BEFORE THE
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

In the Matter of the Application of

Metatron, Inc.

For Review of Denial of Company-Related Action by

FINRA

Administrative Proceeding File No. 3-18567

FINRA'S BRIEF IN OPPOSITION TO THE APPLICATION FOR REVIEW

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October 3, 2018

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I. INTRODUCTION

Metatron, Inc. ("Metatron" or the "Company"), an issuer quoted on the OTC Pink[1] market, appeals from FINRA's denial of the Company's request to process and announce a reverse stock split. FINRA denied Metatron's request pursuant to FINRA's rule that grants it discretion to deny an issuer's request to process and announce a corporate action if the issuer is not current in its reporting requirements to the Commission or another regulatory authority.

Between 2006 and 2008, while its common stock was registered, Metatron failed to file 12 required periodic reports with the Commission. Metatron's failure to file those reports triggered FINRA's discretion to deny the Company's request, and FINRA concluded that doing so was necessary for the protection of investors and market integrity. Specifically, FINRA found that Metatron's failure to file the reports had deprived investors and the market of important information about Metatron.

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[1] OTC Pink is one of the tiers of OTC Market Group, Inc.'s OTC Link. *Positron Corp.*, Exchange Act Release No. 74216, 2015 SEC LEXIS 442, at *1 n.1 (Feb. 5, 2015).

FINRA followed its rules, relied on grounds that are factually accurate, and applied its rules in a manner consistent with the Securities Exchange Act of 1934 (the "Exchange Act"). The Commission therefore should dismiss Metatron's application for review.

II. BACKGROUND

A. FINRA's Review of Company-Related Actions

FINRA processes requests to announce and publish certain corporate actions by issuers whose securities trade on the over-the-counter markets. *Positron*, 2015 SEC LEXIS 442, at *4. These actions, known as "Company-Related Actions," include any stock dividends, stock splits, or rights offerings, as well as "the issuance or change to a trading symbol or company name, merger, acquisition, dissolution or other company control transactions, bankruptcy or liquidation." *Id.*[2] If FINRA elects to process an issuer's Company-Related Action, it will announce the action on its website in a document known as the "Daily List," which effectively announces the action to the over-the-counter market. *Id.* at *4.

B. Deficiency Determinations Under FINRA Rule 6490

Under FINRA Rule 6490, FINRA's Department of Operations (the "Department") may deny an issuer's request to process a Company-Related Action.[3] After conducting an in-depth review, the Department may deny a request if it finds (1) the request is "deficient," based on a

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[2] FINRA Rule 6490 refers to the first category of Company-Related Actions as "SEA Rule 10b-17 Actions" and the second category as "Other Company-Related Actions." Metatron's proposed reverse-stock split is an SEA Rule 10b-17 Action. *See Positron*, 2015 SEC LEXIS 442, at *4 n.5.

[3] The Commission approved FINRA Rule 6490 in 2010. Before 2010, FINRA's role in processing Company-Related Actions was primarily ministerial. FINRA proposed Rule 6490 due to a growing concern that its Company-Related Action processing services could be used by certain parties to further fraudulent activities. *See Positron*, 2015 SEC LEXIS 442, at *6-7.

five-factor inquiry and (2) denial is "necessary for the protection of investors, the public interest and to maintain fair and orderly markets." *mPhase Techs.,* Exchange Act Release No. 74187, 2015 SEC LEXIS 398, at *6 (Feb. 2, 2015). Relevant to this case is the second factor, which authorizes the Department to deny a request if the issuer "is not current in its reporting requirements, if applicable, to the SEC or other regulatory authority[.]" FINRA Rule 6490(d)(3)(2).

An issuer may appeal the Department's denial to a subcommittee of FINRA's Uniform Practice Code Committee (the "UPCC Subcommittee"). FINRA Rule 6490(e). On appeal to the UPCC Subcommittee, the issuer may offer additional supporting documentation in support of its request. FINRA Rule 6490(e). The UPCC Subcommittee's decision constitutes FINRA's final action. FINRA Rule 6490(e).

III. FACTS

A. Metatron's Origin

Metatron was initially incorporated in New Jersey in 1976 under the name Natural Resources Guardianship International, Inc. Appendix ("App.") at 3.[4] In 1978, the Company changed its name to XRG International, Inc. ("XRG-New Jersey"). App. at 3. XRG-New Jersey "developed, manufactured, and marketed fuel catalysts for gasoline and diesel engines." App. at

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[4] The Appendix contains Metatron's Amended Form 10, dated October 1, 2002, as filed with the Commission. The Commission may take notice of the facts stated by the Company in the Amended Form 10. *OptionsExpress, Inc.*, Exchange Act Release No. 70698, 2013 SEC LEXIS 3235, at *8-9 (Oct. 16, 2013) ("Rule of Practice 323 provides that official notice may be taken of any material fact which might be judicially noticed by a district court of the United States, any matter in the public official records of the Commission, or any matter which is peculiarly within the knowledge of the Commission as an expert body.").

3. Before 2000, XRG-New Jersey's operations ceased and it became a "blank check" company as defined by the Commission. App. at 3.

In March 2000, XRG-New Jersey merged with USA Polymers, Inc., a Florida corporation ("USA Polymers-Florida"). USA Polymers-Florida "had developed a strategy for a consolidation plan in the injection molding industry." App. at 3. XRG-New Jersey exchanged 3 million shares of its common stock "for certain intangible assets" of USA Polymers-Florida, including its "trade name, business plan, target acquisition lists, and management." App. at 3. After the transaction, XRG-New Jersey "decided to abandon this business plan and the acquired assets were deemed to have no value[.]" App. at 3. As of December 2001, XRG-New Jersey was a "non-reporting, non-trading public shell." App. at 40.

In December 2001, XRG-New Jersey entered into a reverse merger with a new, privately owned Delaware corporation also named XRG, Inc. ("XRG-Delaware").[5] App. at 3-4. XRG-Delaware was the surviving entity. App. at 4. Upon completion of the transaction, the Company no longer considered itself a "blank check" company; it considered itself "a development stage enterprise" providing "management for [its] consolidation plan in the freight transportation business." App. at 4.

B. Metatron Fails to File 12 Periodic Reports With the SEC

In 2002, the Company filed a Form 10-SB with the Commission to register shares of its common stock. Record ("R.") at 4619.[6] By registering its stock with the Commission, the

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[5] XRG-Delaware initially was incorporated in Delaware in 2000 under the name USA Polymers, Inc. App. at 4.

[6] "Record" refers to the certified record.

Company became a reporting issuer under the Exchange Act and therefore was required to file quarterly and annual reports.

The Company did not file a report for any period after 2005. The Company filed its last annual report in December 2005 for the fiscal year ended March 31, 2005. *See* R. at 2. The Company filed its last quarterly report in January 2007 for the quarter ended December 31, 2005. *See* R. at 2. In early 2006, the Company was "delisted from the OTC-Bulletin Board ... for failure to timely file periodic financial reports." R. at 273.

C. Metatron Ceases Operations and Terminates Its Obligation to File Periodic Reports

In February 2007, the Company filed a Form 8-K announcing that it was "ceasing active business operations as a non-asset based carrier," and that it was "winding down" its business. R. at 651-52. The Company did not file any more reports with the Commission over the next two years.

In March 2009, the Company filed a Form 8-K in which it announced an agreement with Belmont Partners, LLC, under which Belmont Partners had gained control of 53% of the Company's outstanding capital stock. R. at 674. Two days later, control of the Company changed hands again when South Bay Financial Solutions, Inc., acquired 50.01% of XRG's common stock from Belmont Partners. R. at 149; 273; 3247-63.

One month later, in April 2009, the Company filed a Form 15 with the Commission to terminate the registration of its securities. R. at 4619. The same day, April 24, the Company changed its name to Metatron, Inc. R. at 4620.[7]

D. Metatron Begins Operating As an Internet Services Firm

In June 2009, the Company's current CEO gained control of Metatron via a merger with Rcomm, Inc. R. 273; 3282-93; 4620. Following the transaction, Metatron began operating as "an internet professional services firm." R. at 4620. Around this time, Metatron's common stock was listed for quotation on OTC Pink under the trading symbol MRNJ. R. at 269-70, 297.

IV. PROCEDURAL HISTORY

A. Metatron's Request for a Reverse Stock Split

In February 2018, Metatron submitted a request to the Department to process and announce a 1-for-57 reverse stock split. R. at 143-48. In connection with its request, Metatron submitted a letter from its counsel and documents relating to its corporate history. R. at 149-253. The Department asked for additional information, which Metatron provided. R. at 255.

B. FINRA's Department of Operations Denies Metatron's Request

After reviewing all the information, the Department found Metatron's request deficient and denied it. R. at 4603-05. The Department's denial was based on FINRA Rule 6490(d)(3)(2), which gives FINRA discretion to decline an issuer's request to process and

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[7] In 2014, Metatron filed a Form 1-A for a Regulation A offering. R. at 3089. Metatron filed the Form 1-A under its current corporate name and used a different CIK number (001607004) than it had used for its prior SEC reporting. R. at 2, 3089. Metatron's prior filings had been under the name XRG, Inc., and CIK number 0001168375. *See* R. at 2, 969.

announce a Company-Related Action if the "the issuer is not current in its reporting requirements . . . to the SEC or other regulatory authority[.]" R. at 4603-04; FINRA Rule 6490(d)(3)(2).

The Department issued a written deficiency determination to explain the basis of its denial. In its deficiency determination, the Department stated that Metatron was not current in its reporting requirements to the SEC because it had failed to file 12 mandatory periodic reports—nine quarterly periodic reports for periods between June 2006 and December 2008, and three annual reports for periods between March 2006 and March 2008. R. at 4603-04. The Department concluded that denying the request was "necessary for the protection of investors, the public interest, and to maintain fair and orderly markets[.]" R. at 4603.

C. The UPCC Subcommittee Affirms the Denial of Metatron's Request

Metatron appealed the Department's decision to the UPCC Subcommittee. R. at 4619-23. After a de novo review, the UPCC Subcommittee affirmed the Department's denial of Metatron's request. R. at 4743-48. The UPCC Subcommittee found that Metatron did not file the 12 periodic reports cited in the Department's deficiency determination and therefore was not current in its reporting requirements to the SEC. R. at 4744-45. The UPCC Subcommittee agreed with the Department that denying Metatron's application was necessary for the protection of investors, the public interest, and to maintain fair and orderly markets. R. at 4744-45. This appeal followed.

V. ARGUMENT

Section 19(f) of the Exchange Act governs the Commission's review of FINRA's denial of Metatron's request to process and announce a Company-Related Action. *Positron*, 2015 SEC LEXIS 442, at *21; *see also* 15 U.S.C. § 78s(f). The Commission must dismiss Metatron's appeal if it finds that (A) the specific grounds on which FINRA based its denial exist in fact, (B)

the denial was in accordance with FINRA rules, and (C) those rules are, and were applied in a manner, consistent with the purposes of the Exchange Act. *Id.* FINRA's denial of Metatron's request meets these criteria, and the Commission should dismiss Metatron's application for review.

A. The Grounds for FINRA's Denial Exist In Fact

FINRA Rule 6490(d)(3) requires FINRA to conduct a two-step analysis when determining whether to process a request for Company-Related Action. *Positron*, 2015 SEC LEXIS 442, at*22. First, FINRA must assess whether the issuer's request is deficient based solely on one or more of five enumerated factors stated in the rule. *Id.* Second, if FINRA considers an issuer's request deficient, FINRA "may determine" not to process the issuer's request if denial "is necessary for the protection of investors, the public interest and to maintain fair and orderly markets." *Id.*

1. Metatron's Request Was Deficient Because Metatron Failed to File 12 Required Periodic Reports

Metatron's request was deficient under FINRA Rule 6490(d)(3)(2), which provides that FINRA may deny an issuer's request if the issuer is "not current in its reporting requirements, if applicable, to the SEC or other regulatory authority[.]" Metatron concedes that it failed to file 12 required periodic reports with the SEC between 2006 and 2008. Metatron Brief ("Br.") at 1. The grounds for FINRA's denial therefore exist in fact.

a. FINRA Properly Interpreted FINRA Rule 6490(d)(3)(2)

Unable to dispute its failure to file the required periodic reports, Metatron argues that FINRA misinterpreted FINRA Rule 6490(d)(3)(2), and that under the rule's plain language, FINRA did not have discretion to deny its request. Metatron's plain language argument comprises two purported misinterpretations by FINRA. First, Metatron contends that FINRA

does not have discretion to deny an issuer's request as long as the issuer is current in its reporting requirements to one regulatory authority, even if it is not current in its reporting requirements to another. Second, Metatron argues that an issuer is current in its reporting requirements as long it has made 12 months of "current information" available to investors. Neither argument has merit.

(i) An Issuer Must Be Current In Its Reporting to the Commission and Any Other Regulatory Authority to Which It Has a Reporting Obligation

Metatron contends that "Rule 6490(d)(3)(2) does not require the Company to be current in its reporting requirements to the Commission *and* another regulatory authority, but instead *only* to the directly relevant regulatory authority." Br. at 9-10 (emphasis in original). Metatron asserts that, because it filed a Form 15 in 2009, and has since been "following the Alternative Reporting Standards of the OTCM Group," its "directly relevant regulatory authority" is OTC Markets Group, not the SEC, and thus the Company's failure to file periodic reports with the SEC does not matter. Br. at 10.[8] Metatron's argument depends on a strained meaning of the word "or," as used in the phrase "SEC or other regulatory authority." Citing a dictionary definition, Metatron asserts that, within FINRA Rule 6490(d)(3)(2), "or" operates as "a function word to indicate an alternative," i.e., the SEC or another regulatory authority, but not both. Br. at 9. The Commission should reject Metatron's interpretation of Rule 6490(d)(3)(2) because it ignores a cardinal rule of statutory interpretation—context matters—and produces a result at odds with the rule's purpose.

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[8] To the extent Metatron contends that its filing of Form 15 in 2009 cured its failure to file required periodic reports from 2006 through 2008, Metatron is incorrect. *See* Section V.A.1.a.iv, below.

The starting point for interpreting a statute is its plain language. *King v. Burwell*, 135 S. Ct. 2480, 2489 (2015). If the language is plain, it must be enforced according to its terms. *Id.* "But oftentimes the meaning—or ambiguity—of certain words or phrases may only become evident when placed in context." *Id.* When deciding whether the language is plain, the words of the statute must be read "in their context and with a view to their place in the overall statutory scheme." *Id.* The objective is "to construe statutes, not isolated provisions." *Id.*

Context is particularly important when determining the meaning of the word "or." As many courts have recognized, within statutes and other legal texts, "or" takes on different meanings depending on how it is used. In some instances, "or" is used in its exclusive sense, i.e., A or B, but not both; in other instances, "or" is used in its inclusive sense, i.e., A or B, or both. *Shaw v. Nat'l Union Fire Ins. Co.*, 605 F.3d 1250, 1253-54 (11th Cir. 2010).[9] Whether "or" should be read in its exclusive or inclusive sense depends entirely on context. *Gonzalez*, 2015 U.S. Dist. LEXIS 125387, at *58. Notably, however, and contrary to Metatron's argument here, "[t]he meaning of or is *usually inclusive*." *Id.* (emphasis added) (quoting Bryan A. Garner, *Garner's Dictionary of Legal Usage* 639 (3d ed. 2011)).

FINRA determined that, within the context of Rule 6490(d)(3)(2), "or" takes on its more common, inclusive meaning. As a result, FINRA's discretion to deny an issuer's request is

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[9] *See also Gonzalez v. Infostream Grp., Inc.*, No. 2:14-cv-906-JRG-RSP, 2015 U.S. Dist. LEXIS 125387, at *58 (E.D. Tex. 2015) ("It is well recognized that the word 'or' can be used in either an inclusive or an exclusive sense, depending on context."); *Mason v. Range-Res Appalachia*, 120 F. Supp.3d 425, 445 (W.D. Pa. 2015) ("Authorities agree that *and* has a several sense as well as a joint sense, and that *or* has an inclusive sense as well as an exclusive sense.") (emphasis added); *Lake v. Woodcreek Homeowners Ass'n*, 243 P.3d 1283, 1289 (Wash. 2010) ("In this sense, 'or' is used to indicate an inclusive disjunctive—one or more of the unlike things can be true."); *SouthTrust Bank v. Copeland One*, 886 So. 2d 38, 42 (Ala. 2003) ("Authorities agree . . . that *or* has an inclusive as well as an exclusive sense.") (emphasis added).

triggered if the issuer is not current in its reporting requirements to the SEC, another regulatory authority, or both. In contrast to FINRA's context-based interpretation, Metatron relies on a dictionary definition of the word "or," a particularly poor methodology under the circumstances. *See Burke v. State*, 290 P.3d 790, 794 (Ore. 2012) ("To begin with, [appellee] is simply incorrect in relying on the supposed 'plain meaning' of the connector 'or.' The fact is that there is nothing very plain about the use of the connective 'or' in legal drafting.") (citing Bryan A. Garner, *A Dictionary of Modern Legal Usage* 624 (2d ed. 1995) and David Mellinkoff, *Mellinkoff's Dictionary of American Legal Usage* 449 (1992)).[10]

Of the two possible interpretations, FINRA's is the only one that comports with the rule's purpose and FINRA's broader objective of investor protection and market integrity. FINRA Rule 6490 was intended to give FINRA discretion to deny an issuer's request for Company-Related Action when there are "certain indicators of potential fraud." *Order Approving Proposed FINRA Rule 6490*, Exchange Act Release No. 62434, 2010 SEC LEXIS 2186, at *7 (July 1, 2010). An issuer's failure to remain current in its reporting obligations, to the SEC or another regulatory authority, is a red flag signaling possibly fraudulent activity. *See id.*; *see also E-Smart Techs., Inc.*, 57 S.E.C. 964, 969 (2004) ("[M]any publicly traded companies that fail to file on a timely basis are 'shell companies' and, as such, attractive vehicles for fraudulent stock

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[10] *Cf. Cabell v. Markham*, 148 F.2d 737, 739 (2d Cir. 1945) (L. Hand, J.) ("[I]t is one of the surest indexes of a mature and developed jurisprudence not to make a fortress out of the dictionary; but to remember that statutes always have some purpose or object to accomplish, whose sympathetic and imaginative discovery is the surest guide to their meaning."); *U.S. v. Costello*, 666 F.3d 1040, 1044 (7th Cir. 2012) ("Dictionary definitions are acontextual, whereas the meaning of sentences depends critically on context, including all sorts of background understandings.").

manipulation schemes.").[11] Given this context, FINRA is correct to find deficient an issuer's request if the issuer is not current in its reporting requirements to the SEC, another regulatory authority to which it has a reporting obligation, or both. Additionally, requiring issuers to be current in all of their regulatory reporting provides a significant incentive for issuers to comply with their reporting obligations, which benefits investors and markets.[12]

Even if Metatron's interpretation were correct, which it is not, Metatron's argument would still fails because OTC Markets Group is not a regulatory authority. OTC Markets Group owns OTC Link LLC, which operates OTC Link ATS, a FINRA-member broker-dealer that operates SEC-registered alternative trading systems.[13] OTC Markets Group also operates the OTCQX, OTCQB, and OTC Pink markets.[14] In its 2017 Annual Report, OTC Markets Group expressly disclaims any regulatory authority over issuers, like Metatron, whose stock trades on its markets:

> OTC Markets Group *does not have regulatory authority* over companies whose securities trade on our markets and such companies are not required by U.S.

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[11] *Cf. SEC v. Belsinger Indus. Corp.*, 552 F.2d 15, 18 (2d Cir. 1977) ("The reporting requirements of the Securities Exchange Act of 1934 is the primary tool which Congress has fashioned for the protection of investors from negligent, careless, and deliberate misrepresentations in the sale of stock and securities.").

[12] *See SC&T Int'l*, Exchange Act Release No. 41815, 1999 SEC LEXIS 1755, at *12-13 (Sept. 1, 1999) ("Requiring public companies to file appropriate reports ensures the maintenance of fair and honest markets in securities. Such reports provide a valuable function by disseminating information to the investing public.").

[13] OTC Markets Group Inc., *2017 Annual Report* at 12 (March 6, 2018), https://backend.otcmarkets.com/otcapi/company/financial-report/188612/content).

[14] *Id.* at 11.

Securities laws to provide us with financial information or other disclosure for their securities to be traded by broker-dealers on our markets.[15]

Therefore, Metatron's claimed compliance with OTCM Group's Alternative Reporting Standards is not relevant to whether Metatron's request is deficient under FINRA Rule 6490(d)(3)(2).

(ii) An Issuer Is Not Current In Its Reporting If It Has Not Filed All Required Periodic Reports

Metatron also contends that, under the "plain language" of Rule 6490(d)(3)(2), the phrase "current in its reporting" does not mean that the issuer has filed all required periodic reports with the SEC or another regulatory authority, but instead means that the issuer has provided 12 months of "current information" to investors. Br. at 11. This "plain language" interpretation contradicts the rule's actual plain language. As used in FINRA Rule 6490, the phrase "current in its reporting" means what it means in analogous contexts, i.e., that the issuer has filed all required periodic reports.

A "fundamental canon of statutory construction is that, unless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning." *Perrin v. United States*, 444 U.S. 37, 42 (1979). When a statute employs a commonly used phrase, it is presumed that the phrase retains its ordinary meaning. *Lambert v. Blodgett*, 393 F.3d 943, 966 (9th Cir. 2004) (citing *Miles v. Apex Marine*, 498 U.S. 19, 32 (1990)).

Within the securities industry, an issuer is "current in its reporting" when it is fully compliant in its reporting. For example, in proceedings to enforce the Exchange Act's reporting requirements, the Commission has often stated that issuers that have failed to file all required periodic reports, or that have filed deficient reports, are not "current" in their Exchange Act

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15 *Id.* at 17.

reporting. In *Citizens Capital Corp.*, the Commission revoked the registration of an issuer's securities because the issuer had failed to file many periodic reports over a ten-year period. *See Citizens Capital Corp.*, Exchange Act Release No. 67313, 2012 SEC LEXIS 2024, at *19 (June 29, 2012). In its order revoking registration, the Commission made clear that, to become current in its reporting requirements, the issuer had to come into full compliance by filing all of its delinquent reports:

> Throughout this proceeding, [issuer] repeatedly promised ... that it would become current with its reporting obligations by September 2011 and that, in doing so, it would provide audited financial statements, neither of which it has done. Further, the Company has provided no specific dates in its briefs on appeal by which it intends to come into full compliance by filing all of its delinquent reports, including its missing quarterly reports from 2001 through 2010, and correcting the material deficiencies in the filings it has made.

Id. at *30-31. Similarly, in *Impax Laboratories*, the Commission revoked the registration of the issuer's securities because the issuer had failed to file multiple periodic reports during the previous four years. *See Impax Labs., Inc.*, Exchange Act Release No. 57864, 2008 SEC LEXIS 1197, at *3 (May 23, 2008). Once again, the Commission stated that, to become current in its reporting requirements, the issuer had to file all the delinquent reports:

> Although an acceptable revenue recognition accounting policy has been identified, it must now be incorporated into the financial statements for all of the outstanding periodic reports, including one annual report and three quarterly reports for each of 2004, 2005, 2006, and 2007 .... [Issuer] already has needed substantially more time than anticipated to address its 2004 delinquencies, making us unconvinced that it is realistic to expect that the Company can become current entirely in its reporting obligations in the foreseeable future.

Id. at *32-33.

Neither *Citizens Capital Corp.* nor *Impax Laboratories* suggests, as Metatron argues here, that an issuer can become "current in its reporting" merely by providing "current

information" for the prior 12-month period. To the contrary, in both cases, the Commission stated that the issuer would have to file several years of periodic reports to become "current" in its reporting requirements to the SEC.[16]

Indeed, the Commission's Division of Corporation Finance has expressly stated that an issuer is not "current in its reporting" unless it has filed all required periodic reports. In its Compliance and Disclosure Interpretations of the Exchange Act's registration and reporting provisions, the Division of Corporation Finance directly addresses this question:

> **Question:** When a registrant becomes delinquent in its reporting obligation under Section 13(a) or 15(d), what must it do to become current?
>
> **Answer:** *A delinquent filer must file all delinquent reports in order to become current in its Exchange Act reporting.* While filing required documents late will not "cure" Section 13(a) or 15(d) violations, and will not make the registrant timely

---

[16] *See also, e.g.*, *Nature's Sunshine Products, Inc.*, Exchange Act Release No. 59268, 2009 SEC LEXIS 81, at *28-29 (Jan. 21, 2009) ("[Issuer] has yet to return to full compliance with the Exchange Act's reporting requirements. [Issuer] already has needed substantially more time than anticipated to remedy its many delinquencies, making us unconvinced that it is realistic to expect that the Company can become current entirely in its reporting obligations in the foreseeable future."); *Am. Stellar Energy*, Exchange Act Release No. 64897, 2011 SEC LEXIS 2455, at *19 (July 18, 2011) ("Despite the Company's continued assertions on appeal that it intends to become current with its filing obligations, [issuer] remains delinquent in the filing of its fiscal year 2008 audited annual report, two of its 2002 quarterly reports, all of its 2008 quarterly reports, and two of its 2009 quarterly reports."); *Advanced Life Scis. Holdings Inc.*, Exchange Act Release No. 81253, 2017 SEC LEXIS 2297, at *17-18 (July 28, 2017) ("[Issuer] is unlikely to become current in one year. [Issuer] has needed substantially more time than anticipated to remedy past filings failures, making us unconvinced that it is realistic to expect that the company can become current in the foreseeable future."); *A-Power Energy Generation Sys.*, Exchange Act Release No. 69439, 2013 SEC LEXIS 1204, at *9-10 (Apr. 24, 2013) ("Indeed, [issuer] does not state when it expects to file its long overdue 2010 annual report, although it requests an extension of time for that filing. [Issuer] further claims that it needs six additional months after filing its 2010 annual report to complete and file its delinquent 2011 annual report .... Therefore, it is unreasonable to expect that A-Power can become current in its reporting obligations in the foreseeable future.").

> for purposes of eligibility to use certain Securities Act forms, it will permit the registrant to become current in its Exchange Act reporting.[17] (emphasis added)

Metatron dismisses this interpretation as "unpersuasive and without merit." Br. at 13. Metatron argues that the Commission did not intend for FINRA to have discretion to deny an issuer's request even when the issuer had failed to file years of periodic reports, but instead "intended to ensure only that *current public information* be available to an issuer's stockholders at or about the time the corporate action is to be processed." Br. at 12 (emphasis in original). Metatron contends that it is "irreconcilable" that FINRA could deny Metatron's request based on the Company's failure to file periodic reports that "would contain stale and outdated information[.]" Br. at 12.

Metatron's argument is refuted by the Commission's orders in *Citizens Capital Corp.*, *Impax Laboratories*, and the cases cited in footnote 16, above. In each of those cases, the Commission explicitly stated that the issuer could not become "current" in its reporting requirements until it had filed *all* required periodic reports—including reports due many years before the Commission issued its orders. In none of those cases did the Commission state that an issuer could become "current" in its reporting merely by providing 12 months of "current information" to investors.

(iii) Metatron's Reliance on Rule 144, Form S-8, and Form S-3 Is Misplaced

Metatron cites the public information requirement under Rule 144 as support for its position, but Rule 144 is inapposite. On its face, Rule 144 does not require an issuer to be "current in its reporting" to the Commission. Instead, Rule 144 requires that "*[a]dequate current*

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[17] SEC Division of Corporation Finance, *Compliance and Disclosure Interpretations* (Dec. 4, 2012), https://www.sec.gov/divisions/corpfin/guidance/exchangeactsections-interps.htm.

public information with respect to the issuer of the securities must be available." 17 C.F.R. 230.144(c) (emphasis added). The Commission has made clear that, unlike Rule 144, the Exchange Act "is intended to provide investors with not merely 'sufficient' information, but information that is complete, timely, and accurate[.]" *Gateway Int'l Holdings, Inc.*, Exchange Act Release No. 53907, 2006 SEC LEXIS 1288, at *29-30 (May 31, 2006) (rejecting issuer's argument that its "reports currently available to investors are 'more than sufficient' to enable them to make informed decisions about the [issuer]"). Rule 144's requirements are not analogous in any way to those of Rule 6490(d)(3)(2), and Metatron's reliance on Rule 144 is misplaced.

Similarly misplaced is Metatron's reliance on the requirements an issuer must satisfy to use a Form S-8 or Form S-3 registration statement. As with Rule 144, the regulations governing the use of Form S-8 and Form S-3 do not state than an issuer must be "current in its reporting" requirements to the SEC. Instead, the regulations state that, to use Form S-8, the issuer must have filed all required reports during the preceding 12 months and, to use Form S-3, the issuer must have timely filed all required reports during the preceding 12 months. *See* 17 C.F.R. 239.16b(a); 17 C.F.R. 239.13(a). On their face, these regulations explicitly require something less than an issuer's full compliance with its Exchange Act reporting requirements.

Rather than supporting Metatron's argument, the regulations relating to Rule 144 and Forms S-8 and S-3 undercut it. They show that when the Commission is writing a regulation to require something less than an issuer's full compliance with its Exchange Act reporting requirements, it knows exactly how to do so.

(iv) Metatron's Regulation A Offering and Unsubstantiated Communications With Commission Staff Are Not Relevant

Metatron cites its Regulation A offering and unsubstantiated communications with Commission staff to suggest that its filing of a Form 15 in 2009 cured its failure to file required periodic reports between 2006 and 2008. The Commission should disregard Metatron's representations about the Regulation A offering and its communications with Commission staff.

As an initial matter, the alleged communications with Commission staff are irrelevant because "unsworn representations by counsel contained in briefs or memoranda are not evidence of the facts they purport to recount[.]" *Cleantech Innovations Inc.*, Exchange Act Release No. 69968, 2013 SEC LEXIS 1998, at *24 n.44 (July 11, 2013).[18] Even if these communications were evidence, they do not show what Metatron claims.

According to Metatron, when it filed its Form 1-A for a Regulation A offering in 2014, Commission staff "did not raise any concerns regarding the lack of availability of Regulation A to the Company (generally) or its filing of a Form 15 (specifically), and [] did not raise any concerns regarding the 2006-2008 [r]eports or that the Company otherwise needed to generate and file the 2006-2008 [r]eports[.]" Br. at 14. Metatron argues that, "presumably," the staff agreed with Metatron that the filing of a Form 15 in 2009 had terminated its reporting obligations

---

[18] Metatron also asserts that Andrew Mew, the Supervising Assistant Accountant in the SEC's Office of Transportation and Leisure, "informally advised" Metatron that it "no longer had any duty to file the 2006-2008 [r]eports." Br. 14-15. Other than Metatron's self-serving representations however, there is nothing in the record evidencing the alleged conversations. Moreover, the Commission's Division of Corporation Finance has formally stated that an issuer is not current in its reporting requirements unless it has filed all required periodic reports. The Commission should give no weight to Metatron's assertions regarding its communications with Mr. Mew.

under the Exchange Act, and that its failure to file required periodic reports in 2006 through 2008 was not "problematic." Metatron's argument is incorrect.[19]

Metatron's filing of a Form 15 in 2009 did not cure its pre-existing reporting deficiencies. Filing a Form 15 suspends an issuer's duty to file periodic reports in the future. But "[f]iling a Form 15 does not obviate the need to file all delinquent reports, nor does it necessarily moot any sanction" for pre-existing violations of the Exchange Act's reporting requirements. *Aqua Socy., Inc.*, Initial Decisions Release No. 439, 2011 SEC LEXIS 3878, at *19 (Nov. 3, 2011) (citing *Secured Dig. Applications, Inc.*, Exchange Act Release No. 64533, 2011 SEC LEXIS 1791 (May 23, 2011). In several case, issuers have been sanctioned for failing to file periodic reports that were due before the filing of a Form 15. *See, e.g., Cirtran Corp.*, Initial Decisions Release No. 1134, 2017 SEC LEXIS 1405 (May 11, 2017) (revoking registration after issuer had filed a Form 15 but before registration had terminated).[20] These Commission actions demonstrate that filing a Form 15 does not cure previous reporting deficiencies.

Moreover, it cannot simply be assumed, based on these alleged facts, that the staff agreed with Metatron's view that the missing periodic reports were not "problematic." Metatron filed its 2014 Form 1-A under a different corporate name and different CIK number than it had used

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[19] Metatron notes that FINRA processed and announced the Company's prior reverse stock splits in 2015 and 2017. Br. at 6. FINRA's decision to process and announce those reverse stock splits does not estop FINRA from denying Metatron's latest request. *Melvyn Y. Zucker*, Exchange Act Release No. 13076, 1976 SEC LEXIS 123, at *5-6 (Dec. 16, 1976) ("A regulatory authority's failure to take early action neither operates as an estoppel against later action nor cures a violation.") (citations and quotations omitted).

[20] *See also, e.g., Inelco Corp.*, Initial Decisions Release 934, 2015 SEC LEXIS 5355 (ALJ Dec. 31, 2015); *Earth Dragon Res. Inc.*, Initial Decisions Release No. 786, 2015 SEC LEXIS 1702 (May 4, 2015).

for its previous SEC filings. Thus, there was no readily apparent connection between the two sets of filings.

2. FINRA's Denial of Metatron's Request Was Necessary For the Protection of Investors, the Public Interest, and to Maintain Fair and Orderly Markets

FINRA Rule 6490(d)(3) states that "where [a Company-Related Action] is deemed deficient," FINRA "may determine" not to process the request if doing so is "necessary for the protection of investors, the public interest and to maintain fair and orderly markets." *Positron*, 2015 SEC LEXIS 442, at *24; FINRA Rule 6490(d)(3)(3). The rule's use of the permissive term "may" vests FINRA with discretion in deciding whether to process and announce a Company-Related Action. *Positron*, 2015 SEC LEXIS 442, at *24. The Commission has "long stated that to the extent that discretion enters into FINRA's decision ... the discretion in question is FINRA's, not [the Commission's]," and the Commission "will not substitute [its] judgment for FINRA's unless [FINRA's] decision is unsupported by the record." *Id.* at *24-25 (citations and quotations omitted).

FINRA denied Metatron's request based on Rule FINRA 6490(d)(3)(2). That subsection identifies as a deficiency an issuer's not being "current in its reporting requirements ... to the SEC or other regulatory authority[.]" Metatron does not dispute that it failed to file 12 periodic reports with the SEC between 2006 and 2008. Thus, Metatron is not current in its reporting requirements to the SEC.

FINRA determined that, in light of Metatron's admitted non-compliance with its reporting obligations, processing and announcing the Company's reverse stock split would pose a threat to investors and market integrity in two ways. First, it would provide a disincentive for issuers to become and remain current in their reporting requirements to the SEC and other regulatory authorities. R. at 4746-47 ("The importance of requiring issuers to abide by their

periodic reporting requirements far outweighs [Metatron's] interest in conducting its proposed corporate action[]."). Second, Metatron's failure to file required periodic reports deprived investors of information that would have enabled them "to make better-informed decisions about buying, selling, or holding [Metatron's] stock." R. at 4747. FINRA's judgment is supported by the record and should be affirmed.

Metatron argues that FINRA's denial was not necessary to protect investors or market integrity because the Company has provided "continual disclosure" under OTC Market Group's Alternative Reporting Standards, and "[t]he providing of 10-year old disclosure [*sic*] would prove to be meaningless to the Company's stockholders because of the staleness of the information from the passage of time." Br. at 16. Metatron states that it is now in a different line of business and that "the market for its common stock has long-since absorbed any lack of information that would have been contained in the 2006-2008 Reports[.]" Br. at 16-17.

The Commission repeatedly has rejected the arguments Metatron makes about the value of information in periodic reports that were not timely filed. In proceedings brought to enforce the Exchange Act's reporting requirements, the Commission has found that issuers must file all required periodic reports, even when those reports were due many years earlier and the issuer had provided more recent information to investors. *See Am. Stellar Energy*, 2011 SEC LEXIS 2455, at *19 (issuer failed to file periodic reports from 2002, 2008, and 2009); *Gateway Int'l*, 2006 SEC LEXIS 1288, at *30 (rejecting issuer's argument that it had provided investors with "sufficient" information to make informed decisions). Metatron's arguments concerning the relevance and timeliness of the periodic reports are a thinly veiled attempt to define what is in the interest of the investing public. The Commission should reject Metatron's self-serving characterization of the periodic reports.

B. FINRA's Denial of Metatron's Request Was In Accordance with FINRA Rule 6490 and FINRA Rule 6490 Was Applied in a Manner Consistent With the Purposes of the Exchange Act

FINRA's decision here is in accordance with its rules and entirely consistent with the Exchange Act. *See Order Approving Proposed FINRA Rule 6490*, 2010 SEC LEXIS 2186, at *15-16 ("[T]he proposal is consistent with the [Exchange] Act and . . . Section 15A(b)(6) of the [Exchange] Act," and "is necessary for the protection of investors and the public interest and to maintain fair and orderly markets."). FINRA properly found that Metatron had failed to file 12 required periodic reports with the SEC between 2006 and 2008, and thus the Company was not current in its reporting requirements to the SEC. FINRA determined that Metatron's failure to provide complete information was contrary to investor protection and the public interest, and denied Metatron's request to process and announce its reverse stock split.

C. Metatron's Claims of Hardship and Infeasibility Do Not Excuse Its Failure to Comply with Its Reporting Requirements to the SEC

Metatron argues that becoming current in its reporting requirements to the SEC "may not be feasible," and that doing so "would present an undue hardship" to the Company. R. at 4623. Neither argument warrants reversal of FINRA's decision.

Metatron suggests that it may not be feasible to become current in its reporting requirement to the SEC because the SEC's EDGAR system may not accept its electronic filing of its 2006 through 2008 periodic reports. This argument is based on unsubstantiated communications with SEC staff and thus should be disregarded.[21]

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[21] Metatron does not address the availability of a hardship exemption to the Commission's electronic filing requirements. *See* 17 C.F.R. 232.201 (temporary hardship exemption); 17 C.F.R. 232.202 (continuing hardship exemption).

Metatron also contends that becoming current in its SEC reporting requirements would "impose a significant financial burden" that would harm the Company and its shareholders. Br. at 19-20.[22] As FINRA explained in its decision denying Metatron's request, "Rule 6490 places primary importance on FINRA's responsibility to protect investors, not the financial expenses that an issuer may incur." R. at 4746. In this case, FINRA properly exercised its discretion and placed a primary importance on the investing public and its ability to access financial information about Metatron. The Commission should affirm FINRA's decision and dismiss Metatron's application for review.

VI. CONCLUSION

FINRA properly denied Metatron's request to process and announce its Company-Related Action. Metatron's failure to file 12 required periodic reports over a two-year period raised significant concerns about the company's proposed reverse stock split. FINRA's denial comports fully with FINRA's rules and Section 19(f) of the Exchange Act. The SEC therefore should dismiss Metatron's application for review.

Respectfully submitted,

Michael M. Smith
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Michael.Smith@FINRA.org – Electronic Mail
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202-728-8264 – Facsimile

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[22] Again, Metatron does not provide any evidence to substantiate its argument, but instead offers only its counsel's representations.

CERTIFICATE OF COMPLIANCE

I, Michael M. Smith, certify that this brief complies with the length limitation set forth in SEC Rule of Practice 450(c). I have relied on the word count feature of Microsoft Word in verifying that this brief contains 5,552 words.

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CERTIFICATE OF SERVICE

I, Michael M. Smith, certify that, on October 3, 2018, I caused the original and three copies of the FINRA's Brief in Opposition to the Application for Review in the matter of Metatron, Inc., Administrative Proceeding File No. 3-18567, to be served via messenger on:

Brent Fields, Secretary
Securities and Exchange Commission
100 F Street, NE
Room 10915
Washington, DC 20549

and via Federal Express Overnight Delivery and Electronic Mail on:

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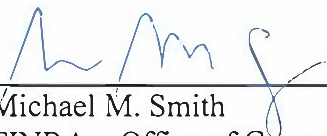
Service was made on the Commission via messenger and on applicant's counsel via Federal Express and Electronic Mail due to the distance between FINRA's office and applicant's counsel's addresses.

Respectfully submitted,



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APPENDIX

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As filed with the Securities and Exchange Commission on October 1, 2002.

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO.3
TO
FORM 10-SB

GENERAL FORM FOR REGISTRATION OF SECURITIES

UNDER SECTION 12(B) OR (G) OF THE SECURITIES EXCHANGE ACT OF 1934

XRG, INC.

(Exact Name of Registrant As Specified in Charter)

Delaware	58-2583457
(State or jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5301 Cypress Street, Suite 111 Tampa, Florida	33607
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (813) 637-0700

Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class to be so registered	Name of each exchange on which each class is to be registered
N/A	N/A

Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock ($.001 par value)

(Title of Class)

Total Number of Pages: 32
Index to Exhibits at Page: 31

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ITEM 1. DESCRIPTION OF BUSINESS

We were originally incorporated in New Jersey in December 1976, under the name of Natural Resources Guardianship International, Inc and by amendment changed our name to XRG International, Inc. in September 1978. Between 1976 and 2000, we had been engaged in an unrelated business. From 1976 through 2000, we developed, manufactured, and marketed fuel catalysts for gasoline and diesel engines. During this period we invested in excess of $2.5 million on research and development of our products at testing facilities at Carnegie Mellon University and SATRA Automotive Testing Laboratories. We marketed our products to large commercial, industrial, and marine customers and to operations that repackaged our products for retail sale under their own brands. We shifted our marketing emphasis to a retail product line which was met with high competition from lower priced comparable products. This competition coupled with the recession of the early 1980's resulted in our Chapter 11 bankruptcy filing in November 1983. We were able to restructure our operations and emerge from bankruptcy in 1984, however, our business had declined to a point from increased competition where we could not recover.

After our original business plan ceased, we became a "blank check" company as defined by the Securities and Exchange Commission. The SEC defines a blank check company as one which has no specific business or plan other than to consummate an acquisition of or merge into another business or entity. A number of states have enacted statutes, rules and regulations limiting the sale of securities of "blank check" companies in their respective jurisdictions. Additionally, some states prohibit the initial offer and sale as well as any subsequent resale of securities of shell companies to residents of their states.

In March 2000, XRG International, Inc. agreed to issue USA Polymers, Inc. a Florida Corporation, 3,000,000 shares of our Common Stock for certain intangible assets of the company. USA Polymers, Inc. is controlled by our current officers and directors and had developed a strategy for a consolidation plan in the injection molding industry. We acquired its trade name, business plan, target acquisition lists, and management. The shareholders of USA Polymers gained effective control of XRG International, Inc. Subsequent to the purchase, we decided to abandon this business plan and the acquired assets were deemed to

have no value to XRG International, Inc. and the loss was charged to expense for the period ended March 31, 2000.

In order to restructure our operations to reflect our new line of business, XRG, Inc.("XRG"), a privately owned Delaware Corporation, with no significant operations from its inception in November 2000, merged with XRG International, Inc. in December 2001. XRG, Inc. a Delaware Corporation, was controlled by our current officers and directors, therefore these merged entities were under common control. XRG, Inc. was originally incorporated under the name of USA Polymers, Inc., a Delaware Corporation and by amendment, changed its name to XRG, Inc. Pursuant to the terms of the Agreement and Plan of Merger XRG International, Inc. exchanged all of its outstanding shares of Common Stock, for approximately 70% of the common stock of XRG, Inc, a Delaware Corporation in a reverse merger transaction. XRG, Inc., a Delaware Corporation was considered the Surviving Corporation and the acquirer for accounting purposes. Upon completion of the merger, we were no longer considered a "blank check" company. XRG is classified as a development stage enterprise and provides the management for our consolidation plan in the freight transportation business.

We have completed our restructuring and our business plan now focuses on acquiring and operating both asset and non-asset based truck-load carriers in the contiguous 48 states. We are currently providing administrative services through our subsidiary XRG G&A, Inc. for invoicing, collections, regulatory compliance, credit reviews, processing payments and commissions, and answering services for one of our targeted acquisitions at a service fee equal to 3% of its gross billings. During the three-month period ended June 30, 2002, we generated $224,948 in revenues from these administrative services. To-date we have not generated any revenues from the acquisition and operation of truck-load carriers.

Overview

XRG plans on consolidating established and profitable truckload carriers throughout the United States that have long-term customer relationships and typically generate revenues between $5 and $20 million. We believe that these acquisitions will enable us to diversify our customer base, technical capabilities and geographic areas served. It is our belief that this consolidation opportunity will provide us with an opportunity to generate substantial business.

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Our philosophy within the truckload industry will be to hire out the "purchased transportation" defined as the total costs of operating the tractor and trailer, including fuel, repairs and maintenance, driver wages, depreciation, finance costs of the equipment, and physical damage insurance which will be the responsibility of the owner/operator. By contracting with an owner/operator to haul the load, these costs will remain their responsibility. Our cost will be a previously agreed upon price for transporting the load which is typically a percentage of the contract price or a price per mile. Revenues will be generated upon delivery of the load. XRG will not bear any of the costs of idle equipment. This will allow us to avoid the greatest shortfall that carriers that own their own equipment face, utilization or the number of miles a tractor and trailer travels under load as a percentage of total miles driven. Equipment that is not under load is a cost to the typical carrier and reduces its utilization. Carriers that own their own equipment are faced with this problem. Because we will contract for the equipment, only trucks pulling loads incur expenses and therefore we will experience higher utilization levels. This cost will be contracted for prior to the load being picked up, and will be typically 75% of the gross revenue of the load. Maintenance, breakdowns, and all other expenses associated with owning equipment will be the responsibility of the equipment owner, and not us. It is our belief that contracting purchased transportation will allow us to fix our costs as a percentage of revenues and increase our utilization because we will not be bear the costs relating to idle

equipment which will give us a competitive advantage over asset-based truck-load carriers.

Currently, we are only providing administrative services for one customer located in Pittsburgh, Pennsylvania. On February 1, 2002, XRG, Inc. created a new subsidiary, XRG G&A, Inc. and executed an Administrative Services Agreement with KDK TRANSPORT, INC. which permits XRG G&A to provide administrative services for a period of five years unless terminated by KDK upon 30 days prior written notice to XRG. XRG G&A, Inc. collects a 3% service fee payable weekly based on KDK's trucking and brokerage gross billings for the prior week. XRG has generated $335,149 in revenues during the period from February 1, 2002 until June 30, 2002. Related expenses were $357,464 resulting in a negative gross margin of $22,315.

During the year ended March 31, 2002 and the three-month period ended June 30, 2002, we incurred a loss of $324,136 and $119,717, respectively. We have not generated sufficient revenues from operations to self-fund our capital and operating requirements. We had a cash balance at June 30, 2002 of $242,343 and working capital of $127,304. The primary source of our working capital during the year ended March 31, 2002 and the three-month period ended June 30, 2002, was from the issuance of notes payable. We believe that our current cash resources and access to capital will be sufficient to sustain our operations for at least 12 months. Our monthly cash "burn rate" is approximately $25,000 per month. This estimate is a forward-looking statement that involves risks and uncertainties. The actual time period may differ materially from that indicated as a result of a number of factors so that we cannot assure that our cash resources will be sufficient for anticipated or un-anticipated working capital and capital expenditure requirements for this period.

Industry

Trucking has evolved rapidly over the last 20 years and has proven to be the preferred mode of transportation of most manufactured goods and commodities. According to Yellow Corporation, a leading freight transportation company, the trucking industry in 2001 accounted for 87.3% of total domestic freight revenue, or $610 billion, and 67.4% of domestic freight volume. The growth in trucking is the result of the ability for trucking companies to create customized transportation services that provide more flexibility that other means of transportation like railroads . As a result of the growth in the truckload industry and the increasing demand for the timely and expeditious movement of freight, new opportunities are emerging for carriers that have the expertise to meet the needs of today's sophisticated shippers. The just-in-time revolution helped integrate trucking into a shipper's business processes. These companies depended heavily on the ability of trucking to deliver goods at set times in order to reduce inventories in the production process Of the 458,634 interstate motor carriers on file in 1998, approximately 70% operate six or fewer trucks according to the Office of Motor Carriers, Washington, D.C. Our business plan focuses on acquiring smaller trucking companies in this segment, however, to-date we have not completed any acquisitions that provide us current market share.

Business Strategy

Our business strategy focuses on initially providing administrative services through our subsidiary XRG G&A, Inc. for invoicing, collections, regulatory compliance, credit reviews, processing payments and commissions, and answering services for targeted trucking company acquisitions. We believe that these services are attractive to small trucking companies and it is our belief that such services will provide the necessary foundation for the eventual acquisition of these established and profitable truckload carriers. However, there is no assurance that we will be successful in attracting or acquiring these small trucking companies. These businesses have established long-term

relationships with existing customers to provide freight shipping services within the United States. Management believes that significant acquisition opportunities currently exist within the truckload carrier industry. The industry is highly fragmented, management estimates that only 1% of carriers have annual revenues in excess of $100 million. In evaluating specific carriers for acquisition, we will consider the following factors:

- Profitability
- Gross margin
- Experienced personnel
- Management team
- Compatibility or synergies
- Reputation
- Customer base
- Efficiencies, equipment capacity

Other factors such as the property's location, potential for expansion, vertical and horizontal integration, competitive market position, pricing structure, and technical and management expertise will be evaluated.

We believe that we can initially attract established, profitable, trucking companies with long-established customer bases by providing the owners of these companies with a method for a re-capitalization or an exit strategy. We will focus our efforts on privately owned closely held trucking companies that typically generate revenues between $5 and $20 million. In many cases, these targeted acquisitions will be family owned businesses in which the owner is planning for his or her retirement. XRG's acquisition strategy will allow these companies to be acquired and operate autonomously which essentially will provide them the ability continue to operate as a "family" business. Former owners will have the option of retiring or remaining involved with the business. In either case, they will receive consideration for their business and XRG will rely on the management team to continue operating the business. XRG will only target acquisitions that contain management teams that can effectively continue to operate the trucking company if the prior owner chooses to retire. It is our belief that many of these small trucking companies have grown to their limit based upon the financial resources that are available to them. Historically, bank credit limits and insurance liability limits have dictated their growth constraints. We believe that XRG will obtain economies of scale in this regard as we acquire these companies and will be able to obtain better credit and insurance rates, as well as, providing these acquired trucking companies with the financial resources for future growth. However, there is no assurance that XRG will be successful in attracting and acquiring these trucking companies, and if so, there is no assurance that we will obtain economies of scale associated with better credit and insurance rates. In addition, there is no assurance that we can obtain financial resources to provide for future growth once these companies are acquired.

We believe that there are several reasons why established, profitable, trucking companies with long-established customer bases would want to be acquired by XRG, Inc. Liability insurance for trucking companies has risen substantially in recent years which has made it difficult for small trucking companies to absorb these costs. The primary claims consist of cargo loss and damage and auto liability (personal injury and property damage). After several years of aggressive pricing, insurance carriers have raised premiums which has increased trucking companies' insurance and claims expense. The terrorist attacks of September 11, 2001, in the United States, and subsequent events, will likely result in additional increases, especially for small trucking companies. It is our belief that future insurance increases may cause these companies to be less profitable, therefore, limiting their marketability and exit strategies, as

well as, reducing their ability to raise capital through debt or equity

placements to expand or maintain their businesses. We believe that after consolidating several of these trucking companies, XRG, Inc. will be in a better position to negotiate lower insurance premiums. However, there is no assurance that XRG will be able to obtain favorable insurance premiums and control future increases in insurance premiums.

Small trucking companies have a difficulty acquiring "backhauls" which refer to a load of freight that permits a truck to return to the company's headquarters with a loaded truck, rather than an empty one. By completing acquisitions and implementing our information system at each location we believe that we can improve the dispatch system to help carriers with load matching thereby improving utilization. There are no assurances that our information system will be capable of improving the dispatch system thereby improving utilization for various acquired trucking companies.

Increased competition from larger trucking companies has reduced margins for the smaller operators. XRG seeks to regain these margins through acquisitions and economies of scale to better compete with larger truck-load carriers. We believe that by centralizing the administrative services through our subsidiary XRG G&A, Inc. for invoicing, collections, regulatory compliance, credit reviews, processing payments and commissions, and answering services will allow us to reduce costs and will be an important aspect for increasing our acquired company's margins. However, there is no assurance that we will realize efficiencies associated with centralizing the administrative services of acquired companies.

In acquiring a particular business, XRG will follow a disciplined approach utilizing specific operating and financial criteria. We will develop pro forma financial statements for acquisition candidates that reflect estimates of revenue and costs under the target Company's current ownership and will utilize such information to determine a reasonable purchase price. The following outlines the material steps of our disciplined approach:

- We will identify a potential candidate primarily through our contacts in the industry, including brokers, and other industry professionals. This cost will be minimal, and the time varies depending on the status of other acquisitions in the process. Generally, the number of potential candidates will exceed our ability to make introductions, and new opportunities will be constantly presented.

- We will review the candidates' most recent financial information to determine if the carrier operates profitably, or if not, whether we can provide assistance in adjusting operating ratios. We will generally determine whether a candidate fits our acquisition parameters within a week of receiving the requested information. Current management will be involved in this process; therefore no additional costs will be incurred.

- If a candidate is determined to be a likely fit, we will arrange a one day on site meeting to extract more information about the carrier, meet the owners, and familiarize ourselves with the current operating staff. This process will require one to two days of travel, and costs will be generally limited to travel and overnight expenses that typically will not exceed $2,500.

- Upon review of information gathered from the on site visit we will determine if the candidate fits our criteria for a credible acquisition target. In particular, we will look for the following:

    a. Profitability
    b. Capability of onsite management

c. Quality of customers and their associated credit worthiness.

d. Valuations and selling price expectations of the founder.

e. Reasons for wanting to sell.

- If the candidate is a viable target, we will prepare an offer that will be constructed to meet his or her price under our terms. We will then submit the offer to the owner, negotiate any adjustments, and work toward a signed letter of intent. This process will be the most lengthy and may take from a few weeks to as much as six months to complete. Again the process will be conducted by current management and generally no additional costs will be incurred.

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- If the letter of intent is agreed to by both parties, documentation will be prepared by our attorneys while on site due diligence is conducted. This process may take 30-60 days, and may cost $20,000 to $30,000.

- Finally, assuming that the due diligence does not uncover any misstatements, and the final purchase agreements do not vary significantly from the original proposal, the acquisition will be closed within 30 days after the purchase agreement is signed by XRG and the trucking acquisition.

We believe that we can assemble the most talented personnel, minimize downside risk of volume loss to competitors, and provide opportunities for increased profitability with our operating formula which includes the following elements:

- We will seek and identify trucking company operations for potential acquisition that have maintained their operating costs at 75% of gross revenue and sales, marketing, and dispatch costs at 10% of their gross revenues. After these potential targets are acquired, any savings below this 85% threshold will be retained by current management of the operation as an incentive in the form of a bonus. In our experience, a typical operator can maintain costs at 82% to 83% of revenues.

- We will consolidate the management of insurance, financing costs, and backroom administrative services at a central administrative office at a cost of approximately 8% to 10% of the acquired company's gross revenues. We will expect to gain economies of scale as we grow internally through acquisitions. We believe that our costs of providing these services will decrease as we achieve lower insurance costs through greater bargaining power, however, there is no assurances that we will be able to achieve this. We are currently charging 3% of revenues for administrative services for one customer. These services do not currently include the management of insurance and financing costs which accounts for the 5% to 7% difference.

We are optimistic that our business strategy and operating formula will entice many small trucking companies to be acquired by us. To-date we have not completed any acquisitions. There is no assurance that our business strategy and operating formula are viable, or whether, we will be able to complete an acquisition in the future. Currently, we provide our administrative services to one customer. We have identified ten small trucking companies for potential acquisition that fit our criteria and are actively pursuing four, however, none

have agreed to come on board.

We plan to retain all key personnel of acquired businesses and provide them with significant operating responsibility to assure the seamless continuation of service levels in order to maintain customer relationships. We will benefit from our strong management team supported by an autonomous regional team that has the knowledge and expertise to appropriately meet the needs of their local customers.

Our executive officers will dedicate as much time as is needed to XRG. Two of our officers hold positions at other companies, however, they have the flexibility of devoting their time to XRG as required. Initially, these officers are devoting approximately 480 hours per year or approximately 40 hours per month to XRG.

XRG typically will seek either employment or non-compete agreements with former owners and management, as the situation dictates. Key technical and management personnel will be offered employment agreements, along with incentives to encourage their continued loyalty to the company. Employment agreements will typically remain at similar salary levels as before the completion of the acquisition. Significant performance incentive bonuses could be realized by any savings below our 85% threshold which will be retained by the current management of the operation. For example, an acquired trucking company that generates $10 million in revenues would provide $300,000 per year at an 82% cost threshold in incentive bonuses for the trucking company's management. Our largely performance based compensation arrangement will align XRG's cash requirements with the successes of its acquisitions. In addition, we will centralize certain financial, accounting, legal, administrative, employee benefit, and sales functions to create a more efficient operating structure in our administration.

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Sales, Marketing, and Distribution

Our primary marketing emphasis will be to develop and maintain close working relationships with our acquired trucking company's sales departments which, in turn, have strong relationships with their logistic and shipping departments. Sales to our acquired trucking company's customer base will be made directly by their sales staff and XRG will provide resources and assistance, as required, to this staff. These teams will service customers and assist them in programs to provide the most efficient logistics services possible. We have not begun our efforts in assembling a sales team. We plan on acquiring members of this team by acquiring trucking companies and hiring their sales personnel. Therefore, XRG will be in a position to attract the most experience sales personal that will be most familiar with the individual acquisition's trucking operations.

XRG intends on developing a marketing department that will actively take advantage of opportunities for new business, share sales leads, and provide other cross marketing. Consolidation economies will allow for more competitive pricing and payment terms with both customers and vendors. We will also develop a detailed and budgeted marketing program for each acquired business based on the needs and opportunities of the local market. We believe that selected acquisition candidates have tremendous opportunities to increase market share internally by implementing these various programs, however, there is no assurance that we will be able to successfully implement our marketing programs.

Operations

XRG, as it grows through acquisitions, will be able to realize efficiencies that carriers could not benefit from individually. Examples of these economies will be the pooling of marketing and technical expertise; savings associated with sophisticated information systems that provide real time

information on pricing, and equipment utilization, and the better use of a larger shipper base for more profitable backhauls.

Our information system is currently in its initial stages of implementation. It is expected that this system will be fully functional in fiscal year 2003. Our expenditures to-date on our information system are approximately $15,000 and we expect to spend an additional $35,000 to complete its implementation. This proprietary system was originally developed approximately 15 years ago and it was originally developed to control, and enhance the operation of a non-asset based trucking carrier. The software was developed using the FoxPro database and has been upgraded to the new Microsoft Windows version of this database. It was developed to allow transactions tracked to be integrated on a real time basis into SBT Accounting Systems for financial management purposes. It will provide 24-7 automated advancement and payoff of truck drivers and the integration of safety and DOT compliance. All credit and collections procedures have been automated to prevent a load from being transported for a customer that either has poor credit or exceeds designated credit limits. In addition, credit and collection personnel will be able to track invoices over prescribed aging limits. Finally, the system will allow us to communicate real time on line with our customers, lending sources, and banking sources. We will continually enhance the system to allow the assimilation of other carriers, both asset and non-asset based. In addition, we are proceeding with the introduction of Citrix software as our communication platform to further enhance our abilities to share information on a real time basis.

XRG intends on developing an autonomous management structure to best maintain existing customer relationships. This philosophy will require that newly acquired carriers maintain their individual identities. Each of these businesses will operate as a separate subsidiary and division of XRG. Advertising and other promotional materials, including invoices, purchase orders, and other paperwork will depict the acquired company's existing logo and name. This strategy will help continue the customer goodwill each acquired company has built up over the years. While our operating style will allow local operators significant responsibility in daily operating decisions, financial parameters jointly established during the budgeting process will be monitored by senior management through our centralized management information systems.

In addition, XRG will establish a compensation structure designed to maintain and create "ownership incentives" for divisional personnel. We plan on rewarding personnel with bonuses tied to the achievement of certain objectives and by developing an employee incentive stock option plan. Option plans, and other incentive programs, will be in addition to the stock that "owner

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entrepreneurs" receive as part of the purchase price when we acquire their business. It will be our philosophy to structure acquisitions such that the sellers remain with us, and that they accept our securities as part of their sale proceeds. We believe that this will help to insure an orderly, and profitable transition, and will increase the former owner's incentive to continue to grow his or her business and benefit from future stock appreciation. We plan on acquiring trucking companies using our cash, stock, bank financing, and owner financing. Management will determine the mix of these financing alternatives on a case by case basis depending on the owner's needs and our availability of capital.

The key elements in the our operating strategy include the following:

- Expand sales for acquired divisional carriers.
- Acquire additional truckload carriers allowing XRG to diversify product lines and expand geographical markets.

o Pursue long-term relationships with new customers through new marketing programs.

The greatest barrier to national market dominance by any one, truckload carrier, is the enormous cost in equipment procurement, maintenance, and most importantly utilization.

Utilization refers to the number of miles a tractor and trailer travel under load as a percentage of total miles driven. Proper utilization will be the responsibility of the dispatch department which plans either in advance, or as the initial shipment is being moved, the return trip with as little deadhead (unloaded miles) as possible. It will be imperative to have a system in place so that a dispatcher can monitor available loads and available equipment to be loaded to assist in the planning process. Proper utilization provides greater efficiencies which will enhance our revenues as more shipments can be accommodated. A portion of the each acquisition's management team compensation will be tied effectively to utilization. Improper equipment procurement, maintenance, and utilization would reduce or eliminate significant bonuses. In addition, under utilization could have a negative effect on the profitability of XRG, Inc. Our strategy of contracting purchased transportation will limit the effect of utilization on our business and will allow us to fix our costs as a percentage of revenues and reduce costs relating to idle equipment, There is no assurance that acquired companies will be able to maintain profitable operations after being acquired.

Our strategy will be to continue to use fleets and owner operators that will be responsible for equipment costs. This eliminates the problems of under utilization of equipment, improper maintenance or inefficient operating procedures since the owner/operator is responsible for the costs of his or her equipment. The truck payment will be contracted for as a percentage of gross revenue, therefore our costs will be fixed, and no costs are incurred unless a load is contracted for and revenues are generated. Small truckload carriers operate throughout the United States, conducting their businesses with local customers. Consolidating these small carriers will provide them with the size and capital structure to compete more effectively in their local markets, while maintaining the close relationships that these companies developed over the years. Management believes that the "divisions of" strategy will separate XRG from other consolidation players, because it will allow the management, and employees of the acquired company to continue those services that its customers have relied upon. This philosophy will also allow the company to maintain its own unique culture and environment that the company's employees have become comfortable with, and depend upon. XRG management believes that the typical strong bond between the acquired companies and its employees must be maintained. This should then allow for a smooth and seamless acquisition process. Within a larger organization, the acquired companies will benefit from a professional sales force, sophisticated management information systems, and a larger universe of shippers to make use of for more profitable backhauls.

XRG's divisions will remain autonomous from a management perspective, however, many accounting and administrative functions will be consolidated at the corporate offices. Such functions include:

o Purchasing
o Accounts Receivables

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o Accounts Payable
o Payroll

A state-of-the-art management information system, featuring the use of application server technology, will be implemented to handle accounting, load

processing, and other system functions. This system will provide information on load levels, equipment maintenance and utilization, load costing, and profitability. Server technology will allow management to implement the system at each location with ease, and allow the use of any PC equipment on hand, to provide real time information to both local operators and central management. The system will be developed to a point where each sales representative has access to "on-line" information while in the field. Quotations will be given at the customer's offices and delivery times based on equipment scheduling can be established. This management information system provides truckload carriers tremendous competitive advantage over local competitors.

We intend to acquire carriers, which have a strong presence in a number of unrelated markets. This approach will allow us to diversify the type of shipper we conduct business with to reduce the risks of unfavorable market conditions or downturns in specific markets. In addition, we will be able to pool our technical expertise across these markets. XRG will focus its marketing efforts on maintaining long-term relationships with existing customers while pursuing new customers in all of our future target markets. Our customers typically will have relationships with a limited number of carriers. Bills of lading depicting the name of the carrier will be issued upon picking up the load. Signed delivery receipts will be released by the consignee upon the completed delivery of the freight, at which time, the cost of the load, will be invoiced by the carrier. Customers will provide the Carrier with periodic forecasts of their requirements, which will be updated regularly.

Rates will be typically negotiated with the shipper, and will be based on the type of freight to be hauled, the length of haul, the area of delivery, and any other unique aspects of the load. As shippers typically seek rate reductions from time to time, our ability to improve operating performance will be generally dependent on increasing efficiency through increased automation. Since we will not own the equipment, and the costs of "purchased transportation" (all costs associated with the operation of the equipment) will be fixed, operational efficiencies will be the responsibility of the operator.

There are three types of potential target candidates we will be seeking. Depending on the type of carrier, XRG will be acquiring the following:

- Non-asset based carriers whose clients are agents with or without their own equipment. The revenue equipment is leased to the carrier, however it is either owned by an owner-operator, or the agent who employs drivers to operate its equipment. In this situation we will be acquiring customer bases, employee bases, leases on physical facilities, equipment leases, operating licenses, trade names, and sales forces.

- Non-asset based carriers whose customers are traditional shippers, and who employ owner-operators to haul the freight. Again these owner-operators are leased to the carrier. In this situation we will be acquiring customer bases, employee bases, leases on physical facilities, operating licenses, trade names, and sales forces.

- Traditional asset based carriers that owns their own equipment, and have shippers as customers. In this case we would operate the carrier similar to a non-asset based carrier described above and require that management be responsible for operating the carrier at 85% of gross revenues. In this situation, we will be acquiring customer bases, employee bases, leases on physical facilities, equipment leases, operating licenses, trade names, and sales forces.

Competition

The truckload carrier industry is highly fragmented and characterized

by intense competition. As a result, our targeted acquisitions typically will have customers that are financially sound, that require equipment that is predominately in their fleet, and whose business ships mostly truckloads on a steady basis. This focus provides for improved customer relationships and allows both XRG and its customers to work together to respond quicker to shipping requirements and changes.

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We believe that none of our potential competitors will have a dominant position in the market, although certain of XRG's competitors may have greater financial, marketing, equipment, and/or other resources than XRG. As a result, they may be able to respond more quickly to new or emerging technologies and changes in customer requirements than us. XRG's consolidation strategy seeks to alleviate some of these threats by establishing centralized marketing programs and sharing technical and management expertise. XRG's management believes that carriers primarily compete based on responsiveness to customer needs, delivery time, volume capabilities, technical expertise, and price. XRG's primary competitive strengths will be its ability to provide reliable service, while maintaining superior delivery on a just-in-time or scheduled lead-time basis.

Although there are many truckload carriers engaged in the hauling of freight in the United States, few are successful at utilizing the latest information technology to efficiently handle the vast amounts of data, and paperwork generated by the movement of freight. This includes not only the paperwork necessary to properly bill and collect on a load, but the tremendous amount of information required by the various regulatory agencies.

Carriers have built relationships with customers over the years. Solid reputations for on time deliveries, operational expertise, and equipment availability coupled with skilled driver requirements have created an effective barrier to entry for new companies trying to enter this industry. Carriers primarily serve customers within their own regions and over the years have formed strong long-term relationships with them.

The transportation industry is highly competitive. We will compete with, and expect to continue to compete with, numerous national, regional and local trucking companies, many of which have significantly larger operations, greater financial, marketing, human, and other resources than us. We may compete on a limited basis with companies such as Landstar System, Inc. We anticipate that competition may increase in the future. There can be no assurance that we will successfully compete in any market in which we conduct or may conduct operations.

Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising out of our ordinary course of business. We believe that there are no claims or actions pending or threatened against us, the ultimate disposition of which would have a materially adverse effect on us.

Regulation

The trucking industry is subject to regulatory and legislative changes that can have a materially adverse effect on operations. Historically, the Interstate Commerce Commission ("ICC") and various state agencies regulated truckload carriers' operating rights, accounting systems, rates and charges, safety, mergers and acquisitions, periodic financial reporting and other matters. In 1995, federal legislation was passed that preempted state regulation of prices, rates, and services of motor carriers and eliminated the ICC. Several ICC functions were transferred to the Department of Transportation ("DOT"), but a lack of regulations implementing such transfers currently prevents us from assessing the full impact of this action.

Each potential acquisition will be regulated by the United States Department of Transportation ("DOT") and by various state agencies. The DOT has broad powers, generally governing activities such as the regulation of, to a limited degree, motor carrier operations, rates, accounting systems, periodic financial reporting and insurance. Subject to federal and state regulatory authorities or regulation, we may transport most types of freight to and from any point in the United States over any route selected by us.

The trucking industry is subject to possible regulatory and legislative changes (such as increasingly stringent environmental and/or safety/security regulations or limits on vehicle weight and size) that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services.

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Interstate motor carrier operations are subject to safety requirements prescribed by the DOT. All of our drivers will be required to have national commercial driver's licenses and will be subject to mandatory drug and alcohol testing. The DOT's national commercial driver's license and drug and alcohol testing requirements may adversely affected the availability of qualified drivers to XRG.

Motor carrier operations may also be subject to environmental laws and regulations, including laws and regulations dealing with underground fuel storage tanks, the transportation of hazardous materials and other environmental matters. It will be our intention to transport a minimum amount of environmentally hazardous substances. If we should fail to comply with applicable regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

Our operations may involve certain inherent environmental risks. We may maintain bulk fuel storage and fuel islands at several of our acquired facilities. Our operations may involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others.

Employees

We currently have twelve employees. Nine employees provide administrative services and three are in management. No employee is represented by a labor union. We consider our employee relations to be good.

Risks Related to our Business

o Losses from Operations; Accumulated Deficit; and Negative Net Worth. We have incurred substantial losses since we were formed. From the date of our formation through June 30, 2002, we incurred net losses of $15,987,545. $15,405,274 of this loss is related to the previous dormant operations of XRG International, Inc. Our losses During the year ended March 31, 2002 and 2001, were $324,136 and $123,389, respectively. Our losses for the three-month period ended June 30, 2002 and 2001, were $119,717 and $29,883, respectively. There can be no assurance that the Company will be able to generate sufficient revenues to allow the Company to achieve profitable operations.

o Need for Additional Financing. We will require additional financing in the future to support our operations and any expansion plans may result in additional dilution to shareholders. There can be no assurance that our operations will supply the revenues necessary for such purpose. There

can be no assurances given that such financing will be available in the amounts required or, if available, that such financing may be obtained on terms satisfactory to XRG.

o Loss of Key Personnel. The loss of the services of Mr. Brennan, our Chief Executive Officer, could have a material adverse effect on the Company. XRG does not maintain any key man life insurance on the life of Mr. Brennan. In addition, there is no assurance we will be able to attract other competent and qualified employees on terms deemed acceptable to us to implement our expansion plans.

o Future Acquisitions. We plan on expanding our business, in part, through the acquisition of small trucking businesses. In attempting to locate and consummate such acquisitions, we may be competing with other prospective purchasers of the acquisition candidate, many of which may have greater resources than us. There can be no assurance that suitable acquisition candidates can be identified and acquired on terms favorable to us, or that the acquired operations can be profitably operated or integrated into the XRG's operations. In addition, any internally generated growth experienced by XRG could place significant demands on our management, thereby restricting or limiting our available time and opportunity to identify and evaluate potential acquisition, candidates. The ability of XRG to consummate acquisitions will depend on our ability, to obtain sufficient financing on acceptable terms, of which there can

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be no assurance. To the extent management is successful in identifying suitable companies for acquisition, we may deem it necessary or advisable to finance such acquisitions through the issuance of Common Stock, securities convertible into Common Stock, or debt financing, or a combination thereof. In such cases, the issuance of Common Stock or convertible securities could result in further dilution to the purchasers at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result, among other things, in the encumbrance of certain of XRG's assets, may impede the our ability to obtain bank financing, and decrease our liquidity.

o Lack of Public Trading Market. There is no public trading market for XRG's common stock and it is not listed on any exchange. In order for our shares to commence trading on the OTC:BB electronic bulletin board, XRG is required to have its Form 10-SB Registration Statement cleared with the SEC. XRG will not be able to commence trading on the OTC:BB electronic bulletin board until we have responded to the SEC staff's comments and filed an amendment for our Form 10-SB. There is no assurance that the NASD will clear a Form 15c2-11 or that XRG will able to locate a market maker that will initiate quotations for XRG's securities on the OTC:BB electronic bulleting board. In addition, the SEC and the NASD have adopted certain rules effecting "penny stocks". As a result of the rules regulating "penny stocks", the market liquidity for our securities is adversely affected by limiting the ability of broker-dealers to sell XRG's securities and the ability of purchasers to sell their securities in the secondary market.

- Dependence on One Customer. All of our revenue is generated from a one major customer. Generally, we will not have long term contractual relationships with our major customers, and we cannot assure you that our customer relationships will continue as presently in effect. A reduction in or termination of our services by this customer would have a materially adverse effect on our business and operating results.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

SELECTED FINANCIAL DATA

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	Year Ended March 31, 2002	Year Ended March 31, 2001	Three Month Period Ended June 30, 2002	Three Month Period Ended June 30, 2001	Period May 1, 1999 to March 31, (1) 2002
			(Unaudited)	(Unaudited)	
Income Statement Data					
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	$ 110,201	$ -	$ 224,948	$ -	$ 110,201
Net loss	(324,136)	(123,389)	(119,717)	(29,883)	(462,554)
Net loss per share	(0.04)	(0.02)	(0.01)	(0.01)	(0.07)
Shares used in per share computation	7,498,156	6,327,597	9,087,822	6,337,822	6,674,986

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(1) The period May 1, 1999 to March 31, 2002 represents the reactivation period of our development stage activities. During this period, we reactivated the company to develop plans to pursue consolidation opportunities within several industries including the freight transportation industry.

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	At March 31, 2002	At March 31, 2001	At June 30, 2002	At June 30, 2001
			(Unaudited)	(Unaudited)
Balance Sheet Data				

<S>	<C>	<C>	<C>	<C>
Total assets	$ 341,334	$ 2,489	$ 301,829	$ 2,235
Working capital	193,621	(69,531)	127,304	(54,414)
Long-term debt	660,000	65,000	713,000	110,000
Accumulated deficit for unrelated dormant operations	(15,405,274)	(15,405,274)	(15,405,274)	(15,405,274)
Deficit accumulated during development stage	(462,554)	(138,418)	(582,271)	(168,301)
Stockholders' deficit	(455,917)	(134,531)	(575,634)	(164,414)

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Management's Discussion and Analysis of Financial Conditions and Results of Operations

This Registration Statement contains forward-looking statements. The words "anticipated," "believe," "expect," "plan," "intend," "seek," "estimate," "project," "will," "could," "may" and similar expressions are intended to identify forward-looking statements. These statements include, among others, information regarding future operations, future capital expenditures and future net cash flow. Such statements reflect our current views with respect to future events and financial performance and involve risks and uncertainties, including, without limitation, general economic and business conditions, changes in foreign, political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, the ability to achieve further market penetration and additional customers, and various other matters, many of which are beyond our control, including, without limitation, the risks described under the caption "Business." Should one or more of these risks or uncertainties occur, or should underlying assumptions prove to be incorrect, actual results may vary materially and adversely from those anticipated, believed, estimated, or otherwise indicated. consequently, all of the forward-looking statements made in this Registration Statement are qualified by these cautionary statements and there can be no assurance of the actual results or developments.

General

XRG plans on consolidating established and profitable truckload carriers throughout the United States that have long-term customer relationships and typically generate revenues between $5 and $20 million. We believe that these acquisitions will enable us to diversify our customer base, technical capabilities and geographic areas served. This consolidation plan provides us with an opportunity to rapidly develop our business.

Our philosophy within the truckload industry will be to hire out the "purchased transportation". This will allow the Company to avoid the greatest pitfall carriers that own their own equipment face, utilization. Equipment that is not under load is a cost to the typical carrier. Because the Company contracts for the equipment, only trucks pulling loads incur expenses. This cost will be contracted for prior to the load being picked up, and will be typically 75% of the gross revenue of the load. Maintenance, breakdowns, and all other expenses associated with owning equipment will be the responsibility of the equipment owner and not XRG.

Currently, We are only providing administrative services for one customer located in Pittsburgh, Pennsylvania. On February 1, 2002, XRG, Inc. created a new subsidiary, XRG G&A, Inc. and executed an Administrative Services Agreement with KDK TRANSPORT, INC. which permits XRG G&A to provide administrative services for a period of five years unless terminated by KDK upon

30 days prior written notice to the Company. XRG G&A, Inc. collects a 3% service fee payable weekly based on KDK's trucking and brokerage gross billings for the prior week. XRG has generated $335,149 in revenues during the period from February 1, 2002 until June 30, 2002. Related expenses were $357,464 resulting in a negative gross margin of $22,315. We are considered a development stage enterprise.

During the year ended March 31, 2002 and the three month period ended June 30, 2002, we incurred a losses of $324,136 and $119,717, respectively. We have not generated sufficient revenues from operations to self-fund our capital and operating requirements. We had a cash balance at June 30, 2002 of $242,343 and working capital of $127,304. The primary source of our working capital during the year ended March 31, 2002 and the three month period ended June 30, 2002, was from the issuance of notes payable. We believe that our current cash resources and access to capital will be sufficient to sustain our operations for at least 12 months. Our monthly cash "burn rate" is approximately $25,000 per month. This estimate is a forward-looking statement that involves risks and uncertainties. The actual time period may differ materially from that indicated as a result of a number of factors so that we cannot assure that our cash resources will be sufficient for anticipated or un-anticipated working capital and capital expenditure requirements for this period.

We are optimistic that our business strategy will entice many small trucking companies to be acquired by us. To-date we have not completed any acquisitions. There is no assurance that our business strategy is viable, or whether, we will be able to complete an acquisition in the future. Currently, we provide our administrative services to one customer. We have identified ten small trucking companies for potential acquisition that fit our criteria and are actively pursuing four, however, none have agreed to come on board.

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To complete the initial stages of our business plan, which we view as completing our first trucking company acquisition, we estimate that we will require an additional $1 million capital infusion. We plan on raising this capital through either debt or equity financing, however, there is no assurance that will be able to obtain financing on favorable terms to complete this acquisition.

We have incurred substantial losses since we were formed. From the date of our formation through June 30, 2002, we incurred net losses of $15,987,545. $15,405,274 of this loss is related to previous unrelated and dormant operations of XRG International, Inc. from our initial incorporation in December 1976 to April 30, 1999. On May 1, 1999, we reactivated the company to develop plans to pursue consolidation opportunities within several industries including the freight transportation industry. XRG International, Inc. merged with XRG, Inc., a Delaware Corporation formed in November 2000 to focus on acquiring and operating both asset and non-asset based truck-load carriers in the contiguous 48 states. Our loss from May 1, 1999, the date we began our development stage activities, to June 30, 2002 was $582, 271. Our losses during the year ended March 31, 2002 and 2001, were $324,136 and $123,389, respectively and our losses during the three-month period ended June 30, 2002 and 2001, were $119,717 and $29,883, respectively.

Results of Operations

Three month period ended June 30, 2002 compared to the three month period ended June 30, 2001

XRG generated $224,948 in revenues during the three-month period ended June 30, 2002 from our administrative services provided to one customer. Related expenses were $249,633 resulting in a negative gross margin of $24,685. These services are an important foundation for the eventual acquisition of trucking companies. During the three-month period ended June 30, 2001 there were no

revenues. We continue to focus our efforts primarily on identifying profitable truckload carriers throughout the United States for acquisition and securing financing to support our business.

For the three-month period ended June 30, 2002, total selling, general and administrative expenses were $73,019 as compared to $26,034 for the previous three-month period, an increase of $46,985 or 181%. This increase is the result of an increase in consulting, travel, and office costs, plus additional legal and accounting costs associated with preparing and filing our Form 10-SB Registration Statement.

Interest expense for the three-month period ended June 30, 2002 and 2001 was $22,013 and $3,849, respectively. This increase of $18,164 or 472% is associated with an increase in long-term debt of $678,000 from June 30, 2001 to June 30, 2002.

We had a net loss of $119,717 for the three-month period ended June 30, 2002 as compared to a loss of $29,883 for the prior three-month period. This increase in our operating loss over that of the preceding three-month period is the result of an increase in consulting, travel, and office costs, as well as higher interest expenses associated with our long-term debt.

The loss per share was $0.01 for the three-month period ended June 30, 2002 as compared to a loss per share of $0.01 for the for the three-month period ended June 30, 2001. The weighted average shares outstanding for the three-month period ended June 30, 2002 was 9,087,822 as compared to 6,337,822 for the preceding three-month period ended June 30, 2001.

Year ended March 31, 2002 compared to the year ended March 31, 2001

XRG generated $110,201 in revenues during the period from February 1, 2002 until March 31, 2002 from our administrative services provided to one customer. Related expenses were $107,831 resulting in a gross margin of $2,370. These services are an important foundation for the eventual acquisition of trucking companies. We continue to focus our efforts primarily on identifying profitable truckload carriers throughout the United States for acquisition and securing financing to support our business.

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For the year ended March 31, 2002, total selling, general and administrative expenses were $280,493 as compared to $119,651 for the same period of the previous year, an increase of $160,842 or 134%. This increase is the result of an increase in consulting, travel, and office costs, plus additional legal and accounting costs associated with preparing and filing this Form 10-SB Registration Statement.

Interest expense for the year ended March 31, 2002 and 2001 was $46,013 and $3,738, respectively. This increase of $42,275 or 1131% is associated with an increase in long-term debt of $600,000 from March 31, 2001 to March 31, 2002.

We had a net loss of $324,136 for the year ended March 31, 2002 as compared to a loss of $123,389 for the prior year period. This increase in the operating loss over that of the preceding year period is the result of an increase in consulting, travel, and office costs, as well as higher interest expenses associated with our long-term debt.

The loss per share was $0.04 per share for the year ended March 31, 2002 as compared to a loss per share of $0.02 for the for the year ended March 31, 2001. The weighted average shares outstanding for the year ended March 31, 2002 was 7,498,156 as compared to 6,327,597 for the preceding year period ended March 31, 2001.

Year ended March 31, 2001 compared to eleven months ended March 31, 2000

There were no revenues for the year ended December 31, 2001 and the eleven months ended March 31, 2000. We focused our efforts primarily on identifying profitable truckload carriers throughout the United States for acquisition and securing financing to maintain our business.

For the year ended March 31, 2001, total selling, general and administrative expenses were $119,651 as compared to $12,029 for the eleven month period of the previous year, an increase of $107,622 or 895%. This increase is the result of an increase in consulting, travel, and office costs, plus additional legal and accounting costs associated with preparing and filing this Form 10-SB Registration Statement.

Interest expense for the year ended March 31, 2001 and the eleven months ended March 31, 2000 was $3,738 and $-0-, respectively. This increase of $3,738 is associated with our long-term debt increase of $85,000 during the current period.

We had a net loss of $123,389 for the year ended March 31, 2001 as compared to a loss of $15,029 for the prior eleven month period. This increase in the operating loss over that of the preceding eleven month period is the result of an increase in consulting, travel, and office costs, as well as higher interest expenses associated with our long-term debt.

The loss per share was $0.02 per share for the year ended March 31, 2001 as compared to a loss per share of $0.00 for the eleven month period in 2000. The weighted average shares outstanding for the year ended March 31, 2001 was 6,327,597 as compared to 3,104,929 for the preceding eleven month period ended March 31, 2000.

Liquidity and Capital Resources

To date, we have funded our capital requirements and our business operations with funds provided from borrowings. To date, we have received $788,000 in the form of notes payable at various interest rates of 12.0% to 15.0%, payable quarterly. These notes mature at various dates between July 2002 and March 2004 and are unsecured. None of these notes individually exceed $100,000. The current portion of these notes is $75,000 which is due in July 2002. XRG, Inc is the note issuer, and none of these note-holders are officers or directors of XRG. In connection with these notes, warrants to acquire 3,744,200 shares of common stock were granted to these note-holders. These warrants have no expiration date and are immediately exercisable at prices ranging from $.000025 to $.0005.

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For the three-month period ended June 30, 2002 we used $175,836 in cash in operating activities as compared to $27,254 in the similar period ended June 30, 2001. Financing activities for the three-month period ended June 30, 2002 provided $103,000 from the issuance of notes payable. For the three-month period ended June 30, 2002, cash decreased $72,836 as compared to a decrease of $254 in the prior three-month period.

For the year ended March 31, 2002 we used $273,046 in cash used by operating activities as compared to $116,337 in the similar period ended March 31, 2001. Investing activities for the present year included the acquisition of computer equipment in the amount of $11,262. Financing activities for the year ended March 31, 2002 provided $596,998 from the issuance of notes payable. For the year ended March 31, 2002, cash increased $312,690 as compared to an increase of $2,090 in the prior year.

Historically we have not generated sufficient revenues from operations to self-fund our capital and operating requirements. We expect that our working

capital will come from fundings that will primarily include equity and debt placements. We had a cash balance at June 30, 2002 of $242,343 and working capital of $127,304. We believe that our current cash resources and access to capital will be sufficient to sustain our operations for at least 12 months. Our monthly cash "burn rate" is approximately $25,000 per month. This estimate is a forward-looking statement that involves risks and uncertainties. The actual time period may differ materially from that indicated as a result of a number of factors so that we cannot assure that our cash resources will be sufficient for anticipated or un-anticipated working capital and capital expenditure requirements for this period.

There is no assurance that we will be successful in raising capital through debt or equity placements. If such financing is not available when required, we may be unable to pay our debts in a timely manner, develop our business, take advantage of acquisition opportunities, or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations. Our inability to raise additional capital could cause us to breach our payment obligations to third parties or otherwise fail to satisfy our business obligations.

To-date we have not completed any acquisitions. There is no assurance that we will be able to complete an acquisition in the future. Currently, we generate revenue by providing administrative services to one customer. We have identified ten small trucking companies for potential acquisition that fit our criteria and are actively pursuing four, however, none have agreed to come on board.

We anticipate raising capital in the next twelve months from the issuance of convertible notes. These unsecured notes will be convertible after one year at 50% of the average bid price of our common stock from the sixty trading days immediately preceding the conversion date or maturity date. There is currently no liquidity in or stock, therefore, until our stock begins trading on an exchange we will resort primarily to raising capital through debt placements.

Seasonality

In the transportation industry, results of operations frequently show a seasonal pattern. Seasonal variations may result from weather or from customer's reduced shipments after the busy winter holiday season.

Inflation

We believe that the impact of inflation on our operations is not material.

ITEM 3. DESCRIPTION OF PROPERTY

XRG, Inc. leases approximately 1,000 square feet of office space at 100 Fifth Avenue, Suite 614, Pittsburgh, PA, 15222, which was used for our principal executive offices. The lease for the offices expires in September 2006. The monthly rent for the offices is approximately $1,100.

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We have relocated our principal executive offices to 5301 Cypress Street, Suite 111, Tampa, Florida 33607. XRG currently rents approximately 200 square feet for $600 per month on a month-to-month basis. We plan on executing a lease at this location for approximately 1,400 square feet of space in the near future. Upon execution of this lease, our monthly rent will be approximately $3,000.

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership known to the Company of shares of XRG Common Stock owned as of June 30, 2002 beneficially by (i) each person who beneficially owns more than 5% of the outstanding Common Stock, (ii) each of our directors, (iii) the Officers of XRG, and (iv) directors and executive officers of XRG as a group:

<TABLE>
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Name of Beneficial Owner (3)	Shares of Common Stock (1)	Percent of Class (2)
<S>	<C>	<C>
Kevin Brennan(4)	2,000,000	22.0%
Donald G. Huggins, Jr. (4) (5)	2,750,000	30.3%
Stephen Couture(8)	875,000	9.6%
Richard Taylor (6)	1,000,000	11.0%
Daniel Bush (7)	800,000	8.8%
Gerald Couture(8)	875,000	9.6%
All directors and executive officers as a group (4 persons)	5,625,000	61.9%

</TABLE>

(1) Represents sole voting and investment power unless otherwise indicated.

(2) Based on 9,087,822 common shares outstanding as of March 31, 2002. This amount excludes warrants to acquire 3,010,000 common shares issued in connection with our notes payable at March 31, 2002

(3) The address of each individual is in XRG's care.

(4) Includes 1,000,000 shares owned through USA Polymers, Inc., a Florida Corporation.

(5) Donald G. Huggins, Jr.'s wife Margaret J. Huggins is the stockholder. Mr. Huggins disclaims beneficial ownership of his wife's stock.

(6) Mr. Taylor is the former President and Chief Executive Officer of XRG International, Inc.

(7) Represents shares issued for consulting services.

(8) Includes 500,000 shares owned through USA Polymers, Inc., a Florida Corporation.

ITEM 5. DIRECTORS, EXECUTIVE OFFICERS,PROMOTERS AND CONTROL PERSONS

Directors and Executive Officers of the Company

The following table sets forth certain information with respect to each person who is a director or an executive officer as of June 30, 2002.

<TABLE>
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NAME	AGE	POSITION
Kevin P. Brennan	50	President, Chief Executive Officer, Director

<PAGE>

NAME	AGE	POSITION
Stephen R. Couture	32	Vice President of Finance, Chief Financial Officer, Director, Treasurer
Donald G. Huggins, Jr.	53	Executive Vice President, Chairman of the Board

</TABLE>

Executive officers are elected by the Board of Directors and serve until their successors are duly elected and qualify, subject to earlier removal by the Board of Directors. Directors are elected at the annual meeting of shareholders to serve for their term and until their respective successors are duly elected and qualify, or until their earlier resignation, removal from office, or death. The remaining directors may fill any vacancy in the Board of Directors for an unexpired term. See "Board of Directors" for a discussion of the Directors' terms.

Our executive officers will dedicate as much time as is needed to XRG. Two of our officers hold positions at other companies, however, they have the flexibility of devoting their time to XRG as required. Initially, these officers are devoting approximately 480 hours per year or approximately 40 hours per month to XRG.

Business Experience of Executive Officers and Directors

Kevin P Brennan, President, Chief Executive Officer, Director. Mr. Brennan was CFO and co-founder of Express America, a non-asset based transportation company. For the last three years he has worked for XRG, Inc. For the previous two years, Mr. Brennan was employed with Cherry, Bekaert, and Holland, L.L.P. certified public accountants. Mr. Brennan is an experienced public accountant and a licensed CPA. He attended Ohio University, and graduated with high honors from Robert Morris University, Pittsburgh, PA with a BA in Accounting.

Mr. Stephen R. Couture, Vice President of Finance, Chief Financial Officer, Treasurer, Director Mr. Couture is a principal in Couture & Company, Inc., a corporate financial consulting firm founded in 1980. He has consulted for numerous public and private companies primarily in the Tampa Bay, Florida region since 1993. Mr. Couture has been involved with structuring financings, assisting with mergers and acquisitions, private and public security placements, and development of company business plans. Mr. Couture earned a Masters in Business Administration, emphasis in finance and accounting, from the University of Tampa and a Bachelor of Science degree in management systems, from Rensselaer Polytechnic Institute.

Mr. Donald G. Huggins, Jr., Executive Vice President, Chairman of the Board. Mr. Huggins is currently President of Private Capital Group Inc., Clearwater, Florida. Mr. Huggins has served from 1991 to 1997 as Chief Operating Officer, Chief Financial Officer and Director of Business Development and Strategic Alliances for Innova Pure Water, Inc. a publicly traded, water

filtration technology enterprise, located in Clearwater, Florida. Prior to his Innova tenure, Mr. Huggins' career was focused on organizing and acquiring premium real estate development projects, through a rollup strategy, for his privately held development company.

Board of Directors

Our Bylaws fix the size of the Board of Directors at no fewer than one and no more than seven members, to be elected annually by a plurality of the votes cast by the holders of Common Stock, and to serve until the next annual meeting of stockholders and until their successors have been elected or until their earlier resignation or removal. Currently, there are three (3) directors who were originally elected on October 29, 2001. In June 2002, one of our directors, Gerald Couture, resigned, and the vacancy was filled by his son Stephen Couture.

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ITEM 6. EXECUTIVE COMPENSATION

Executive Compensation

The following table shows the compensation paid or accrued by us for the year ended March 31, 2002 and 2001, to or for the account of our officers. No executive officers received an annual salary and bonus in excess of $100,000 or more during the stated period.

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SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation Awards			
Name & Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Award(s) ($)	Options/ SARs (#)	LTIP Payouts ($)	All Other Compensation ($)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Kevin Brennan President, CEO	2002	---	---	$67,572	---	---	---	---
	2001	---	---	$38,000	---	---	---	---
Donald G. Huggins, Jr. Executive Vice President	2002	---	---	$54,500	---	---	---	---
	2001	---	---	$25,300	---	---	---	---
Stephen R. Couture Vice President,	2002	---	---	$ 5,750	---	---	---	---

Finance, CFO 2001 --- --- --- --- --- ---

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Employment and Other Agreements

Our officers do not currently have employment agreements, however, XRG, Inc. plans on establishing employment agreements with our key employees during the year ended March 31, 2003.

Stock Options

XRG intends to adopt a stock option plan in 2002, which authorizes the grant of incentive stock options under Section 422 of the Internal Revenue Code (the "Plan"). A total of 1,000,000 shares have been reserved and issued under the Plan. The Plan will provide that (a) the exercise price of options granted under the Plan shall not be less than the fair market value of the shares on the date on which the option is granted unless an employee, immediately before the grant, owns more than 10% of the total combined voting power of all classes of stock of XRG or any subsidiaries, whereupon the exercise price shall be at least 110% of the fair market value of the shares on the date on which the option is granted; (b) the term of the option may not exceed ten years and may not exceed five years if the employee owns more than 10% of the total combined voting power of all classes of stock of XRG or any subsidiaries immediately before the grant; (c) the shares of stock may not be disposed of for a period of two years from the date of grant of the option and for a period of one year after the transfer of such shares to the employee; and (d) at all time from the date of grant of the option and ending on the date three months before the date of the exercise, the employee shall be employed by XRG, or a subsidiary of XRG, unless employment is terminated because of disability, in which case such disabled employee shall be employed from date of grant to a year preceding the date of exercise, or unless such employment is terminated due to death.

Director Compensation

A director who is an employee receives no additional compensation for services as director or for attendance at or participation in meetings except reimbursement of out-of-pocket expenses and options. Outside directors will be

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reimbursed for out-of-pocket expenditures incurred in attending or otherwise participating in meetings and may be issued stock options for serving as a director. We have no other arrangements regarding compensation for services as a director.

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

XRG has advances payable to two of our officers and directors in the amounts of $31,626 and $34,627 as of June 30, 2002 and June 30, 2001, respectively, that are unsecured, non-interest bearing, and due on demand. Kevin Brennan, our President and Chief Executive Officer has advanced XRG $23,426 and $28,427 as of June 30, 2002 and 2001, respectively. Donald G. Huggins, Jr., our Executive Vice President has advanced us $8,200 and $6,200 as of June 30, 2002 and 2001, respectively.

XRG has an advance receivable due from our Executive Vice President and director, Donald G. Huggins, Jr. in the amount of $32,500 at June 30, 2002 that is unsecured, non-interest bearing, and due on demand.

Our officers have been paid $127,822 for consulting services during the year ended March 31, 2002. Kevin Brennan our President and CEO has been paid

$67,572. Donald G. Huggins, Jr., our Executive Vice President has been paid $54,500. Couture & Company, Inc., the consulting firm of Stephen Couture, our Vice President, Finance and CFO, has been paid $5,750 during the year ended March 31, 2002.

In order to restructure our operations to reflect our new line of business, XRG, Inc., a privately owned Delaware Corporation, with no significant operations from its inception in November 2000, merged with XRG International, Inc. in December 2001. At the time of the merger XRG, Inc. had 2,750,000 shares issued and outstanding. Kevin Brennan our President and CEO and Donald G. Huggins, Jr., our Executive Vice President each owned 1,000,000 shares of XRG, Inc., a privately owned Delaware Corporation. Stephen Couture our Vice President, Finance and CFO owned 750,000 shares of this company.

In March 2000, we agreed to issue USA Polymers, Inc. a Florida Corporation, 3,000,000 shares of our Common Stock for certain intangible assets of the company. These shares were issued at $.001 par value or $3,000. Kevin Brennan our President and CEO owns 1,000,000 shares, Donald Huggins our Executive Vice President owns 1,000,000 shares, and Stephen Couture our Vice President, Finance and CFO owns 500,000 shares of USA Polymers, Inc. Subsequent to the purchase, the acquired assets were deemed to have no value to XRG International, Inc. and the loss was charged to expense for the period ended March 31, 2000.

In May 1999, we agreed to issue Donald G. Huggins, Jr., our Executive Vice President 750,000 shares and Dan Bush, one of our shareholders 800,000 shares of our Common Stock for consulting services. These shares were valued a $.001 par value or $1,550.

We believe that all of the transactions with our officers and directors were fair and in the best interests of XRG, such transactions may not necessarily have been on the same terms as if negotiated from unaffiliated third parties. However, management believes that these terms are no less favorable than those that would have been available from unaffiliated third parties. Although no other transactions are contemplated, it is XRG's policy that all future transactions with our officers, directors or affiliates would be approved by members of our board of directors not having an interest in the transaction, and will be on terms no less favorable than could be obtained from unaffiliated third parties.

ITEM 8. DESCRIPTION OF SECURITIES

The authorized capital stock consists of 15,000,000 shares of common stock, $.001 par value ("Common Stock"), and 5,000,000 of preferred stock, $.001 par value ("Preferred Stock"), issuable in series. The following description of our capital stock is subject to and qualified in its entirety by our Certificate of Incorporation and Bylaws, which are included as exhibits to this registration statement and by the provisions of applicable Delaware law. Our transfer agent is American Stock Transfer & Trust Company, 40 Wall Street, New York, NY 10005.

Common Stock

As of June 30, 2002, there were 9,087,822 shares of Common Stock outstanding, held of record by approximately 1,300 stockholders.

The holders of Common Stock are entitled to one vote per share for the selection of directors and all other purposes and do not have cumulative voting rights. The holders of Common Stock are entitled to receive dividends when, as, and if declared by the Board of Directors, and in the event of the liquidation by XRG, Inc., to receive pro-rata, all assets remaining after payment of debts and expenses. Holders of the Common Stock do not have any pre-emptive or other

rights to subscribe for or purchase additional shares of capital stock, no conversion rights, redemption, or sinking-fund provisions. In the event of dissolution, whether voluntary or involuntary, of XRG, each share of the Common Stock is entitled to share ratably in the assets available for distribution to holders of the equity securities after satisfaction of all liabilities. All the outstanding shares of Common Stock are fully paid and non-assessable.

Preferred Stock

Our Board of Directors (without further action by the shareholders) has the option to issue from time to time authorized un-issued shares of Preferred Stock and determine the terms, limitations, residual rights, and preferences of such shares. We have the authority to issue up to 5,000,000 shares of Preferred Stock pursuant to action by our Board of Directors. As of June 30, 2002, we have not issued shares of our Preferred Stock.

Certain Provisions of the Certificate of Incorporation and Bylaws

Our Certificate of Incorporation provides that no directors shall be personally liable to XRG or our stockholders for monetary damages for breach of fiduciary duty as a director except as limited by Delaware law. Our Bylaws provide that we shall indemnify to the full extent authorized by law each of our directors and officers against expenses incurred in connection with any proceeding arising by reason of the fact that such person is or was an agent of the corporation.

Insofar as indemnification for liabilities may be invoked to disclaim liability for damages arising under the Securities Act of 1933, as amended, or the Securities Act of 1934, (collectively, the "Acts") as amended, it is the position of the Securities and Exchange Commission that such indemnification is against public policy as expressed in the Acts and are therefore, unenforceable.

Delaware Anti-Takeover Law and Our Certificate of Incorporation and Bylaw Provisions

Provisions of Delaware law and our Certificate of Incorporation and Bylaws could make more difficult our acquisition by a third party and the removal of our incumbent officers and directors. These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of XRG to first negotiate with us. We believe that the benefits of increased protection of our ability to negotiate with proponent of an unfriendly or unsolicited acquisition proposal outweigh the disadvantages of discouraging such proposals because, among other things, negotiation could result in an improvement of their terms.

We are subject to Section 203 of the Delaware General Corporation Law, which regulates corporate acquisitions. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless:

- the Board of Directors approved the transaction in which such stockholder became an interested stockholder prior to the date the interested stockholder attained such status;

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- upon consummation of the transaction that resulted in the stockholder's becoming an interested stockholder, he or she owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by persons who are directors and also officers; or

o on or subsequent to such date the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders.

A "business combination" generally includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. In general, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status, did own, 15% or more of the corporation's voting stock.

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PART II

ITEM 1. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND OTHER SHAREHOLDER MATTERS

There is no public trading market for the Company's common stock and it is not listed on any exchange. The Company plans to apply for listing on the OTC Bulletin Board and anticipates trading by fiscal year ending 2003.

As of June 30, 2002, there were 9,087,822 shares of common stock, par value of $.001 per share outstanding.

We believe all of the outstanding shares of common stock aggregating 9,087,822 shares of common stock will be eligible for sale pursuant to Rule 144 under the Securities Act of 1933, subject to restrictions of offers and sales of such securities by "insiders" as that term is defined under the Securities Act of 1934 and anticipates trading by fiscal year ending 2003.

The shares of common stock outstanding in the Company are held of record by approximately 1,300 shareholders.

The Company does not anticipate the payment of cash dividends in the foreseeable future. Payment of cash dividends is within the discretion of the Company's Board of Directors and will depend upon, among other factors, earnings, capital requirement and the provisions of Delaware law. There are no restrictions other than set forth herein that are applicable to the ability of the Company to pay dividends on its common stock.

Penny Stock Considerations.

Penny Stock Regulation Broker-dealer practices in connection with transactions in "Penny Stocks" are regulated by certain penny stock rules adopted by the Securities and Exchange Commission. Penny stocks generally are equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risk associated with the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock, the broker-dealer must make a written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. XRG's securities will likely have a trading price of less than $5.00 per share and will not be traded on any exchanges, therefore we will

be subject to Penny Stock Rules. As a result of the aforesaid rules regulating penny stocks, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of shareholders sell their securities in the secondary market.

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ITEM 2. LEGAL PROCEEDINGS

To the best knowledge of management there are no pending or threatened legal proceedings, which would have a material adverse effect on XRG, Inc.

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ITEM 3. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

None.

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ITEM 4. RECENT SALES OF UNREGISTERED SECURITIES

During the year ended March 31, 2002 and the three-month period ended June 30, 2002, we issued to 58 individuals an aggregate of $788,000 of unsecured notes with interest rates ranging from 12% to 15% payable quarterly. These notes mature at various dates through March 2004. The purchasers of these notes were issued warrants to acquire 3,744,200 shares of our Common Stock. These warrants are immediately exercisable at prices ranging from $.000025 to $.0005.

In connection with the offering of these notes and warrants we relied upon Section 4(2) of the Securities Act of 1933 as an exemption available from the registration requirements of Section 5 of the Securities Act of 1933 for transactions by an issuer not involving a public offering. The transactions described or referred to above did not involve an underwriter. No advertising or general solicitation was employed by us in offering these notes and warrants. All of these investors executed an agreement indicating they were "accredited investors" as defined in Regulation D. The agreement executed by all of these investors also obtained appropriate investor representations regarding access to information, economic risks, investment intent, suitability of investment, limited financial and operating history of XRG, and lack of marketability and restrictions on transfer of XRG securities pursuant to the provisions of Rule 144.

In order to restructure our operations to reflect our new line of business, XRG, Inc., a privately owned Delaware Corporation, with no significant operations from its inception in November 2000, merged with XRG International, Inc. in December 2001. At the time of the merger XRG, Inc. had 2,750,000 shares issued and outstanding that were issued in October 2001 at $.001 par value or $2,750. Kevin Brennan our President and CEO and Donald G. Huggins, Jr., our Executive Vice President each owned 1,000,000 shares of XRG, Inc., a privately owned Delaware Corporation. Stephen Couture our Vice President, Finance and CFO owned 750,000 shares. We relied upon Section 4(2) for the issuance of these securities.

In April 2000, we issued 182,000 shares of our Common Stock valued at $1.23 per share or $223,171 in satisfaction of trade accounts payable to two creditors pertaining to the previous operations of XRG International, Inc. We relied upon Section 4(2) for the issuance of these securities.

In March 2000, we issued 110,000 shares of our Common Stock valued at $1.36 per share or $149,751 in satisfaction of trade accounts payable to three creditors pertaining to the previous operations of XRG International, Inc. We relied upon Section 4(2) for the issuance of these securities.

In March 2000, we agreed to issue USA Polymers, Inc. a Florida Corporation, 3,000,000 shares of our Common Stock for certain intangible assets of the company. These shares were issued at $.001 par value or $3,000. Kevin Brennan our President and CEO owns 1,000,000 shares, Donald Huggins our Executive Vice President owns 1,000,000 shares, and Stephen Couture our Vice President, Finance and CFO owns 500,000 shares of USA Polymers, Inc. Subsequent to the purchase, the acquired assets were deemed to have no value to XRG International, Inc. and the loss was charged to expense for the period ended March 31, 2000. We relied upon Section 4(2) for the issuance of these securities.

In May 1999, we agreed to issue Donald G. Huggins, Jr., our Executive Vice President 750,000 shares and Daniel Bush, one of our shareholders 800,000 shares of our Common Stock for consulting services. These shares were valued a $.001 par value or $1,550. We relied upon Section 4(2) for the issuance of these securities.

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ITEM 5. INDEMNIFICATION OF OFFICERS AND DIRECTORS

Liability and Indemnification of Officers and Directors

Delaware General Corporation Law (the "DGCL") provides that "a corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. With respect to derivative actions, the DGCL provides in relevant part that a corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor (by reason of his service in one of the capacities specified in the preceding sentence) against expenses (including attorney's fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Circuit Court or the court in which such action or suit was bought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Circuit Court or such other court shall deem proper. Our Certificate of Incorporation provides for such indemnification to the fullest extent provided for by the DGCL.

XRG's Certificate of Incorporation provides that no director of XRG shall be personally liable to XRG or our stockholders for monetary damages for breach of fiduciary duty as a director except as limited by the DGCL.

XRG's Bylaws provide that we shall indemnify to the full extent authorized by law each of our directors and officers against expenses incurred in connection with any proceeding arising by reason of the fact that such person is or was an agent of the corporation.

Insofar as indemnification for liabilities may be invoked to disclaim liability for damages arising under the Securities Act of 1933, as amended, or the Securities Act of 1934, (collectively, the "Acts") as amended, it is the position of the Securities and Exchange Commission that such indemnification is against public policy as expressed in the Acts and are therefore, unenforceable.

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PART F/S
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Part III for listing of financial statements and exhibits herein, which include:

1. Audited Financial Statements consisting of XRG's balance sheet as of March 31, 2002, and related statements of operations, changes in stockholders equity, and cash flows for the year ended March 31, 2002 and 2001, as audited by Pender, Newkirk & Company, Certified Public Accountants, along with its report thereon.

2. Unaudited Interim Financial Statements consisting of XRG's balance sheet as of June 30, 2002, the last day or XRG's most recent past fiscal quarter and related statements of operations, changes in stockholders' deficit, and cash flows for the three month periods then ended.

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PART III
EXHIBITS

A. Financial Statements:

The following is a list of each financial statement filed under Part f/s of this Registration Statement:

1. Audited Financial Statements consisting of XRG's balance sheet as of March 31, 2002, and related statements of operations, changes in stockholders equity, and cash flows for the year ended March 31, 2002 and 2001, as audited by Pender, Newkirk & Company, Certified Public Accountants, along with its report thereon.

2. Unaudited Interim Financial Statements consisting of XRG's balance sheet as of June 30, 2002, the last day or XRG's most recent past fiscal quarter and related statements of operations, changes in stockholders' deficit, and cash flows for the three month periods then ended.

B. Index of Exhibits:

EXHIBITS AND SEC REFERENCE NUMBERS

<TABLE>
<CAPTION>

Number	Title of Document	Location
3.1	Certificate of Incorporation of USA Polymers, Inc. (2)	
3.2	Amendment to Certificate of Incorporation of USA Polymers, Inc. changing name to XRG, Inc. (2)	
3.3	Agreement and Plan of Merger of XRG, Inc. and XRG International, Inc. (2)	
3.4	Certificate of Merger of XRG, Inc. and XRG International, Inc. - Delaware. (2)	
3.5	Certificate of Merger of XRG, Inc. and XRG International, Inc. - New Jersey. (2)	
3.6	Amendment to Certificate of Incorporation to Increase Authorized Shares of XRG, Inc. (2)	
3.7	ByLaws of XRG, Inc. (2)	
3.8	Asset Purchase Agreement between XRG International, Inc and USA Polymers, Inc., a Florida Corporation dated March 20, 2000.(1)	
10.1	Lease Agreement between Pittsburgh Properties, Ltd. and XRG, Inc. dated August 28, 2001. (2)	
10.2	Administrative Services Agreement between XRG G&A, Inc. and KDK Transport, Inc. dated February 1, 2002 (3)	

</TABLE>

(1) Filed as exhibits to Form 10-SB Amendment No.1 filed on July 11, 2002.
(2) Filed as exhibits to Form 10-SB filed on March 4, 2002.
(3) Filed as exhibits to Form 10-KSB filed on July 10, 2002.

<PAGE>

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

XRG, INC.

Dated: October 1, 2002 By: /s/ Kevin Brennan
Kevin Brennan
Chief Executive Officer

Dated: October 1, 2002 By: /s/ Stephen Couture
Stephen Couture
Chief Financial Officer,
Principal Accounting Officer

Dated: October 1, 2002 By: /s/ Donald Huggins
Donald Huggins
Executive Vice President

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Consolidated Financial Statements

XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Years Ended March 31, 2002 and 2001 and the
Period May 1, 1999 to March 31, 2002

Independent Auditors' Report

<PAGE>

XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Consolidated Financial Statements

Years Ended March 31, 2002 and 2001
and the Period May 1, 1999 to
March 31, 2002

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Consolidated Financial Statements:

Consolidated Balance Sheet...F-2
Consolidated Statements of Operations..................................F-3
Consolidated Statements of Changes in Stockholders' Deficit............F-4
Consolidated Statements of Cash Flows..............................F-5 - F-6
Notes to Consolidated Financial Statements........................F-7 - F-13

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Independent Auditors' Report

Board of Directors
XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)
Clearwater, Florida

We have audited the accompanying consolidated balance sheet of XRG, Inc. f/k/a XRG International, Inc. and Subsidiary (a development stage company) as of March 31, 2002 and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years ended March 31, 2002 and 2001 and the period May 1, 1999 to March 31 2002. These consolidated financial statements are the responsibility of the management of XRG, Inc. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and

perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of XRG, Inc. f/k/a XRG International, Inc. and Subsidiary (a development stage company) as of March 31, 2002 and the results of its operations and cash flows for the years ended March 31, 2002 and 2001 and the period May 1, 1999 to March 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

Pender Newkirk & Company
Certified Public Accountants
Tampa, Florida
June 7, 2002, except Note 10, as to which
the date is July 1, 2002

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XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Consolidated Balance Sheet

March 31, 2002

<TABLE>
<CAPTION>

<S>	<C>
Assets	
Current assets:	
Cash	$ 315,179
Other receivables	15,693
Total current assets	330,872
Equipment, net of accumulated depreciation	10,462
	$ 341,334
Liabilities and Stockholders' Deficit	
Current liabilities:	
Accounts payable	$ 46,219
Accrued expenses	34,406
Related party advances	31,626
Current portion of long-term debt	25,000
Total current liabilities	137,251

Long-term debt	660,000
Stockholders' deficit:	
Preferred stock; $.001 par value; 5,000,000 shares authorized; 0 shares issued and outstanding	
Common stock; $.001 par value; 15,000,000 shares authorized; 9,087,822 shares issued and outstanding	9,088
Additional paid-in capital	15,402,823
Accumulated deficit for unrelated dormant operations	(15,405,274)
Deficit accumulated during development stage	(462,554)
Total stockholders' deficit	(455,917)
	$ 341,334

</TABLE>

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

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XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Consolidated Statements of Operations

<TABLE>
<CAPTION>

	Years Ended March 31, 2002	Years Ended March 31, 2001	Period May 1, 1999 to March 31, 2002
Revenues	$ 110,201		$ 110,201
Cost of revenues	107,831		107,831
Gross profit	2,370		2,370
Selling, general and administrative expenses	280,493	$ 119,651	415,173

Loss from operations	(278,123)	(119,651)	(412,803)
Interest expense	(46,013)	(3,738)	(49,751)
Net loss	$ (324,136)	$ (123,389)	$ (462,554)
Basic loss per share	$ (.04)	$ (.02)	$ (.07)
Weighted average number of common shares used in loss per share computation	7,498,156	6,327,597	6,674,986

</TABLE>

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

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<PAGE>

XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Consolidated Statements of Changes in Stockholders' Deficit

Years Ended March 31, 2002 and 2001
and the Period May 1, 1999 to
March 31, 2002

<TABLE>
<CAPTION>

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit for Unrelated Dormant Operations	Accumulated Deficit During Development Stage
<S>	<C>	<C>	<C>	<C>	<C>
Balance, May 1,1999	1,495,822	$ 1,496	$ 15,030,193	$	

```
(15,405,274)

Acquisition of company                   3,000,000        3,000

Stock issued for services at
    $.001 par (May 1999)                 1,550,000        1,550

Stock issued in satisfaction
    of debt at $1.36 per share
    (March 2000)                           110,000          110          149,641

Net loss for period
$    (15,029)
                                       ---------------------------------------------------------------
----------------------

Balance, March 31, 2000                  6,155,822        6,156       15,179,834
(15,405,274)         (15,029)

Stock issued in satisfaction
    of debt at $1.23 per share
    (April 2000)                           182,000          182          222,989

Net loss for year
(123,389)
                                       ---------------------------------------------------------------
----------------------

Balance, March 31, 2001                  6,337,822        6,338       15,402,823
(15,405,274)        (138,418)

XRG, Inc. stock issued
    for services at $.001
    par (October 2001)                   2,750,000        2,750

Net loss for year
(324,136)
                                       ---------------------------------------------------------------
----------------------

Balance, March 31, 2002                  9,087,822     $  9,088     $ 15,402,823    $
(15,405,274)    $   (462,554)

============================================================================================
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</TABLE>

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

<PAGE>

XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

Period

	Years Ended March 31, 2002	Years Ended March 31, 2001	May 1, 1999 to March 31, 2002
<S>	<C>	<C>	<C>
Operating activities			
Net loss	$ (324,136)	$ (123,389)	$ (462,554)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	800		800
Loss on acquisition			3,000
Stock issued for services	2,750		4,300
Increase in:			
Accounts receivable	(15,693)		(15,693)
Accounts payable	31,420	4,660	46,219
Accrued expenses	31,813	2,392	33,646
Total adjustments	51,090	7,052	72,272
Net cash used by operating activities	(273,046)	(116,337)	(390,282)
Investing activities			
Acquisition of equipment	(11,262)		(11,262)
Financing activities			
Net borrowings (payments) on stockholder advances	(3,002)	33,427	31,626
Payments on borrowings	(5,000)		(5,000)
Proceeds from borrowings	605,000	85,000	690,000
Net cash provided by financing activities	596,998	118,427	716,626
Net increase in cash	312,690	2,090	315,082
Cash, beginning of year	2,489	399	

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Cash, end of year	$ 315,179	$ 2,489	$ 315,179

</TABLE>

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

<PAGE>

XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

<S>	Years Ended March 31, 2002 <C>	2001 <C>	Period May 1, 1999 to March 31, 2002 <C>
Supplemental disclosures of cash flow information and noncash investing and financing activities:			
Cash paid during the year for interest	$ 10,866	$ 1,344	$ 12,336

</TABLE>

During the year ended March 31, 2000, the Company acquired certain assets of USA Polymers, Inc. in exchange for 3,000,000 shares of common stock valued at $3,000.

During the year ended March 31, 2000, the Company issued 110,000 shares of common stock in payment of debt in the amount of $149,751.

During the year ended March 31, 2001, the Company issued 182,000 shares of common stock in payment of debt in the amount of $223,170.

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

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XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Notes to Consolidated Financial Statements

Years Ended March 31, 2002 and 2001
and the Period May 1, 1999 to
March 31, 2002

1. Background Information

XRG, Inc. (the "Company") was incorporated in the state of Delaware in November 2000. The Company plans to acquire and operate both asset and non-asset based truck-load carriers, and to market sophisticated logistical expertise to freight shippers in the contiguous 48 states. The corporate headquarters is located in Tampa, Florida.

On December 28, 2001, the Company merged with XRG International, Inc., a non-reporting, non-trading public shell. XRG International, Inc. was originally incorporated in the state of New Jersey in December 1976 and operated several unrelated business ventures until its operations became dormant. On May 1, 1999, the Company was reactivated to develop plans to pursue consolidation opportunities within several industries including the freight transportation industry. During 1999, a change in control took place and XRG International, Inc. Pursuant to the merger, the Company exchanged all shares of its common stock for all of the shares of common stock of XRG International, Inc., making it the sole survivor. The merger has been accounted for at historical cost due to both entities being under common control. The Company is devoting substantially all of its efforts to establishing its freight transportation business and, therefore, has been in the development stage since the change in control took place in 1999.

XRG International, Inc. purchased certain assets of USA Polymers, Inc. in exchange for 3,000,000 shares of stock valued at $3,000. Subsequent to the purchase, the acquired assets were deemed to have no value to XRG International, Inc. and the loss was charged to expense for the period ended March 31, 2000.

During January 2002, the Company established a wholly owned subsidiary, XRG G&A, Inc. to perform certain administrative functions for outside business. The revenues generated and cost of sales incurred thus far are derived solely from this agreement.

2. Significant Accounting Policies

The significant accounting policies followed are:

The consolidated financial statements include the accounts of XRG, Inc. and its wholly owned subsidiary, XRG G&A, Inc. All significant intercompany accounts have been eliminated.

<PAGE>

XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Notes to Consolidated Financial Statements

Years Ended March 31, 2002 and 2001

and the Period May 1, 1999 to
March 31, 2002

2. Significant Accounting Policies (continued)

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash is maintained with one financial institution in the United States. Deposits with this bank may exceed the amounts of insurance provided on such deposits. Generally, the deposits may be redeemed on demand and, therefore, bear minimal risk.

Equipment is recorded at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, generally seven years. Additions to and major improvements of equipment are capitalized. Maintenance and repairs are charged to expense as incurred. As equipment is sold or retired, the applicable cost and accumulated depreciation are eliminated from the accounts and any gain or loss is recorded.

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that included the enactment date.

The Company issues stock in lieu of cash for certain transactions. Generally, the fair value of the stock, based on comparable cash purchases, is used to value the transactions.

Basic loss per share is computed by dividing loss available to common stockholders by the weighted average number of common shares outstanding for the period.

<PAGE>

2. Significant Accounting Policies (continued)

The Company accounts for stock options and warrants issued to

non-employees in accordance with FASB No. 123, "Accounting for Stock Based Compensation." FASB No. 123 provides that expense equal to the fair value of all stock based awards on the date of grant be recognized over the vesting period. The Company did not recognize expense in connection with warrants granted during 2001 since the fair value of those warrants issued was not material.

In October 2001, the Financial Accounting Standards Board issued Statement No. 144 (FASB No. 144), "Accounting for the Impairment or Disposal of Long-Lived Assets." FASB No. 144 addresses the financial accounting and reporting for the impairment of long-lived assets, excluding goodwill and intangible assets, to be held and used or disposed of. FASB No. 144 is required to be applied for fiscal years beginning after December 15, 2001. The Company is assessing, but has not yet determined, how the adoption of FASB No. 144 will impact the Company's financial position and results of operations.

The Company has adopted Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This statement provides guidance on accounting for costs of computer software developed for internal use. The Company will capitalize costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and the Company's management has authorized further funding of the project that it deems probable will be completed and used to perform the function intended. Capitalized costs will include only (1) external direct costs of materials and services used in developing or obtaining internal-use software, (2) payroll and payroll related costs for employees who are directly associated with and who devote time to the internal use software project, and (3) interest costs incurred, when material, while developing internal use software. Capitalization of such costs will cease no later than the point at which the project is substantially complete and is ready for its intended purpose.

Software development costs, once completed, will be amortized over the expected life of the project. Other computer software maintenance costs related to software development will be expensed as incurred. During the year ended March 31, 2002, the Company did not incur costs related to internally developed or obtained software.

Certain minor reclassifications have been made to the 2001 consolidated financial statements to conform to those used in 2002.

3. Equipment

As of March 31, 2002, the Company had office equipment which cost $11,262, with accumulated depreciation of $800.

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4. Notes Payable and Long-Term Debt

Notes payable and long-term debt consist of the following at March 31, 2002:
<TABLE>

<S>	<C>
Notes payable; interest ranging from 12.0% to 15.0%; interest only payments payable quarterly; principal due at various dates between July 2002 and March 2004; unsecured	$ 685,000
Less amounts currently due	25,000
	$ 660,000

</TABLE>

The following is a schedule by year of the principal payments required on these notes payable and long-term debt as of March 31, 2002:

2003	$25,000
2004	$660,000

In connection with the issuance of $685,000 of notes payable, the Company issued warrants to acquire 3,010,000 shares of the Company's common stock. In addition, the Company issued warrants to acquire 281,000 shares of the Company's stock as compensation expense. The value of the warrants was deemed immaterial based on the Company's calculation under the Black-Scholes option pricing model and, therefore, none of the note proceeds have been allocated to the detachable stock warrants or compensation expense.

<PAGE>

5. Commitments

The following is a schedule by year of future minimum rental payments required under an operating lease that has an initial or remaining noncancelable lease term in excess of one year as of March 31, 2002:

Year Ending March 31,	
2003	$ 12,372
2004	12,372
2005	12,743
2006	13,008
2007	5,420
	$ 55,915

Rent expense amounted to $17,806, $21,840, and $39,646 for the years ended March 31, 2002 and 2001 and the period May 1, 1999 to March 31, 2002, respectively.

6. Related Party Transactions

The Company has related party advances payable to stockholders in the amounts of $31,626 as of March 31, 2002. These advances are due on demand, unsecured, and non-interest bearing. In addition, the Company paid approximately $128,000 to certain stockholders for consulting services rendered during the year ended March 31, 2002.

The terms of the above advances and amounts are not necessarily indicative of the terms or amounts that would have been incurred or agreed to had comparable transactions been entered into with independent parties.

7. Income Taxes

The Company has net operating loss carryforwards of $2,137,650 at March 31, 2002 that expire from 2002 to 2021. Annual utilization of the Company's net operating loss carryforwards will be limited due to a change in ownership control of the Company's common stock, which took place in 1999. Under federal tax law, this change of ownership of the Company will significantly restrict future utilization of the net operating loss carryforwards. Other than the net operating losses, which have been limited because of the change in ownership as described above, any other net operating losses will expire in 2002 through 2021.

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XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Notes to Consolidated Financial Statements

Years Ended March 31, 2002 and 2001
and the Period May 1, 1999 to
March 31, 2002

7. Income Taxes (continued)

A valuation allowance is required by FASB No. 109 if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. The need for the valuation allowance is evaluated periodically by management. Based on available evidence, management concluded that a valuation allowance of 100 percent for March 31, 2002 was necessary. Significant components of the Company's net deferred tax asset are as follows as of March 31, 2002:

Tax benefit of net operating loss	$ 812,000
Valuation allowance	(812,000)
	$ 0

8. Stock Options and Warrants

The Company granted warrants to individuals associated with the issuance of debt. During the year ended March 31, 2002, the Company granted 3,291,000 stock warrants to various individuals. These warrants have no expiration date and are immediately exercisable at prices ranging from $.000025 to $.0005.

The following is a summary of warrant activity for the year ended March 31,

2002:

	Number of Warrants	Weighted Average Exercise Price
Outstanding balance, March 31, 2001	0	$.00
Granted	3,291,000	$.0002
Outstanding balance, March 31, 2002	3,291,000	$.0002

The Company did not recognize expense in connection with warrants granted during 2002 since the fair value of those warrants granted was not material.

The following weighted average assumptions were used to calculate the fair value of warrants using the Black-Scholes option pricing model as of March 31, 2002:

Risk-free interest rate	3.56%
Expected warrant life	2.0 years
Expected dividend yield	0.0
Expected volatility	0.0%

<PAGE>

9. Commitments and Contingencies

The Company has a five-year agreement to provide certain administrative services for a transport company. The revenues generated and cost of sales incurred thus far are derived solely from this agreement.

10. Subsequent Event

Subsequent to March 31, 2002, the Company borrowed additional monies totaling approximately $90,000. The terms of these notes are similar to the notes payable disclosed in Note 4.

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Consolidated Financial Statements

XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Three Month Periods Ended June 30, 2002 and 2001 and the
Period May 1, 1999 to June 30, 2002

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XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

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XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Consolidated Balance Sheets

	June 30, 2002
Assets	
Current assets:	
Cash	$ 242,343
Trade receivables	16,924
Other receivables - related party	32,500
Total current assets	291,767
Equipment, net of accumulated depreciation	10,062
	$ 301,829
Liabilities and Stockholders' Deficit	
Current liabilities:	
Accounts payable	$ 11,730

Accrued expenses	46,107
Related party advances	31,626
Current portion of long-term debt	75,000
Total current liabilities	164,463
Long-term debt	713,000
Stockholders' deficit:	
Preferred stock; $.001 par value; 5,000,000 shares authorized; 0 shares issued and outstanding	
Common stock; $.001 par value; 15,000,000 shares authorized; 9,087,822 shares issued and outstanding	9,088
Additional paid-in capital	15,402,823
Accumulated deficit for unrelated dormant operations	(15,405,274)
Deficit accumulated during development stage	(582,271)
Total stockholders' deficit	(575,634)
	$ 301,829

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

<PAGE>

<TABLE>
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XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Consolidated Statements of Operations

	Three Month Period Ended June 30, 2002	2001	Period May 1, 1999 to June 30, 2002
<S>	<C>	<C>	<C>
Revenues	$ 224,948		$ 335,149
Cost of revenues	249,633		357,464

Gross profit (loss)	(24,685)		(22,315)
Selling, general and administrative expenses	73,019	$ 26,034	488,192
	(97,704)	(26,034)	(510,507)
Interest expense	(22,013)	(3,849)	(71,764)
Net loss	$ (119,717)	$ (29,883)	$ (582,271)
Basic loss per share	$(.01)	$(.01)	$(.07)
Weighted average number of common shares used in loss per share computation	9,087,822	6,337,822	8,171,155

</TABLE>

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

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<TABLE>
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XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)
Consolidated Statements of Changes in Stockholders' Deficit

Three Months Ended June 30, 2002 and 2001 and the
Period May 1, 1999 to June 30, 2002

	Common Stock		Additional	Accumulated Deficit for	Accumulated
			Paid-In	Unrelated Dormant	Deficit During Development
	Shares	Amount	Capital	Operations	Stage

<S>	<C>	<C>	<C>	<C>	<C>
Balance, May 1,1999	1,495,822	$ 1,496	$ 15,030,193	$ (15,405,274)	
Acquisition of company	3,000,000	3,000			
Stock issued for services at $.001 par (May 1999)	1,550,000	1,550			
Stock issued in satisfaction of debt at $1.36 per share (March 2000)	110,000	110	149,641		
Net loss for period					$ (15,029)
Balance, March 31, 2000	6,155,822	6,156	15,179,834	(15,405,274)	(15,029)
Stock issued in satisfaction of debt at $1.23 per share (April 2000)	182,000	182	222,989		
Net loss for year					(123,389)
Balance, March 31, 2001	6,337,822	6,338	15,402,823	(15,405,274)	(138,418)
XRG, Inc. stock issued for services at $.001 par (October 2001)	2,750,000	2,750			
Net loss for year					(324,136)
Balance, March 31, 2002	9,087,822	9,088	15,402,823	(15,405,274)	(462,554)
Net loss for period					(119,717)
Balance, June 30, 2002	$9,087,822	9,088	$15,402,823	$(15,405,274)	$(582,271)

</TABLE>

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

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XRG, Inc. f/k/a XRG International, Inc. and Subsidiary
(A Development Stage Company)

Consolidated Statements of Cash Flows

	Three Month Period Ended June 30, 2002	Three Month Period Ended June 30, 2001	Period May 1, 1999 to June 30, 2002
Operating activities			
<S>	<C>	<C>	<C>
Net loss	$ (119,717)	$ (29,883)	$ (582,271)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	400		1,200
Loss on acquisition			3,000
Stock issued for services			4,300
Increase (decrease) in:			
Accounts receivable	(33,731)		(49,424)
Accounts payable	(34,489)		11,730
Accrued expenses	11,701	2,629	45,347
Total adjustments	(56,119)	2,629	16,153
Net cash used by operating activities	(175,836)	(27,254)	(566,118)
Investing activities			
Acquisition of equipment			(11,262)
Financing activities			

Net borrowings (payments) on stockholder advances		2,000	31,626
Payments on borrowings			(5,000)
Proceeds from borrowings	103,000	25,000	793,000
Net cash provided by financing activities	103,000	27,000	819,626
Net increase (decrease) in cash	(72,836)	(254)	242,246
Cash, beginning of period	315,179	2,489	97
Cash, end of period	$ 242,343	$ 2,235	$ 242,343
Supplemental disclosures of cash flow information and noncash investing and financing activities:			
Cash paid during the period for interest	$ 10,310	$ 1,219	$ 22,646

</TABLE>

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

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XRG, INC. f/k/a XRG INTERNATIONAL, INC.
(A Development Stage Company)

Notes to Consolidated Financial Statements

Note 1 - Basis of presentation

In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments (which are of a normal and recurring nature) necessary for a fair presentation of the financial statements. The results of operations for the three month periods ended June 30, 2002 and 2001 are not necessarily indicative of the results to be expected for the full year.

The unaudited financial statements and notes are presented as permitted by Form 10-QSB. Accordingly, certain information and note disclosures that are normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted. The accompanying financial statements and notes should be read in conjunction with the audited financial statements and notes for the Company for the fiscal year ended March 31, 2002. The results of operations for the three-month period ended June 30, 2002 are not necessarily indicative of those to be expected for the entire year.

Note 2 - Per share calculations

Per share data was computed by dividing net loss by the weighted average number of shares outstanding during the three month periods ended June 30, 2002 and 2001. The weighted average shares outstanding for the three month period ended June 30, 2002 was 9,087,822 as compared to 6,337,822 for the three months ended June 30, 2001.

Note 3 - Notes Payable

Please refer to Audited Financial Statements consisting of the Company's balance sheet as of March 31, 2002, and related statements of operations, changes in stockholders' equity, and cash flows ended March 31, 2002, as audited by Pender, Newkirk & Company, Certified Public Accountant.

During the three month period ended June 30, 2002, the Company issued $103,000 of notes payable. In connection with the notes, the Company issued detachable warrants to purchase 412,000 shares of the Company's restricted common stock. In addition, the Company issued warrants to purchase 41,200 shares of the Company's restricted common stock as compensation expense. The value of the warrants was deemed immaterial based on the Company's calculation under the Black-Scholes option pricing model and, therefore none of the note proceeds have been allocated to the detachable stock warrants or compensation expense.

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Financial Industry Regulatory Authority

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OCT - 4 2018
OFFICE OF THE SECRETARY

Michael M. Smith Direct: (202) 728-8177
Assistant General Counsel

October 3, 2018

VIA MESSENGER

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Room 10915
Washington, DC 20549-1090

RE: In the Matter of the Application of Metatron, Inc.
Administrative Proceeding No. 3-18567

Dear Mr. Fields:

Enclosed please find the original and three copies of the Brief of FINRA in Opposition to Application for Review in the above-captioned matter.

Please contact me at (202)728-8177 if you have any questions.

Very truly yours,

Michael M. Smith

Enclosures

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