formed by the Company.

On November 5, 2001, the Company issued 1,100,000 shares of its $0.001 par value common stock at $0.25 per share to its officers in satisfaction of accrued salaries and benefits totaling $275,000.

On November 10, 2001, the Company cancelled its consulting agreement with J. Douglas Group and rescinded the corresponding 250,000 shares of $0.001 par value common stock.

On November 10, 2001, the Company entered into a consulting contract with Mr. Marco Alfonsi for a period of one year. Pursuant to the agreement, the Company issued Mr. Alfonsi 250,000 shares of its $0.001 par value common stock bearing the Rule 144 restriction.