UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

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

For the fiscal year ended February 28, 2002

Commission File Number: 003-08955

NANTUCKET INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	58-0962699
(State of other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

45 Ludlow Street, Suite 602, Yonkers, New York	10705
(Address of principal executive offices)	(Zip Code)

(914) 375-7591
(Registrant's telephone number, including area code)

73 Fifth Avenue, Suite 6A, New York, NY 10003
(Former Address, since last report)

Securities registered pursuant to Section 12(g) of the Act. Common Stock, $.10 par value

Name of each exchange on which registered.   NASD OTC Bulletin Board

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. |X| YES |_| NO

The aggregate market value of the outstanding Common Stock of the registrant held by non-affiliates of the registrant as of June 10, 2002, based on the average bid and asked price of the Common Stock on the NASD OTC Bulletin Board on said date was $2,466,113.

As of June 13, 2002, the Registrant had outstanding 9,036,000 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE
INTO PART I

Annual Report On Form 10-K for the Fiscal Year Ended February 28, 2001.

ITEM 1. BUSINESS

Reorganization

On January 25, 2002, we effected a "reverse acquisition" pursuant to which we acquired all of the issued and outstanding capital stock of Accutone, Inc., a Pennsylvania corporation. The acquisition was made on a stock-for-stock basis pursuant to the terms of our Chapter 11 Plan of Reorganization. The assets of Accutone, which were acquired by us through our acquisition of the Accutone stock, include all facilities, contracts, service agreements, accounts receivable, patent rights, customer lists, and the like.

Our voluntary petition under Chapter 11 of the United States Bankruptcy Code was filed on March 3, 2000 in the U.S. Bankruptcy Court for the Southern District of New York. At the time such petition was filed until it acquired Accutone, we were a dormant Delaware corporation.

As a result of the above-described acquisition, Accutone Inc. (together with Accutone's wholly- owned subsidiary, Interstate Hearing Aid Service Inc.) is now our wholly owned subsidiary. We have no business or assets other than those which we acquired through our acquisition of Accutone. With respect to our current business, history, and prospects, Accutone is the predecessor of Nantucket.

We are directly, and indirectly through our subsidiaries, Accutone Inc. and Interstate Hearing Aid Service Inc., in the business of distributing and dispensing custom hearing aids. Our predecessor, Accutone Inc. was formed under the laws of the State of Pennsylvania in October 1996 for the purpose of engaging in the manufacture, dispensing, and distribution of hearing aids. In 1998, Accutone acquired 100% ownership of Interstate, a Pennsylvania corporation and an FDA licensed hearing aid manufacturer which has been in the hearing aid business for approximately 35 years. In the Fall of 2000, Accutone discontinued all manufacturing operations and changed the focus of its marketing to include, not only the individual, self-pay patient, but health care entities and organizations which could serve as patient referral sources for us.

History

Until the end of October 1999, when we discontinued all business activities, we produced and distributed popular priced branded fashion undergarments for sale, throughout the United States, to mass merchandisers and national chains. We produced and sold our men's underwear products primarily under licensed labels including "Brittania" and "Arrow" and, until March 31, 1998, we also produced women's innerwear under the GUESS? label, for sale to department and specialty stores. Prior to the cessation of all business activities, all of our products were manufactured by offshore

production contractors located in Mexico, the Far East and the Caribbean Basin, Packaging and distribution of our product lines was based in our leased facility in Cartersville, Georgia. We conducted all of our business activities directly, and indirectly through our four subsidiary corporations, Nantucket Hosiery Mills Inc., a Delaware Corporation ("NHMI"), Nantucket Mills Inc., a Delaware Corporation, Nantucket Hosiery Mills Corp. a North Carolina corporation ("NHMC"), and Nantucket Management Corp., a New York corporation. All of such corporations are no longer in business and have been dissolved. For a discussion in more detail of our former business operations and the factors leading to the termination of our business, reference is made to Item 1 of Part I of our annual report on Form 10-K for the fiscal year ended February 28, 1999.

Until the summer of 2000, a small portion of our business consisted of manufacturing operations. However, because of changes in the competitive climate of the hearing aid manufacturing industry and the comparatively small level of our operations we discontinued all manufacturing on July 30, 2000. This marked the beginning of a significant change in our business plan, which now encompasses concentrating our marketing to nursing homes, hospitals, out-patient clinics, members of managed health care providers, such as health maintenance organizations ("HMO's"), Physician Provider Organizations (physician group practices known as "PPO's"), union health plans, medicare, and medicaid while expanding an advertising campaign aimed at individuals in the non-insured self-pay market. Since implementing our new business plan in October 2000, we have entered into contracts with 39 managed health care provider organizations, unions,local municipalities and secondary health care insurance providers and pediatric care organizations in the New York metropolitan area, including Medicare and Medicaid. We are continually in negotiations with other such organizations.

In addition to marketing our services, our current efforts and resources are being devoted to expanding our audiological staff and the level of operations and profitability at our existing offices as well as operations at new retail sales and dispensing offices in the New York Metropolitan area. Our long term goal is to expand our operations into a wider geographic area.

We also provide in-home fitting and dispensing services in the State of Pennsylvania where our customer base is located in a somewhat rural area, making home visits convenient for our customers. We have four Pennsylvania Registered Hearing Aid Fitters who are available to us for in-home, as well as office visits in Pennsylvania. Through our offices and our in-home services, we offer a full range of audiological products and services for the hearing impaired.

In order to make our services acceptable to managed care and health insurance companies, we must address their particular concerns. This will require that we have:

* service locations which are conveniently accessible to their members;
* an adequate staff of highly qualified audiologists;
* a full range of high quality hearing aid products;
* competitive pricing; and
* adequate product liability and professional malpractice insurance coverage.

We are presently endeavoring to put all of these elements into place. Therefore our primary goals during the next eighteen months include:

* opening and establishing operations at additional fully equipped offices accessible to residents of all five boroughs of New York City.
* opening and establishing operations at sales and dispensing offices on-site at additional nursing homes in the New York metropolitan area.
* increasing the number of audiologists on our staff to service these additional facilities;
* hiring a chief financial officer and a chief operations officer

We also intend to implement an aggressive advertising and marketing campaign aimed at individuals and managed health care organizations and to establish a professional advisory board consisting of from 4 to 6 individuals with high levels of experience and expertise in hearing health care, gerontology, and hearing aid product development and promotion.

We estimate that in order to achieve these goals, we will require financing from sources other than cash flow, within the next eighteen months, in an amount ranging from $1,000,000 to $1,500,000. Our present plan for financing focuses on raising funds through a private placement of our securities.

Overview of the Industry

Hearing Loss

We believe that hearing loss is one of the most prevalent chronic health conditions in the United States, and that its incidence is on the rise. Hearing loss occurs when there is damage to the auditory system, possibly caused by heredity, aging, noise exposure, illness, trauma, and/or some medications. Some hearing loss is temporary and/or can be corrected with medical or surgical treatment. Other types of hearing loss can be effectively managed with hearing devices. Although hearing loss traditionally has been considered an "old person's" condition, On February 8, 1999, the Better Hearing Institute reported that hearing loss is becoming increasingly common among the "Baby Boomer" 40 to 65 year old segment of the population. This is widely believed to be the result of extreme noise exposure, possibly because of a history of excessive exposure to extremely high decibel rock-and-roll concerts and the widespread use of "walkman" type radios (which produce a concentrated level of noise in extremely close proximity to the ear). The degree of hearing loss is often directly related to the amount of exposure and the intensity of loud noise. However, damaging noise does not necessarily have to result from extreme situations. Even cumulative exposure to everyday noises, such as the sounds of daily traffic, construction work, or a noisy office can contribute to hearing loss.

Hearing loss can have serious implications, leading to communication disorders, isolation, depression, cognitive dysfunction, and overall decline in quality of life. While a great many people suffering from hearing loss can be helped with the use of hearing aids, a 1999 survey by the National Council on the Aging (NCOA) indicated that older adults with hearing impairments, who do not wear hearing aids, are more likely to report sadness and depression, worry and anxiety, paranoia, diminished social activity, and greater insecurity than those who wear aids. We believe that the

products and technologies currently available are broad and varied and in most instances can afford to the hearing impaired individual the amplification necessary to afford them the ability to have improved hearing and enjoy a full and normal lifestyle. In addition, we believe that these people could also benefit from the use of other assisted listening devices, such as telephone or television amplifiers (see "Products", below).

The Future of the Industry

While we recognize that in the past and still today, many members of the public have been reluctant to use hearing aids, we believe that this industry can be expected to experience substantial and continuing growth during the coming decades. Sergei Kochkin, PhD, an officer and board member of the Better Hearing Institute and a director of market development at Knowles Electronics, has written a market research article in which he concluded that, "With modern estimates of hearing loss ranging from 24 million to 28 million and hearing instrument penetration at only 21% to 22% historically, it is of interest to determine the extent to which the more than 20 million hearing- impaired individuals who do not use hearing instruments are, in fact, current or future candidates for hearing aids. In the past we have conservatively estimated that if even 25% of the non-owner market were convinced to purchase market were convinced to purchase hearing aids over the next five years that the market would double and retailers would realize an incremental $1 billion a year."

Some of the factors which we believe will contribute to an expansion of hearing aid use include the following:

- A rapidly aging population (the "graying of America") accompanied by a natural, progressive deterioration in hearing acuity;

- o Wide exposure to excessive noise, pollution among younger segments of the population resulting in ever increasing damage to hearing;
- o A growing acceptance among all segments of the population of the use of hearing aids;
- o The availability of smaller and less visible hearing aids;
- o Advances in hearing aid technology, including computerized digital products;
- o Decreasing prices of hearing aids;
- o Increasing coverage of hearing aid products by HMO's, PPO's, unions, employer-sponsored groups, and Medicare and Medicaid to offset the costs to the end user.
- o Substantial increase in testing of pediatric patients since the medical profession has become aware of hearing losses in infants and toddlers

Our Sales and Dispensing Offices

We are currently operating four hearing sales and dispensing facilities. These are retail sales and dispensing offices, which are located in medical arts buildings, independent store-fronts, and, in one case, on-site at a medical outpatient center. Two of our four retail offices are located in Yonkers, New York, one is in Mount Vernon, New York, and one is in Forty Fort, Pennsylvania. Our Mount Vernon facility is located on-site at The Wartburg Home of The Evangelical Lutheran Church (the Wartburg nursing home facility).

One of our Yonkers offices and our Pennsylvania office are open and functioning on a full

time basis. We expect that our recently opened Yonkers Avenue office, which is presently open on an as needed basis will be expanded to a two to three day a week program over the next twelve months. Our Wartburg out-patient office is currently open two days per week and our Wartburg Nursing Home office is currently open an average of two days per month, on an as-needed basis. Our Ludlow Street Yonkers office is staffed and supervised by a full-time, licensed and certified audiologist and one full-time patient care coordinator. Our Yonkers Avenue office is staffed and supervised by a licensed and certified audiologist. Our Pennsylvania office operates on a full time basis and is staffed by a state licensed hearing aid dispenser, as required by applicable Pennsylvania law and at least one clerical, reception person.

Our current New York sales and dispensing offices range from 600 to 1,100 square feet in size. These include our two Yonkers offices and our on-site Wartburg Outpatient Facility office, all of which are fully equipped with:

* soundproof testing booths and state-of-the-art testing equipment that meets or exceeds all state standards; and
* a full range of diagnostic and auditory-vestibular tests that assist referring physicians in the treatment of patients with hearing and balance disorders.

Our on-site nursing home offices, which do not have their own existing on site testing booths and audiological equipment, are equipped with portable electronic audiological equipment brought in by the audiologist at each visit. This equipment meets or exceeds the requirements of all federal and state agencies as well as all third-party payers. We have found this equipment to be adequate to serve the needs of almost all patients at these facilities.

Our Pennsylvania sales and dispensing office is equipped with portable audiological testing and fitting equipment and a sound-deadened room. This meets all applicable requirements of the State of Pennsylvania Department of Health Regulations regarding the sales and dispensing of hearing aids.

On-Site Offices

The Wartburg Adult Care Community Outpatient Clinic and The Wartburg Nursing Home

We have entered into lease and service agreements with The Wartburg Adult Care Community Outpatient Clinic and the Wartburg Nursing Home. These facilities are part of the Wartburg Adult Care Community which is located in a 36-acre campus in the town of Mount Vernon in Westchester County, New York. The Wartburg is a comprehensive senior health care complex which includes residential assisted living, nursing home, and critical care facilities as well as a 16,000 square foot Outpatient Health Services complex serving area residents as well as persons residing within the Wartburg facilities. Our contracts with the outpatient clinic and the nursing home provide for our:

* Operating an on-site dispensing and testing office in the Wartburg Diagnostic and Treatment Center (outpatient center). Under the terms of the contract, our office has use, at no cost, of a common reception and waiting room and reception personnel in the Wartburg, who will schedule and coordinate patient appointments. This facility is fully equipped, including a sound- proof booth, and all required electronic testing equipment as well as all other peripheral equipment necessary for appropriate audiological testing and the fitting and dispensing of hearing aids. This office is used for the treatment of both non-resident outpatients and Wartburg assisted living facility residents.

* Operating a separate on-site dispensing and testing facility in Wartburg nursing home (The Wartburg Home of the Evangelical Lutheran Church, Inc.). Wartburg provides treatment and waiting room areas within the nursing home to be used as an audiological testing, fitting, and dispensing facility for its nursing home patients, utilizing portable and mobile, state of the art, testing and fitting equipment. This office was opened in April 2001.

Presently, the Wartburg outpatient facility handles six hundred patient visits per month. We expect that during the next six months, we will devote a total of approximately two to three days per week to patients at the Wartburg facilities. The Wartburg Diagnostic and Treatment Center has advised us that it intends to actively promote its outpatient services and its agreements with us provide that it will include our audiological facility in its marketing efforts, at its expense. In addition, we intend to implement our own marketing program and to coordinate it with the Wartburg so as to maximize promotion of our Wartburg outpatient facility, as well as our other facilities. Based on projected responses to our coordinated marketing efforts and the physical presence of our facility on-site, we expect that patient awareness of our services will increase. As a result, we may be required to increase our personnel and operating hours at the Wartburg Out-Patient Clinic in order to fully service non-resident outpatients as well as the full time residents of the facility.

Existing Contracts with Nursing Home Facilities

We have presently entered into contracts with twenty nine nursing homes for the establishment of on-site offices and our appointment as sole provider of audiological services and products during the terms of the contracts. The following sets forth the nursing home facilities that we have entered into such contracts:

Daughters of Jacob Nursing & Rehabilitation Center	Bronx
Daughters of Jacob Adult Care	Bronx
Schervier Nursing Care Center	Bronx
Judith Lynn Adult Home	Bronx
Hebrew Hospital Home	Bronx
Laconia Nursing Home	Bronx
Hebrew Hospital Home	Greenburgh
Saint Joseph's Hospital Nursing Home	Yonkers
New Sans Souci Nursing Home	Yonkers
The Wartburg	Mount Vernon
Outpatient Health Services @ The Wartburg	Mount Vernon
Shalom Nursing Home	Mount Vernon
ICF	Mount Vernon
Dumont Masonic Home	New Rochelle
Bethel Nursing & Rehabilitation Center	Croton-on-Hudson
Bethel Nursing Home, Inc.	Ossining
Cortlandt Manor Nursing Care Center	Cortlandt Manor
Northern Manor Geriatric Care Center	Nanuet
Northern Metropolitan RHCF	Monsey
Northern Riverview Nursing & Rehabilitation Center	Haverstraw
Wingate at Duchess	Fishkill
Wingate at St. Francis	Beacon
Wingate at Ulster	Highland
The Fountains at RiverVue	Tuckahoe
Eden Park Nursing Home	Poughkeepsie
Eden Park Health Care Center	E. Greenbush (Rensselaer Co.)
Oakwood Care Center	Oakdale (Suffolk Co.)
Florence Nightingale Rehabilitation & Nursing Center	Manhattan
Somers Manor Nursing Home, Inc.	Somers

Proposed Contracts With Additional Nursing Homes

We are presently in negotiations with 19 additional nursing homes for the establishment of on-site offices and our appointment as sole provider of audiological services and products during the duration of the term of the contract. We are currently servicing several of these facilities without a signed contract since we are awaiting final approval from their attorneys or internal management. All of the facilities have been sent draft contracts and we anticipate that these contracts will be approvied. We have received provisional agreements, pending only the execution of final contracts, for the following of such nursing homes:

Laconia Nursing Home	Bronx
Schervier Nursing Home	Bronx
New San Souci Health Care	Yonkers
Fieldston Lodge	Bronx
Throgs Neck Extended Care*	Bronx
Pelham Parkway Nursing Home*	Bronx
Concourse Rehabilitation & Nursing Center	Bronx
Friedwald House	New City
Townhouse Extended Care Facility	Uniondale (Nassau Co.)
Salem Hills Nursing Home	Purdys
Waterview Hills Nursing Home	Purdys

Regency Adult Home	Westbury
Guilderland Center Nursing Home	Guilderland Center (Albany Co.)
Northwoods Facilities (3 facilities)	(Albany, Rensselaer, Greene Cos.)
Victory Lake Nursing Home	Hyde Park
Victory Home for Retired Men & Women	Ossining
Northeast Centers for Special Care (16 facilities)	(Albany, Rensselaer, Greene Cos.)
Kingsway Manor	Schenectady
United Hospital Skilled Nursing Pavilion	Portchester

Contract With Park Avenue Health Care Management Inc.

On February 15, 2002, we executed an Agreement with Park Avenue Health Care Management Inc. and its affiliate, Park Avenue Medical Associates, P.C. (referred to herein, collectively, as "Park Avenue") which closed on February 28, 2002. Pursuant to this Agreement, Park Avenue contributed its entire Audiology business in consideration for the issuance of 1,200,000 of our shares to Park Avenue. Park Avenue is a health care management organization which services nursing homes, hospitals, assisted living facilities, adult day care centers, adult homes, and senior outpatient clinics. Park Avenue directly employs medical professional personnel, including physicians in both general and specialty practices and other health care professionals such as podiatrists, audiologists, and optometrists. Nursing homes contract with Park Avenue for the services of its Medical professionals, on a pre-determined schedule or on an as-needed basis. Park Avenue presently provides staff to approximately seventy-two nursing homes. We currently have sufficient staff and equipment to service thirty-four of the seventy-two nursing homes which the Park Avenue contract will add to our clientele. We anticipate that we will be able to service at least sixty of these nursing homes by the end of the current calendar year. The contract calls for Brad Markowitz, President of Park Avenue to become a member of our Board of Directors.

In-Home Services

Because of the geographic dispersal of the population in much of the State of Pennsylvania (other than in urban areas), our subsidiary, Interstate Hearing Aid Service Inc. has, for the past thirty-five years, provided in-home visits by Registered Hearing Aid Fitters licensed by the Pennsylvania Department of Health. In-home services include testing, diagnosing, fitting, dispensing, and follow- up visits, as required. Approximately seventy five per cent of the sales made in Pennsylvania are attributable to in-home visits.

Our Services

We provide all of our patients at our retail, nursing home, and out-patient clinic sales and dispensing offices with comprehensive hearing care services consisting of the following:

- o an interview with one of our audiologists or patient care coordinators respecting the hearing problems and all factors which may contribute to or cause such problems;
- o an internal and external examination of the patient's ear performed by one of our audiologists;
- o an initial hearing screening to establish a permanent base-line of hearing acuity and to determine whether the patient has a hearing problem;
- o if the initial screening indicates that there is a hearing problem, the audiologist will then perform additional testing and do a complete audiological evaluation, including:
- o air conduction;

- bone conduction;
- speech recognition thresholds;
- most comfortable hearing level;
- uncomfortable hearing level;
- site of lesion tests, if required;

- tymponometry;
- acoustic reflex testing; and
- acoustic reflex decay.

The patient is then counseled with respect to the results of the audiological testing and evaluation, the nature and extent of any hearing defects found, the possible effects of such hearing aids on the patient's lifestyle, and the options for treatment with a hearing aid; and if it is determined that a hearing aid would be of benefit to the patient, an appropriate aid will be prescribed and fitted; the fitting process will include taking impressions of the affected ear or ears.

All hearing aids that we prescribe are custom made for the individual patient. Delivery is usually made within one week to ten days. When the patient receives the hearing aid, the audiologist explains the properties and capabilities of the hearing aid, and demonstrates proper insertion, removal, maintenance techniques, and the operation of all the features of the hearing aid. The patient is then re-tested wearing the hearing aid to enable the audiologist to determine whether the hearing aid is performing to prescribed standards and to evaluate the benefit to the patient. After one week, the patient care coordinator will contact the patient by telephone to discuss any problems or questions and to schedule a follow-up appointment if the patient or the patient care coordinator feels it is needed.

We provide follow-up services including, where necessary, additional personal contacts with the patient and/or the patient's family, for the purpose of monitoring and guiding the patient's progress in successfully utilizing the hearing aid and making all adjustments required to insure a successful outcome. We also have a family hearing counseling program to help the patient and his or her family understand the proper use of their hearing products and the nature of their disability.

In addition to all of the foregoing services, at the Wartburg Nursing Home, and at all on-site offices which we may establish at other nursing homes in the future:

* we work directly with the Director of the facility and Nursing Staff to insure that all residents and patients are provided any required audiological assistance on a timely basis.
* patient's appointments are scheduled by the nursing home personnel at intervals of approximately one-half hour to forty-five minutes;
* all patients are seen at the direction and referral of his or her ear nose and throat specialist or primary care physician;
* we provide base-line hearing screening for all new admissions including residents and short-term rehab patients;
* results of all procedures are reported to the attending physician and become a part of the patient's permanent medical records.

Our Products

A hearing aid is an electronic, battery-operated device that amplifies and transforms sound to allow for improved communications. All hearing aids consist of three components: the microphone, the amplifier, and the loudspeaker. Sound is received through the microphone, which vibrates in response to sound waves and converts the sound waves to electrical signals. The amplifier enhances the intensity of these signals before transmitting them to the loudspeaker where they are converted

back to sound waves for broadcast in the ear.

All hearing aids that we prescribe are custom made for the individual patient. We have selected a variety of major worldwide manufacturers' products, to make available through our offices, in order to provide the best possible hearing aid products for our patients. These include the latest digital technology available from Magnatone, Siemens, Phonak, Sonotome, Lori/Unitron, United Hearing Systems, and others. We are also able to make available, by special order, a large selection of other hearing enhancement devices including telephone and television amplifiers, telecaptioners and decoders, pocket talkers, specially adapted telephones, alarm clocks, doorbells and fire alarms.

Customers

As a major part of our new business plan, we have successfully expanded our patient referral base by securing appointments as the sole provider of hearing aids and audiological services to nursing homes, out-patient facilities, and adult group homes. We have also established relationships with other types of health care organizations, such as HMO's and PPO's. Our affiliations with these types of health care organizations and facilities have grown rapidly since October 1, 2000, when we began marketing our services to them. Our customers include:

- word of mouth generated by our existing patient base;
- patients who are participating members of health care organizations, who come to us as a result of contractual (or in some cases, non-contractual) arrangements with such organizations, appointing us as an approved, preferred, or sole, provider of audiological care to their members. As a provider, we are listed in the organization's provider manual as a source for audiological services and products;
- patients who are referred to us by out-patient health care clinics and hospitals;
- patients who are referred to us, on an out-patient basis, by nursing homes and senior care facilities at which they reside;
- patients who are referred to us by area physicians with whom we have established relationships;
- patients who are treated on an in-patient basis in nursing homes or senior care facilities; and
- pediatric patients referred to us by local school districts, pediatric managed care organizations and local pediatric physicians.

Existing Contracts With Health Care Providers and Third-Party Payers

Since the Autumn of 2000, we have entered into contracts for the provision of audiological services with thirty nine health care provider organizations, as well as third-party payers such as Medicare and New York State Medicaid. We also have additional contracts with other organizations pending finalization and/or execution. We expect these additional contracts to continue to grow as we progress. We believe that we currently have sufficient staff and facilities which are geographically accessable for all participants in organizations which we have contracted with or which we are in the process of finalizing agreements with. These groups and organizations include:

Medicare Federal Health Care Program, Parts A and B;

New York State Medical Assistance (Title XIX) Program/Medicaid;
Independent Health Association;
Magnacare Health Care;
Empire Blue Cross Blue Shield Health P.P.O.;
Corvel Corporation;
Oxford Health Plans (New York, Inc.);
Health Insurance Plan of Greater New York and Group;
Community Choice Health Plan, Inc.;
Better Health Advantage, Inc.;
Fidelis Health Care, Inc.
Health Source Westchester Pre-Paid Health Services Plan, Inc.;
Workers Compensation Agreement;
Preferred Choice Management Systems;
Speech and Communications Professionals;
Los Ninos Services, Inc.
Genesis Health Care, Inc.
Pomco
National Ear Care Plan, Inc.
Paxxon Health Care Services
Visiting Nurse Services of Bronx/Westchester Counties
United Health Care

Local 1199
Blue Cross Senior Plans
Aetna US Health Care
Blue Cross Senior Plan

GHI (General Health Insurance)
AARP (Secondary Pay) American
Postal Workers Union
United America Insurance
Mutual of Omaha
Cigna
City of Yonkers
First United (Secondary Payer)
Westchester Community Health Plan
Local 32 E
Health Source
Fidellis
Oxford
Genesis
Health Care

Generally, our agreements with health insurance or managed care organizations provide for services to be offered on three different bases, including:

(a) fee for service basis based on a contractual rate which we offer to provider's members (all paid for by the patient); and

(b) an encounter basis where we are paid a fixed fee by the insurance or managed care organization for each hearing aid sold (with the balance paid to us by the individual member).

(c) a special Medicare/Medicaid encounter basis where we are paid a fixed fee by Medicare and/or Medicaid for particular audiological services, at a price preestablished by Medicare or Medicaid (other than the "deductible" amount, which is paid either by the patient or other third-party payers).

Requirement for Renewal of Agreements with Health Insurance and Managed Care Organizations

The terms of most agreements with health insurance and managed care organizations are subject to renegotiation annually. Moreover, most of these agreements may be terminated, at any time, by either party on 90-days notice. Even if we are successful in expanding our base of contracts with such organizations and institutions, the early termination or failure to renew such agreements could adversely affect our results of operations. (To date we have not had any of our existing contracts cancelled.

Nursing Homes

Fourteen nursing homes, assisted living facilities and adult day care centers currently provide out- patient referrals and transportation of their residents to our Ludlow Street office. We also provide limited on-site testing and evaluations within these nursing homes for residents who are disabled or infirm. These nursing homes include:

Kings Terrace/Terrace Health Care	Bronx
Manhattanville Nursing Home	Bronx
Methodist Church Home	Riverdale
Riverdale Nursing Home	Bronx
Tarrytown Hall Care Center	Tarrytown
Classic Residence by Hyatt	Yonkers
St. Joseph's Nursing Home	Yonkers
Saint Joseph Geriday Care	Yonkers
Sutton Park Adult Care	Yonkers
Varian Woods Assisted Living	Riverdale
Sprain Brook Manor	Yonkers
Saint Michaels/Nursing Home	Westchester
Mary The queen/Retired Nuns	Bronx
Saint Joseph's Long Term Care	Yonkers

Existing Referral Arrangements With Out-Patient Facilities

We have established relationships with four local out-patient facilities. They began referring patients to us at the end of November 2000. Since that time, referrals from these facilities have steadily increased. We believe that patient referrals from these sources will continue to grow based upon the positive feedback we have received from these out-patient facilities.

include:

Urgi Square Geriatric Care Clinic	Yonkers
Urgicare Health Care Clinic	Yonkers
Riverdale Nursing Home Outpatient Clinic	Bronx
Methodist Nursing Home Outpatient Clinic	Bronx

On-Site Offices

We have established an on-site office at The Wartburg Adult Care Community Outpatient Clinic, where our location makes us the sole on-site audiological services provider to patients being treated at the clinic. We have also established an on-site office at The Wartburg Nursing Home where we are the exclusive provider of audiological services to all residents at the Nursing Home. Our audiologist visits the out-patient clinic two half-days per week and the nursing home two half-days per month. To date, our audiologist has seen an average of approximately six to eight patients, per half-day, at each of these facilities. We expect that over the next year, we will expand the amount of time our audiologists spend at the out-patient clinic to at least two full days per week and the number of patients will increase substantially as we become an integral part of the general services referral base of the physicians practising at the out-patient center.

Area Hospitals

We have also established relationships with five area hospitals. They have recently begun referring patients to us. The planned increase in the number of our sales offices will put our services within the geographical reach of an increased number of the patients of these hospitals. We, therefore, expect that these relationships will begin to have a continuing impact on the volume of our out patient referrals by the second quarter of 2001. The hospitals with which we have established patient referral relationships are:

1. Saint Josephs Medical Center South Yonkers, NY
2. Yonkers General Hospital South Yonkers, NY
3. Montefiore Medical Center Northeast Bronx, NY
4. Westchester Medical Center White Plains, NY
5. Saint Johns Medical Center

Physician Referrals

Referrals from physicians are generally based upon personal contacts and established patient and physician satisfaction. We endeavor to maintain our relationships with referring physicians by using a timely comprehensive medical reporting system which provides each referring physician with a full audiological report on each of their patient visits to our offices.

Payments for Services

Our customer base includes self-pay patients, patients whose costs are covered by medicare or

medicaid, patients whose costs are covered by private health care organizations; and patients whose costs are covered as union benefits). Treating Medicare and Medicaid patients involves payment lag issues which are currently problematic for us because of our current capital constraints. Current Medicare and Medicaid payments for audiological services and hearing aids can take as long as 120 to 150 days after approved services are provided and hearing aids are dispensed. In order to assist us with the cash flow lag we have been successful in obtaining from some of our suppliers, 90-day payment terms from our hearing aid suppliers instead of the normal 30-day terms common industry-wide. We anticipate that, in the near future, we will be able to put bank financing arrangements into place which will provide us with a credit line for working capital, collateralized by our medicare and medicaid receivables in February of 2002 we began billing medicare directly on-line, we anticipate that this will accelerate our collection time. Medicaid does not currently have an on-line billing system for audiological services or the billing for hearing aids dispersed, and we therefore continue to encounter the long payment lag from time of service to actual payments.

Sales and Marketing

Recognizing the vast untapped market of hearing impaired individuals in the end of the last summer of 2000, when we implemented our new business plan, we have expanded our marketing efforts to include, not only the self-pay patients who had previously been our principal customer base, to include:

physicians in private or group practices;
providers of group health
care; unions;
nursing homes; senior care facilities;
out-patient health care clinics;
hospitals;
speech pathology groups;
nursing home managed
health care organizations; and
third party payers, including Medicare and New York State Medicaid.

Marketing to these organizations and entities have consisted solely of personal contacts by our president, John H. Treglia, with all of the types of entities and organizations listed above. We have also utilized print media advertising on a limited basis to the self-pay patient market.

Proposed and Existing Advertising and Marketing Program

We intend to continue to try to bring our company and our services and products to the attention of managed care providers, which can promote our products and services to the hearing impaired, and to their participating members. In connection with this, we recently began a proposed a joint advertising campaign with the Wartburg Out-Patient Clinic that we intend to increase over the next twelve months. We also intend to increase our marketing efforts to the self-pay, (uninsured patient) market. Our marketing plan contemplates implementing an aggressive advertising and marketing program focused on both of these markets, highlighting the quality of our services and products, as well as competitive pricing. In addition, to address the substantial growth in the number of assisted living facilities and nursing homes, we intend, when financial resources are available, to retain a director

of senior care and nursing home marketing to promote and develop relationships with such establishments. At present, marketing to health care organizations is done by our CEO, Mr. Treglia and by patient care coordinator through personal contacts.

Our proposed marketing plan will also focus on educating both physicians and patients on the need for regular hearing testing and the importance of hearing aids and other assistive listening devices in improving the quality of life for hearing impaired individuals. We have already completed several hearing health seminars at the Classic Residence by Hyatt and The Wartburg, each a residential center including various levels of health care. We anticipate to be able to expand this seminar program to numerous institutions throughout the New York Metropolitan area.

It is our goal to establish ourselves as a provider of highly professional services, quality products, and comprehensive post-sale consumer education. Our marketing campaign, which we have already begun to implement, will emphasize company-operated, free seminars on hearing and hearing loss as well as direct consumer advertising in local radio, newspaper, and, eventually, television media.

Business Strategy

Our business plan recognizes that increasing the number of our sales offices will make our services conveniently accessible to a greater number of participating members of health care organizations and other entities with which we have relationships or may establish relationships. Our plan is therefore to couple such an increase in offices with an expansion of our patient referral base. We expect this two-pronged approach to enable us to substantially increase the volume and profitability of our business. We believe that our success will be largely dependent upon our ability to:

* expand and emphasize our marketing efforts to include the growing adult assisted living community nursing home and adult day care population;
* Expand our existing operations, first in the New York metropolitan area and then on a regional basis;
* distinguish our company from its competitors as a provider of hearing healthcare services to not only the affluent private pay population;
* effectively market our products and services to service the growing pediatric patient base.

We believe that, in addition, the hearing aid industry, as a whole, must use customer satisfaction, advertising, and educational programs to strengthen consumer confidence in the industry and to educate the hearing impaired population with respect to:

* the importance of professional hearing testing;
* the availability, ease of use, and effectiveness of the newest hearing aid technologies; and
* the ability to arrange financing for hearing aids through an arrangement with several emerging lease financing organizations which arrange for lease-purchase financing of hearing aids on reasonable terms, especially directed to the senior citizen marketplace and other hearing impaired persons on fixed incomes.

Proposed Financing Plans

In order for us to implement our business plan, we will require financing in a minimum amount of

$500,000 during the next twelve months. We intend to use our best efforts to generate between $500,000 and $1,500,000 in equity or convertible debt financing from a private placement of our securities within six to eighteen months. We have not yet determined whether the private placement will be effected by our officers or by a registered broker delaer acting as our selling agent. At this time, we are unable to state what the terms of the anticipated private placement will be or the amount of dilution which will result from the intended financing.

If we are unable to raise these funds through a private placement, we will endeavor to raise the required financing from other sources such as lease financing for major equipment purchases and loans from banks or institutional lenders. We cannot be certain that we will be able to raise the required financing from any of the foregoing sources. If we fail to do so, we will curtail our growth and concentrate on increasing the volume and profitability of our existing outlets, using any surplus cash flow from operations to expand our business as quickly as such resources will support.

Dependence on Outside Manufacturers of Hearing Aids

We currently make available to our customers hearing aids supplied by approximately five major manufacturers, as well as hearing enhancement devices manufactured by other companies. There are currently approximately 40 manufacturers of these products world wide and few manufacturers offer dramatic product differentiation. We are therefore confident that, in the event of any disruption of supply from any of our current sources, we could obtain comparable products from other manufacturers on comparable terms. We have not experienced any significant disruptions in supply in the past.

Dependence on Qualified and Licensed Audiological Personnel

We employ New York State licensed, ASHA certified audiologists in our New York offices. In our Pennsylvania office and in-home services, Registered Hearing Aid Fitters provide primary services, with licensed audiologists available on a consulting basis. In our New York area operations, we currently have two full-time, and three part-time, New York State audiologists one of which is a full time employee and the other operate as independent contractor In our Pennsylvania operation, we have four Registered Hearing Aid Fitters in Pennsylvania, who are employed by us, on a part-time basis, as independent contractors, and two Pennsylvania licensed audiologists available on a consulting basis for special needs.

Should we be unable to attract and retain qualified audiologists or Registered Hearing Aid Fitters, either as employees or independent contractors, it could limit our ability to compete effectively against competing hearing aid retailers and thus adversely affect our business. There are currently 6,000 audiologists in the United States and approximately 200 educational institutions in the United States which offer audiology degree/certification programs. There is therefore no current or potential shortage of qualified personnel. However, while we have not encountered any problems attracting and retaining sufficient audiological staff, it is possible that we could find ourselves at a competitive disadvantage against larger, better financed, and more well established hearing aid providers for the services of qualified personnel.

Government Regulation

Federal

The practice of audiology and the dispensing of hearing aids are not presently regulated on the Federal level. The United States Food and Drug Administration ("FDA") is responsible for monitoring the hearing care industry. Currently there are only two regulations affecting the sale of hearing aids:

(i) A physician's review. While the FDA requires first time hearing aid purchasers to receive medical clearance from a physician prior to purchase, patients may sign a waiver in lieu of a physician's examination A majority of our patients and targeted market are members of the managed care or institutional providers with whom we have contracts, or whom we expect to enter into contracts with, to provide hearing care. Some of these organizations require a physician referral. Consequently, even if any new federal or state physician referrals are mandated in the future, they should not be expected to have an adverse impact on our operations.

(ii) A return policy. The FDA requires states to adopt a return policy for consumers offering them the right to return their products, generally within three to forty five days. In Pennsylvania, where the state mandated return period is three days, we offer our customers a full thirty-day return policy. In New York, the state requires a forty-five day return period, which we comply with. Moreover, if our audiologist determines that an individual patient requires additional time to become acclimated to using a hearing aid, we will extend the return period to accommodate such special needs.

In addition, because we accept Medicare and Medicaid patients, each of our sales and dispensing offices must maintain their eligibility as Medicare/Medicaid providers and must comply with related federal anti-fraud, anti-kickback and other applicable regulations. Federal laws prohibit the payment of remuneration ("kickbacks") in return for a physician referring a Medicare or Medicaid patient, and those laws limit physicians from referring patients to providers in which they have a financial interest. We believe that none of our managed care or other provider contracts or our relationships with referring physicians are violative of the anti-kickback statute.

We are unable to predict the effect of future changes in federal laws, or the impact that changes in existing laws or in the interpretation of those laws might have on our business. We believe we are in material compliance with all existing federal regulatory requirements.

State

Generally, state regulations, where they exist, are concerned primarily with the formal licensure of audiologists and of those who dispense hearing aids and with practices and procedures involving the fitting and dispensing of hearing aids. In Pennsylvania and New York, where we currently operate and in New Jersey and Connecticut, which are part of our currently targeted markets, such regulations do exist. We believe we are in compliance with all applicable regulations in Pennsylvania and New York and we intend to format all of our programs in Connecticut and New Jersey so that they are in full compliance with the regulations of those states. While we believe it is unlikely, there

can be no assurance that regulations will not be promulgated in states in which we operate, or plan to operate, which could have a material adverse effect upon us. Such regulations could include stricter licensure requirements for dispensers of hearing aids, inspections of centers for the dispensing of hearing aids and the regulation of advertising by dispensers of hearing aids. We know of no current or proposed state regulations with which we, as we currently operate, could not comply.

Product and Professional Liability

In the ordinary course of our business, we may be subject to product and professional liability claims alleging the failure of, or adverse effects claimed to have been caused by, products sold or services which we have provided. We maintain insurance at a level which we believe to be adequate. Each of our licensed audiologists is also required by state law to carry appropriate malpractice liability insurance. All of our audiologists have furnished us, as well as all nursing homes, assisted living, adult day care, senior care, HMO's, PPO's and other managed care organizations with whom we have contractual or other relationships with copies of their insurance coverage certificates. As a part of this process we also keep records of all license and insurance anniversary and/or effetive dates to attempt to insure compliance. We believe that they are all in compliance with applicable federal and state requirements. Also included as a part of compliance with the credentialing requirements, copies of all educational degrees, certificates and licensing are appropriately maintained. While we believe that it would be highly unlikely that a successful claim would be in excess of the limits of our insurance policies, if such an event should occur, it could conceivably adversely affect our business. Moreover, because we distribute products manufactured by others, we believe we will have recourse against the manufacturer in the event of a product liability claim. It should be noted however that we could be unsuccessful in a recourse claim against a manufacturer or, that even if we were successful, such manufacturer might not have adequate insurance or other resources to make good on our claim.

Seasonality

We are generally not affected by seasonality.

Competition

The hearing care industry is highly fragmented with approximately 11,000 practitioners providing testing and dispensing products and services. Approximately 2,500 of these practitioners are audiologists working for hospitals or physicians, 2,500 of the practitioners are licensed audiologists in private practice, and the remaining 6,000 are hearing aid specialists. Industry surveys estimate that approximately 5% of all hearing aids are sold in physicians' offices, 60% are dispensed by qualified audiologists in private practice, and the remaining 35% are sold by hearing aid specialists.

Because there are no federal, state or local regulatory or oversight agencies in the hearing care industry, it is not possible to determine the precise number of competitors in every market which we are operating in or which we intend to enter. Our present plan is to focus our efforts primarily on urban, high density population areas, since we believe these areas will best implement our current business plan and any potential growth.

Most competitors are small retailers generally focusing on the sale of hearing aids without providing comprehensive audiometric testing and other professional services. However, some of our chief competitors offer comprehensive services and have large distribution networks and brand recognition. Principal among these are: (1) Bausch & Lomb, a hearing aid manufacturer whose distribution system is through a national network of over 1,000 franchised "Miracle Ear" stores

including 400 located in Sears Roebuck & Co. stores; (2) Beltone Electronics Corp., a hearing aid manufacturer that distributes its products primarily through its network of approximately 1,000 "authorized" distributors; and (3) HEARx LTD., a hearing aid distributor whose dispensing and distribution system is through a network of approximately 79 company owned centers located in Florida, New York, New Jersey, and California.

To the best of our knowledge, except for HearX, most national networks primarily offer hearing aids only and do not provide the comprehensive diagnostic services, use of audiologist services or other ancillary products offered by us. More importantly, they do not use the services of audiologists in the majority of their centers. However, these networks are owned by companies having greater resources than are available to us, and there can be no assurance that one or more of these competitors will not expand and/or change their operations to capture the market targeted by us. Nor can there be any assurance that the largely fragmented hearing care market cannot be successfully consolidated by the establishment of co-operatives, alliances, confederations or the like which would then compete more effectively with us in our intended market areas.

Employees

As of June   , 2002, in our New York area operations, we had a total of four full-time, and two part-time employees. Full time employees include, our president and CEO, John H. Treglia, two New York State licensed audiologists, and one receptionist - patient care coordinator. We currently anticipate that as of July 1, 2002, Mr. Robert Hammerstein will become our full time CFO. He is currently operating on an as needed part time basis. We have also offered a position to a full time administrative assistant to Mr. Treglia and Mr. Hammerstein. We project a early July start date. This individual was in charge of the Administrative and Billing Department for a large New York Private for Profit Hospital. In our Pennsylvania operations, we employ two full-time employees. Our part-time employees consist of three Pennsylvania Registered Hearing Aid Fitters, who work for us, on an as needed basis (part- time), and two Pennsylvania licensed audiologists who consult with us on an as needed basis.

The loss of the services of Mr. Treglia would adversely affect the conduct and operation of our business. To date we have not purchased a "key man" insurance policy on Mr. Treglia's life. However, we intend to purchase such a policy in the amount of from $1M to $3M, at such time as we have the financial resources to do so.

ITEM 2. PROPERTIES

Corporate Headquarters

Our corporate headquarters is located in Suite 602, The Ludlow Street Medical Building, located at 45 Ludlow Street, Yonkers, New York. This office consists of 850 square feet. Approximately 800 square feet of these premises are used as administrative offices with the balance of the space comprising a reception area.

We occupy these premises pursuant to a five year lease with Diamond Properties, Inc. The lease expires in February 2006. The lease calls for monthly rental payments of $895 fully inclusive of all utilities, taxes, and other charges. The building in which these offices are located is of a newly renovated, seven story building which houses the private offices of approximately twenty physicians, dentists, and other medical professionals, with adequate, free, off street parking available. It is located off of a main street and around the corner from Saint Joseph's Medical Center, a major area

health care facility.

Ludlow Street Sales and Dispensing Office

We have a retail sales and dispensing office located the first floor lobby of the Ludlow Street Medical Building in a retail space adjacent to the elevators. We occupy this space pursuant to a five- year lease with Diamond Properties Inc, which will expire in February 2006. The lease calls for monthly rental payments of $1,087 fully inclusive of all utilities, taxes, and other charges.

This facility comprises approximately 800 square feet and has a glass enclosed, visible waiting and reception area and a private fully equipped testing and dispensing office. This office is fully equipped as an audiological and hearing aid dispensing facility; equipment includes: (i) a full spectrum hearing suite, consisting of a wheel chair accessible sound-proof testing booth, of approximately 10 feet x 12 feet, designed to accommodate the needs of pediatric patients as well as handicapped adults; (ii) an electronic audiometer; (iii) an electronic tympanometer; (iv) a computerized hearing aid programmer; and (iv) other required peripheral testing, fitting and repair equipment. This equipment was purchased, used, from Saint Joseph's Hospital, which has discontinued its audiological services department. The equipment purchased from Saint Josephs included, in addition to the equipment listed above, a second full spectrum hearing suite, which we are presently keeping in storage. All of the equipment which we purchased from Saint Josephs, and which we are currently using, is modern and has been totally refurbished and recalibrated. Saint Joseph's original cost for this equipment was approximately $54,000 and its replacement cost would be approximately $78,000. We were able to purchase, relocate, refurbish and recalibrate the equipment for a total cost of $19,000. This equipment enables us to fully service all patients whom we see at this facility, including the nursing home patients who are brought to us on an out-patient basis as well as pediatric patients.

Yonkers Avenue Sales and Dispensing Office

We currently sublease an approximately 600 square foot space in a retail eyeglass outlet which also houses the offices of an opthalmolgist and an optometrist. This facility is located on the first floor of a two year old building located at 818 Yonkers Avenue, Yonkers, New York. This location is a busy, heavily trafficked, commercial area, with adequate, free, off street parking available. The upper stories of this building comprise a professional building housing the private offices of eight physicians and a physical rehabilitation facility. We occupy this space under a two-year sublease with Park Hill Optical Corp. The lease, which expires on December 31, 2002, provides for an option to renew for an additional three years. Monthly rental payments for the first two years of the lease term are $500, with payments for the three-year renewal period set at $700. All rental payments are fully inclusive of utilities, taxes, and all other charges. A common reception area and waiting room, as well as the services of a receptionist, are provided by the lessor at no additional cost.

This dispensing office is outfitted and equipped with: (i) a standard size wheel-chair accessible sound-proof booth, (ii) an electronic audiometer; (iii) an electronic tympanometer; (iv) a computerized hearing aid programmer; and (iv) other required peripheral testing, fitting and repair equipment.

The Wartburg Diagnostic and Treatment Center On-Site Facility

On April 1, 2001, we began operations at our dispensing and testing office located on-site at the Wartburg Adult Care Community, Outpatient Clinic. This office is approximately 500 square feet and is located in the Outpatient Health Services Building on the Wartburg Mount Vernon Campus. We are permitted the use of common reception and waiting room facilities. The Wartburg also makes available to us, without additional charge a large meeting room, in which can run our hearing health care fairs in conjunction with the Wartburg. We occupy this office pursuant to a lease between our subsidiary, Interstate Hearing Aid Service and The Wartburg Diagnostic and Treatment Center. This lease is for an unspecified term beginning on March 12, 2001. The lease calls for monthly rental payments of $375, fully inclusive of all utilities, taxes, and other charges. The lease amount is subject to review upon written request by either party on the March 12th anniversary date of the lease. This dispensing office is outfitted and equipped with: (i) a standard size wheel-chair accessible sound-proof booth, (ii) an electronic audiometer; (iii) an electronic tympanometer; (iv) a computerized hearing aid programmer; and (iv) other required peripheral testing, fitting and repair equipment.

Under the terms of the lease, we are required to maintain certain medical and administrative practice policies and procedures of the Outpatient Facility. We are also obligated to provide specified levels of audiological services at specified times, to maintain professional liability insurance, and to indemnify the Outpatient Clinic.

The Wartburg Home of the Evangelical Lutheran Church On-Site Facility

We operate a dispensing and testing facility at The Wartburg Home of the Evangelical Lutheran Church, a nursing home. This facility is approximately 150 square feet and is located on the third floor of the building housing The Wartburg Skilled Nursing Facility on the Wartburg Mount Vernon Campus. We occupy this facility pursuant to a lease between our subsidiary, Interstate Hearing Aid Service and The Wartburg Home of the Evangelical Lutheran Church. This lease is for an unspecified term beginning on March 15, 2001. The lease calls for monthly rental payments of $200, fully inclusive of housekeeping, security services, all utilities (excluding telephone charges), taxes, and other charges. The lease amount is subject to review upon written request by either party on the March 15th anniversary date of the lease. This equipment used in this office consists of portable audiological equipment, specifically designed to be in compliance with all federal and state requirements as well as those with all third-party payers, and brought in by the audiologist at each visit. This equipment is also used for bed-side testing, when required for the treatment of infirm patients.

Under the terms of the lease, we are required to maintain certain medical and administrative practice policies and procedures of the Outpatient Facility. We are also obligated to provide specified levels of audiological services at specified times, to maintain professional liability insurance, and to indemnify the nursing home.

Pennsylvania Forty-Fort Office

We currently lease an 800 square foot, street level office at 142 Wells Street, Forty-Fort Pennsylvania. This facility is located in the main business district of Forty-Fort and the space is utilized for administrative, sales, dispensing, and telemarketing activities. The facility is divided among offices, waiting rooms, a sound deadened testing area, a dispensing area, and small telemarketing area. This facility is also used as a coordination center for our Pennsylvania licensed hearing aid fitters, who test and dispense hearing aids on an in-home basis, the most common method of dispensing hearing aid products in rural areas.

ITEM 3. LEGAL PROCEEDINGS

We are unaware of any pending or threatened legal proceedings to which we are a party or of which any of our assets is the subject. No director, officer, or affiliate, or any associate of any of them, is a party to or has a material interest in any proceeding adverse to us.

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

During the year ended February 28, 2002, we did not submit any matters to a vote of our shareholders.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

Our common stock, $. 10 par value, was traded on the American Stock Exchange under the symbol "NAN" until April 17, 1998. Because we had fallen below American Stock Exchange guidelines for continued listing, effective April 17, 1998, our common stock was delisted. It is currently traded in the over-the-counter market and quoted on the OTC Electronic Bulletin Board maintained by the National Association of Securities Dealers, Inc. (the "OTC Bulletin Board"). The stock was quoted on the OTC Bulletin Board under the symbol NANK until March 3, 2000, when we filed a Voluntary Petition under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. After that date, our OTC Bulletin Board Symbol was changed to, NANKQ. On January 25, 2002, when the "Reverse Acquisition" was made on a stock-for-stock-basis pursuant to the terms of our Chapter 11 reorganization, the symbol was changed to NTKI. The following table sets forth representative high and low bid prices by calendar quarters during the period from March 3, 2000 through February 28, 2002 and the subsequent periods. The level of trading in our common stock has been sporadic and limited and the bid prices reported may not be indicative of the value of our common stock or the existence of an active market. The OTC market quotations reflect inter-dealer prices without retail markup, markdown, or other fees or commissions, and may not necessarily represent actual transactions.

Period	Bid Prices Common Stock	
	Low	High
Fiscal Year Ended February 27, 2000		
May 31, 1999	$0.03	$0.08
August 31, 1999	0.02	0.625
November 30, 1999	0.02	0.625
February 27, 2000	0.01	0.11
Fiscal Year Ended February 28, 2001		
May 31, 2000	$0.20	$0.50
August 31, 2000	0.20	0.25
November 30, 2000	0.10	0.35
February 27, 2001	0.01	0.15
Fiscal Year Ended February 28, 2002		
May 31, 2001	$0.01	$0.05
August 31, 2001	0.01	0.07
November 30, 2001	0.01	0.50
February 27, 2002	0.15	0.80

As of June 2002, our common stock was held by approximately holders of record and approximately beneficial owners.

We have never paid any cash dividends on our common stock, and have no present intention of doing so in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected consolidated financial information for the five fiscal years ended February 28, 2002.

The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation" and in conjunction with our Consolidated Financial Statements and notes appearing elsewhere in this report.

For Fiscal Year Ended

(In thousands, except per share amounts)

	Feb. 28 2002	Feb. 27 2001	Feb. 27 2000	Feb. 27 1999	Feb. 28 1998
Summary Statements of Operations					
Net sales	$ 38	$ --	$ 5,344		$ 11,518
Gross profit	9	--	1,625		2,410
Net (loss) gain sale of asset	--	--	(539)		(15)

Net gain sale of asset	--	--	--	712
Net income (loss)	1,370	--	1,409	937
Net earnings (loss) per share-basic and diluted	(.38)	--	(.40)	.26
Average shares outstanding	3,620	--	3,239	3,239

Summary Balance Sheet Data

Total assets	254	22	22	3,476
Working capital	147	(1,680)	(1,680)	(956)
Long-term debt (exclusive of current maturities)	--	--	--	64
Convertible subordinated debt	--	827	827	2,053
Stockholders' equity	931	(1,680)	(1,680)	(306)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of significant factors which have affected our financial position and operations during the fiscal years ended February 28, 2002 and February 28, 2001. This discussion also includes events which occurred subsequent to the end of the fiscal year ended February 28, 2002, and contains both historical and forward- looking statements. When used in this discussion, the words "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" "intend(s)" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in "Risk Factors". Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Readers are also urged to carefully review and consider the various disclosures elsewhere in this Report which discuss factors which affect the Company's business, including the discussion at the end of this Management's Discussion and Analysis, under the subcaption "Risk Factors". This discussion should be read in conjunction with the Company's Consolidated Financial Statements, respective notes and Selected Consolidated Financial Data included elsewhere in this Report.

Termination of Operations

We experienced significant losses in recent years which resulted in severe cash flow issues that negatively impacted the ability to continue our business. During fiscal 2000, the combined effects of various negative developments, including but not limited to:

(i) sharply decreasing revenues over the previous four years;
(ii) continuing losses from operations;
(iii) interest payment defaults on outstanding debt,
(iv) the lack of a long-term credit facility; and
(v) the concentration of all sales among only three customers forced the company to discontinue all of its business and operations.

On October 30, 1999, we ceased all operations. We filed a voluntary petition under Chapter 11 of the United Stated Bankruptcy Code on March 3, 2000 in the

United States Bankruptcy Court of the Southern District of New York.

The Reorganized Company

Pursuant to the terms of our Chapter 11 Plan of Reorganization, we effected a "Reverse Acquisition" by which we acquired all the issued and outstanding capital stock of Accuntone, Inc., a Pennsylvania corporation.

As a result of the above-described acquisition, Accutone Inc. (together with Accutone's wholly-owned subsidiary, Internstate Hearing Aid Service, Inc.) is now our wholly owned subsidiary. We have no business or assets other than those which we acquired through our acquisition of Accutone. With respect to our current business, history, and prospects, Accutone is the predecessor of Nantucket.

We are directly, and indirectly through our subsidiaries, Accutone Inc. and Interstate Hearing Aid Service Inc., in the business of distributing and dispensing custom hearing aids. Our predecessor, Accutone Inc. was formed under the laws of the State of Pennsylvania in October 1996 for the purpose of engaging in the manufacture, dispensing, and distribution of hearing aids. In 1998, Accutone acquired 100% ownership of Interstate, a Pennsylvania corporation and an FDA licensed hearing aid manufacturer which has been in the hearing aid business for approximately 35 years. In the Fall of 2000, Accutone discontinued all manufacturing operations and changed the focus of its marketing to include, not only the individual, self-pay patient, but health care entities and organizations which could serve as patient referral sources for us.

Until the summer of 2000, a small portion of our business consisted of manufacturing operations. However, because of changes in the competitive climate of the hearing aid manufacturing industry and the comparatively small level of our operations we discontinued all manufacturing on July 30, 2000. This marked the beginning of a significant change in our business plan, which now encompasses concentrating our marketing to nursing homes, hospitals, out-patient clinics, members of managed health care providers, such as health maintenance organizations ("HMO's"), Physician Provider Organizations (physician group practices known as "PPO's"), union health plans, medicare, and medicaid while expanding an advertising campaign aimed at individuals in the non-insured self-pay market. Since implementing our new business plan in October 2000, we have entered into contracts with 39 managed health care provider organizations, unions,local municipalities and secondary health care insurance providers and pediatric care organizations in the New York metropolitan area, including Medicare and Medicaid. We are continually in negotiations with other such organizations.

In addition to marketing our services, our current efforts and resources are being devoted to expanding our audiological staff and the level of operations and profitability at our existing offices as well as operations at new retail sales and dispensing offices in the New York Metropolitan area. Our long term goal is to expand our operations into a wider geographic area.

We also provide in-home fitting and dispensing services in the State of Pennsylvania where our customer base is located in a somewhat rural area, making home visits convenient for our customers. We have four Pennsylvania Registered Hearing Aid Fitters who are available to us for in-home, as well as office visits in Pennsylvania. Through our offices and our in-home services, we offer a full range of audiological products and services for the hearing impaired.

In order to make our services acceptable to managed care and health insurance companies, we must address their particular concerns. This will require that we have:

* service locations which are conveniently accessible to their members;
* an adequate staff of highly qualified audiologists;
* a full range of high quality hearing aid products;
* competitive pricing; and
* adequate product liability and professional malpractice insurance coverage.

We are presently endeavoring to put all of these elements into place. Therefore our primary goals during the next eighteen months include:

* opening and establishing operations at additional fully equipped offices accessible to residents of all five boroughs of New York City.
* opening and establishing operations at sales and dispensing offices on-site at additional nursing homes in the New York metropolitan area.
* increasing the number of audiologists on our staff to service these additional facilities;
* hiring a chief financial officer and a chief operations officer

We also intend to implement an aggressive advertising and marketing campaign aimed at individuals and managed health care organizations and to establish a professional advisory board consisting of from 4 to 6 individuals with high levels of experience and expertise in hearing health care, gerontology, and hearing aid product development and promotion.

We estimate that in order to achieve these goals, we will require financing from sources other than cash flow, within the next eighteen months, in an amount ranging from $1,000,000 to $1,500,000. Our present plan for financing focuses on raising funds through a private placement of our securities.

Results of Operations

Sales

Sales for the year ended February 28, 2002 were $38,443 compared to -0- for the year ended February 27, 2001. This was solely due to the Accutone transaction. Total net sales for the fiscal year ended February 27,2000 were $5,344,223, which represented a decrease of approximately 53.6% from fiscal year 1999 when total net sales were approximately $11.5 million. In turn, fiscal 1999 net sales had represented a decrease of 47% from fiscal 1998, when net sales totaled $21.7 million.

No sales were generated under the discontinued Brittania license in fiscal 2000 or fiscal 1999 as compared to $4.5 million in fiscal 1998.

Operations under the GUESS? License were completely phased out by the first quarter of fiscal 1999. There were, therefore, no sales attributable to this line in fiscal 2000, as compared to $2.4 million in fiscal 1999 and $7 million in fiscal 1998.

Former management of the company has attributed the steady decline in total net sales, since fiscal 1998, primarily to the phase out of the Brittania product associated with the actions announced by Levi to dispose of the Brittania brand, and the loss of certain styles to competitors within the company's business environment as well as a lack of sufficient working capital.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $257,276 in fiscal 2002 compared to -0- in fiscal 2001. This was due solely to the Accutone transaction. Selling, general and administrative expenses in fiscal 2000 of $2,161,376 were approximately 41% of sales. For fiscal 1999 and 1998, these expenses were $2.9 million and $2 million respectively, and as a percentage of sales, 25% for fiscal year 1999, and 33% for fiscal year 1998. General and administrative expenses for fiscal year 1998 included $691,000 in non-recurring charges incurred as part of the company's restructuring efforts. While thee efforts were somewhat successful in reducing expenses as a percentage of sales, the loss of the Brittania product line ultimately resulted in us becoming insolvent.

Liquidity and Capital Resources

We incurred significant operating losses in recent years which resulted in severe cash flow problems which negatively impacted our ability to conduct our business as structured and ultimately caused us to become and remain insolvent.

The reorganized Nantucket utilizing the increasing sales and projected potential profitability of Accutone and its subsidiary Interstate Hearing Aid should generate working capital to finance its current operations, but not enough to expand its scope of buisness activities.

We estimate that in order for us to achieve our goals to open equipment and staff additional offices, add another 40 nursing homes to those we currently service, increasing our volume of sales and profitability we will require to make capital investments and expenditures in the amount of $500,000 to $1,500,000. All of these funds will have to be obtained from sources other than cash flow. As noted above, under "Proposed Financing Plans", it is our intention to make a private placement of our equity or convertible debt securities in an amount of at least $500,000. We do not have any established bank credit lines or relationships in place at this time. However, we rae confident that if we are able to raise a minimum of $500,000 through the sales of our securities, we will be able to establish credit lines that will further enhance our ability to finance the expansion of our business. There can be no assurance that we will be able to obtain outside financing on a debt or equity basis on favorable terms, if at all. In the event that there is a failure in any of the finance-related contingencies described aboe, the funds available to us may not be sufficient to cover the costs of our operations, capital expenditures and anticipated growth during the next twelve months. However, we believe that, even if we are unable to raise the required outside financing we can curtail our growth to such a degree so as to maintain increased in smaller increments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements, required to be included in this report are set forth below.

Nantucket Industries, Inc.
and Subsidiaries

Audited Financial Statements
Years Ended February 28, 2002,

February 28, 2001 and
February 27, 2000

Nantucket Industries, Inc.

Contents

Independent Auditors' Report

To the Board of Directors
Nantucket Industries, Inc. and Subsidiaries
Yonkers, New York

We have audited the accompanying consolidated balance sheet of Nantucket Industries, Inc. and Subsidiaries for the year ended February 28, 2002 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for February 28, 2001 and February 27, 2000 were audited by other auditors, therefore we do not render an opinion on these financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nantucket Industries, Inc. and Subsidiaries as of February 28, 2002, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

/s/ Cunzio & Company Inc.

June 5, 2002

Nantucket Industries, Inc.
and Subsidiaries

Consolidated Balance Sheets

February 28,	2002
Assets	
Cash and cash equivalents	$ 6,266
Accounts receivable (Note 2)	120,214
Inventories (Note 2)	5,125
Prepaid expenses (Notes 10)	120,000
Other current assets	2,225
Total current assets	253,830
Property, plant and equipment, net (Notes 2 and 5)	81,458
Other assets, net	-
Covenant not to compete (Notes 2 and 4)	300,000
Customer list (Notes 2 and 4)	311,984
Prepaid expenses (Note 10)	110,000
	$1,057,272
Liabilities and Stockholders' Equity (Deficit)	
Current portion of capital lease obligations	$ -
Convertible subordinated debt	-
Accounts payable	102,635
Accrued salaries and employee benefits	-
Accrued unusual charge	-
Accrued expenses and other liabilities	-
Accrued royalties	-
Pre-petition taxes	3,964
Total current liabilities	106,599
Pre-petition taxes, net of current portion (Note 1)	19,821
Total liabilities	126,420
Stockholders' equity (deficit) (Notes 4 and 11)	
Preferred stock, $.10 par value; 500,000 shares authorized, of which 5,000 shares have been designated as non-voting convertible with liquidating preference of $200 per share and are issued and outstanding	-
Common stock, $.10 par value; authorized 20,000,000 shares; issued 9,036,000	903,600
Additional paid-in capital	13,180,261
Deferred issuance cost	-
Accumulated equity (deficit	(13,153,009)
	930,852
Less 3,052 shares of common stock held in treasury, at cost	-
Total stockholders' equity (deficit)	930,852

	$ 1,057,272

See accompanying notes to financial statements.

Nantucket Industries, Inc.
and Subsidiaries

Consolidated Statements of Operations

Years ended February 28,	2002	2001
Net sales	$ 38,443	$ --
Cost of sales	29,731	--
Gross profit	8,712	--
Selling, general and administrative expenses	257,276	--
(Loss) from operations	(248,564)	--
Other expense:		
Net loss on sale of assets	--	--
Interest expense	21	--
Depreciation and amortization	1,762	--
Total other expense	1,783	--
Earnings (loss) before income taxes and extraordinary item	(250,347)	--
Income taxes (Note 8)	--	--
Loss before extraordinary item	(250,347)	--
Extraordinary item-gain on debt discharge	1,621,162	--
Net income (loss)	1,370,815	--
Net earnings (loss) per share - basic and diluted	$ (.38)	
Weighted average common shares outstanding	3,620,168	3,238,796

See accompanying notes to financial statements.

Nantucket Industries, Inc.
and Subsidiaries

Consolidated Statement of Stockholders' Equity (Deficit)

	Preferred stock designated as non-voting convertible		Common stock	
	Shares	Amount	Shares	Amount
Balance at March 1, 1999	5,000	500	3,241,848	324
Net (loss)				
Amortization of deferred costs				
Balance at February 28, 2000	5,000	500	3,241,848	324
Net (loss)				
Amortization of deferred costs				
Balance at February 28, 2001	5,000	500	3,241,848	324
Cancellation of stock	(5,000)	(500)	(3,241,848)	(324
Plan of reorganization	720,443	72,044	(32,418)	
Reverse merger-Accutone	5,285,160	528,516	(301,032)	
Consultabt agreement	1,200,000	120,000	120,000	
Executive compensation	630,397	63,040	74,460	
Acquisition of audiology practice	1,200,000	120,000	480,000	
Net earnings				
Balance at February 28, 2002	9,036,000	$ 903,600	$ 13,180,261	

	Deferred issuance costs	Accumulated deficit	Treasury stock Shares	Treasury stock Amount
Balance at March 1, 1999	(96,425)	(13,053,357)	3,052	(19,
Net (loss)		(1,409,398)		
Amortization of deferred costs	35,356			
Balance at February 28, 2000	(61,069)	(14,462,755)	3,052	(19,
Net (loss)				

Amortization of deferred costs	61,069	(61,069)		
Balance at February 28, 2001	--	(14,523,824)	3,052	(19,
Cancellation of stock			(3,052)	!9,
Plan of reorganization				
Reverse merger-Accutone				
Consultabt agreement				
Executive compensation				
Acquisition of audiology practice				
Net earnings		1,370,815		
Balance at February 28, 2002	$ --	$(13,153,009)		

See accompanying notes to financial statements.

5

Nantucket Industries, Inc.

and Subsidiaries

Consolidated Statements of Cash Flows

Years ended February 28,	2002
Cash flows from operating activities:	
Net earnings (loss)	$1,370,815
Adjustments to reconcile net earnings (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	1,762
Loss (gain) on sale of fixed assets	-
Decrease (increase) in assets:	
Accounts receivable	(120,214)
Inventories	(5,125)
Prepaid expenses	(120,000)
Other current assets	18,106
(Decrease) increase in liabilities:	
Accounts payable	(142,129)
Accrued expenses and other liabilities	(1,432,807)
Accrued unusual charge	-
Net cash provided(used) by operating activities	(429,592)
Cash flows from investing activities:	
Additions to property, plant and equipment	(83,220)
(Increase) decrease in other assets	(721,984)
Net cash provided(used) by investing activities	(805,204)

Cash flows from financing activities:	
Issue of stock for reorganization, acquisitions and operations , net	1,239,610
Payments of short-term debt	-
Payments of long-term debt and capital lease obligations	-
Net cash (used) provided by financing activities	1,239,610
Net increase (decrease) in cash and cash equivalents	4,814
Cash and cash equivalents, beginning of year	1,452
Cash and cash equivalents, end of year	$6,,266
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for:	
Interest	$21
Income taxes	$-

See accompanying notes to financial statements.

Nantucket Industries, Inc.
and Subsidiaries

Notes to Consolidated Financial Statements

1. Reorganization The Company filed for Chapter 11 bankruptcy protection in March 2000. Management began its search for a viable merger candidate since if it were not successful the Company would cease to exist. The Company had been totally inactive since November of 1999.

On January 25, 2002, Nantucket Industries Inc., effected a "reverse acquisition" pursuant to which Nantucket acquired all of the issued and outstanding capital stock of Accutone, Inc., a Pennsylvania corporation. The acquisition was made on a stock-for-stock basis pursuant to the terms of Nantucket's Chapter 11 Plan of Reorganization. The Plan of Reorganization, which was accepted by the creditors of Nantucket and approved by the Bankruptcy Court on December 10, 2001 and became effective on January 25, 2002.

DESCRIPTION OF THE PLAN

The Plan provided for the cancellation of all outstanding shares of stock in the Company and the re-issuance of new shares of stock by the reorganized Company. All stock of existing Subsidiaries was cancelled.

All holders of allowed claims and stock interests in the Debtor would receive ratable distribution of the new shares of stock in accordance with the formulas set forth below.

The Plan of Reorganization, was predicated upon the acquisition of the Accutone business and its business prospects in exchange for a distribution of 5,285,160 common shares in the reorganized Company to the current equity holders of Accutone. The resulting combined entity issued new shares of its stock to all parties in interest in a manner that reflected the respective liquidation preferences of the classes of claims and interests.

ADMINISTRATIVE DEBT

The costs and expenses of the administrative claim of Nantucket in course of the reorganization had priority of distribution pursuant to 11 U.S.C. ss.503 and would either be paid in full upon confirmation, or other terms agreed upon by the holders of such claims.

The expenses of administration consisted primarily of the fees of professional persons retained by Nantucket in the course of this reorganization and their fees were ultimately subject to allowance and approval by the Bankruptcy Court.

PRIORITY TAX DEBT

Priority tax debt consisted of governmental taxing authorities whose claims would be entitled to priority of payment pursuant to Section 507 (a)(8) of the Bankruptcy Code. There are no taxes due to government agencies other than personal property tax due to Bartow County, Georgia , for which a claim has been settled in the amount of $23,130. In addition, the Internal Revenue Service filed a priority claim in the approximate amount of $745 and the claim was settled for such amount. The allowed amount of these priority claims, will be paid in full by the reorganized Company in the manner permitted by Section 1129(a)(9)(C) by payment, on account of such claims, of deferred cash payments over a period of six years after the earlier of the date of assessment of such claim or the Effective Date of the Plan, together with interest at the rate provided for in the United States Tax Code as of the date of such payments. The Effective Date is defined in the Plan as the date upon which the order confirming the Plan is final and no longer subject to an appeal.

SECURED DEBT

Secured debt consisted of the secured claim of NAN Investors, LP, the entity that loaned the Pre-Chapter 11 Company through a private placement the original amount of $3,500,000, of which, $2,760,000 was memorialized in two 12.5% convertible debentures. NAN was still owed, as of the filing date, the approximate sum of

$800,000.00. The claim was secured by the assets of the Pre-Chapter 11 Company, pursuant to the blanket security interest granted NAN in 1998 to assure payment of the debt. In October, 1999 all of the assets of the Pre-Chapter 11 Company were surrendered to NAN in lieu of foreclosure and according to the Pre-Chapter 11 Company's management there were no assets remaining in the Company. The unsecured portion of the NAN debt, was determined to be $830,337.00 and was treated as general unsecured claim.

GENERAL UNSECURED DEBT

Unsecured Debt consisted of the holders of general unsecured claims against Nantucket arising from the operations of its business. There were general unsecured claims totaling $1,731,321 including the NAN investors unsecured debt (above). Holders of allowed general unsecured claims received in full settlement and satisfaction of their respective claims, receive 346,263 shares of common stock in the reorganized Company, one (1) share of stock in the reorganized Company per $5.00 of claim.

Notes to Consolidated Financial Statements

PREFERRED STOCK

The Samberg Group were holders of 5,000 shares of preferred stock issued by the Company in 1995. The preferred stock had a liquidation preference of $200 pre share, for a total of $1,000,000 based upon the election of redemption rights approved in 1997. The preferred stock was issued in exchange for the investment of additional capital of $1,000,000 by the Samberg Group in 1994. The Samberg Group is comprised of Stephen M. Samberg, the former President and Chairman of the Board (1994 through 1998), Steven Sussman, Raymond Wathen, Robert R. Polen and the wife of Ronald Hoffman, all of whom are former officers of the Pre-Chapter 11 Company and/or members of its board.

The Plan provided that the holder of the stock issued and outstanding shares of preferred stock in the Pre-Chapter 11 Company would receive, in full settlement and satisfaction their liquidation preference and all other rights appurtenant to such shares, one (1) share of stock in the reorganized Company per $20.00 of liquidation preference they held. As a result, the Samberg Group received a total of 50,000 shares of common stock in the reorganized Company in full settlement and satisfaction of the redemption claims and all other claims based upon the preferred shares. The outstanding shares of preferred stock would be deemed null and void and shall be canceled of record.

COMMON STOCKHOLDERS

Consists of the holders of shares of common stock in the Company which were issued and outstanding. There were 3,241,848 shares of stock issued and outstanding and held by approximately 1,100 holders. The Plan provided for the preservation of their participation in the reorganized Company by issuing them new shares of stock in the reorganized Company at the rate of one (1) new share of stock in the reorganized Company per ten (10) shares of the currently issued stock held a total of 324,184. The current shares of stock would be deemed null and void and the shareholders are to turn in their present shares for cancellation.

In addition, all outstanding warrants and options to purchase stock and to convert debt to stock would be deemed null and void and canceled of record. These rights canceled included those rights granted to NAN Investors in conjunction with the private placement of 1996 of $3,500,000 by which NAN had the right to purchase Nantucket common stock at fixed prices.

EXTRAORDINARY GAIN ON DISCHARGE OF DEBT

The value of securities to be distributed under the Plan was less than the value of the allowed claims on and interests in the Company: Accordingly, the Company recorded an extraordinary gain of $1,621,162related to the discharge of pre-petition liabilities. Distributions associated with pre-petition claims and obligations and provisions for settlements are reflected in the February 28, 2002 balance sheet. The consolidated financial statements at February 28, 2002 give effect to the issuance of all common stock and any surviving liabilities in accordance with the Plan. The extraordinary gain recorded by the Company was determined as follows: Liabilities subject to compromise at the effective date $1,731,321 Less:

Assumption of pre-petition liabilities	23,175
Liabilities in excess of recorded amounts	30,575
Assets offset against pre-petition liabilities	21,783
Value of common stock issued	34,626
Extraordinary Gain on Debt Discharge	$1,621,162

2. Summary of Significant Accounting Policies

a. The Company

Nantucket Industries, Inc. and its wholly owned subsidiaries (the

"Company") were inactive from October 1999 until January 26, 1992. At that date a reverse merger with Accutone Inc. and Subsidiary occurred. (See note 1) Accutone Inc. is engaged in the business of selling and distributing hearing aids and providing the related audiological services.

Notes to Consolidated Financial Statements

b. Principles of Consolidation

The consolidated financial statements include the accounts of Nantucket Industries, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated. As a result of the above described acquisition, Nantucket Industries, Inc. (together with Accutone's wholly-owned subsidiary) has no business or assets other than those which it acquired through its acquisition of Accutone.

c. Accounts Receivable

An allowance for doubtful accounts is provided based upon historical bad debt experience and periodic evaluations of the aging of the accounts. No allowance was considered necessary since to date there has been no bad bad debt expense.

d. Property, Plant and Equipment

Property and equipment are stated at cost. Depreciation is computed for financial statement purposes, using the straight-line method over the estimated useful life. For income tax purposes, depreciation is computed using statutory rates.

e. Inventories

Inventories are stated at the lower of costs (first-in, first-out method) or market.

f. Intangible Assets

Intangible assets include customer lists and a covenant not to compete which are stated at cost. Amortization is computed for financial statement and tax purposes using the straight-line method over 5 years.

g. Income Taxes

The Company and its wholly owned subsidiaries file a consolidated federal income tax return. Deferred income taxes arise as a result of differences between financial statement and income tax reporting

h. Earnings (Loss) Per Common Share

In fiscal year 1998, the Company adopted Statement of Financial Accounting Standards No. 128 (SFAS No. 128), Earnings Per Share, which requires public companies to present earnings per share and, if applicable, diluted earnings per share. All comparative periods must be restated as of February 28, 1998 in accordance with SFAS No. 128. Basic earnings per share are based on the weighted average number of common shares outstanding without consideration of potential common share equivalents. Diluted earnings per share are based on the weighted average number of common and potential common shares outstanding. The calculation takes into account the shares that may be issued upon exercise of stock options, if any, reduced by the shares that may be repurchased with the funds received from the exercise, based on the average price during the year.

i. Reporting Comprehensive Income

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 130 (SFAS No. 130), Reporting Comprehensive Income, which is effective for the Company's year ending February 27, 1999. SFAS No. 130 addresses the reporting and displaying of comprehensive income and its components. Earnings (loss) per share will only be reported for net earnings (loss), and not for comprehensive income. Adoption of SFAS No. 130 relates to disclosure within the financial statements and is not expected to have a material effect on the Company's financial statements.

j. Segment Information

In June 1997, the FASB also issued Statement of Financial Accounting Standards No. 131 (SFAS No. 131), Disclosure About Segments of an Enterprise and Related Information, which is effective for the Company's year ending February 27, 1999. SFAS No. 131 changes the way public companies report information about segments of their business in their financial statements and requires them to report selected segment information in their quarterly reports. Adoption of SFAS No. 131 relates to disclosure within the financial statements and is not expected to have a material effect on the Company's financial statements.

k. Fiscal Year

The Company's fiscal year ends February 28, with the exception of fiscal year ended February 27, 2000.

l. Reclassification

Certain prior year amounts have been reclassified in order to conform to the current year's presentation.

m. Use of Estimates

In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

n. Impairment of Long-Lived Assets

The Company applies Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. Accordingly, when indicators of impairment are present, the Company periodically evaluates the carrying value of property, plant and equipment and intangibles in relation to the operating performance and future undiscounted cash flows of the underlying business. The Company adjusts carrying amount of the respective assets if the expected future undiscounted cash flows are less than their book values. No impairment loss was required in fiscal year 2002.

o. Fair Value of Financial Instruments

n. Fair Value of Financial Instruments

Based on borrowing rates currently available to the Company for debt with similar terms and maturities, the fair value of the company's long-term debt approximate the carrying value. The carrying value of all other financial instruments potentially subject to valuation risk, principally cash, accounts receivable and accounts payable, also approximate fair value.

3. Concentration of Risk

Currently approximately 70% of the reorganized Company's business is based on contracts with The New York State Medical Assistance Program (Medicaid) and Empire Medicare Service (Medicare).

4. Acquisition of Audiology Practice

On February 28, 2002 the Company executed a contract with Park Avenue Medical Associates, P.C. and Park Avenue Health Care Management, Inc. The Park Avenue Group directly employs medical professional personnel, including physicians in both general and specialty practices and other health care professionals such as podiatrists, audiologists, psychologists and psychotherapists. Nursing homes and long term care facilities contract with Park Avenue for the services of Park Avenue's medical professionals, on a pre-determined schedule or on an as-needed basis. Pursuant to the terms of the agreement Park Avenue contributed its entire audiology practice to the Company. The contract also calls for Brad I. Markowitz, the president of Park Avenue Management to join the Company's Board of Directors. Mr. Markowitz is a banker by trade and has been with Park Avenue since 1995. At that time Park Avenue was servicing approximately seven nursing homes. Under his tutelage Park Avenue has grown to service over seventy long term care facilities. In addition, Mr. Markowitz serves on the Board of Trustees of several private companies.

The Company issued 1,200,000 shares of restricted common stock to acquire the audiology practice of Park Avenue Medical Associates P.C. Under the agreement the Company gains access to approximately 70 nursing homes to provide complete audiology services. As of May 31, 2002 the Company has entered into contracts with approximately 38 of these nursing homes. In addition, Park Avenue will continue to provide additional access to any new nursing homes they have contact with.

5. Property, Plant and Equipment

Property, plant and equipment are summarized as follows:

	February 28, 2002	February 28, 2001	February 2000
Leasehold improvements	$25,000	-	
Machinery and equipment	99,870	-	
Furniture and fixtures	6,200	-	
	131,070	-	
Less accumulated depreciation	49,612	-	
	$81,458	$ -	

14

Nantucket Industries, Inc.
and Subsidiaries

Notes to Consolidated Financial Statements

6. Line of Credit

The Company has a revolving line of credit with Park Avenue for up to $30,000. The interest rate on any amount of the line utilized is at prime plus 2%. The agreement expires and on March 1, 2003 provisions for a renewal option at the end of the initial term of this agreement.

7. Net Earnings (Loss) Per

Common Share

The following table sets forth the computation of basic and diluted loss per share:

	February 28, 2002	February 28, 2001
Net earnings (loss) attributable to common stockholders	$1,370,815	$ -
Accrued dividends on preference shares	-	$ -
Denominator for basic and diluted net earnings (loss) per common share - weighted average shares outstanding	3,620,168	3,238,796
Basic and diluted net earnings (loss) per share	$ .38	$ -

8. Income

Taxes Deferred income taxes reflect the net effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for income tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates. Significant components of the Company's deferred taxes at February 28, 2002, February 27, 2001 and February 27, 2000 are as follows:

	February 28, 2002	February 27, 2001
Deferred tax assets		
Net operating loss carryforward	$96,950	$7,215,000
Deferred tax liabilities		
Difference between the book and tax basis of property, plant and equipment	-	331,000
Net deferred tax asset	96,950	6,884,000
Valuation allowance	96,950	6,884,000
Net deferred taxes	$ -	$ -

15

Nantucket Industries, Inc.
and Subsidiaries

Notes to Consolidated Financial Statements

The Company anticipates utilizing its deferred tax assets only to the extent of its deferred tax liabilities. Accordingly, the Company has fully reserved all remaining deferred tax assets, which it cannot presently utilize. For tax purposes at February 28, 2002, the Company's net operating loss carryforward was $277,000, which, if unused, will expire from 2017 to 2021. Certain tax regulations relating to the change in ownership may limit the Company's ability to utilize its net operating loss carryforward if the ownership change, as computed under each regulation, exceeds 50%.

There was no income tax provision (benefit) for the fiscal years 2002, 2001 and 2000. The following is a reconciliation of the normal expected statutory federal income tax rate to the effective rate reported in the financial statements.

	February 28, 2002	February 28, 2001	Febru
Computed "expected" provision for:			
Federal income taxes	(35.0)%	0%	
Valuation allowance	35.0	0	
Actual provision for income taxes	- %	0%	

9. Stockholders' Equity

a. Issuance of Preferred Stock

On March 22, 1994, the Company sold to its management group 5,000 shares of non-voting convertible preferred stock for $1,000,000. These shares were convertible into 200,000 shares of common stock at the rate of $5.00 per share. These shares provided for cumulative dividends at a floating rate equal to the prime rate. Such dividends were convertible into common stock at the rate of $5.00 per share. The conversion rights were waived in May 1998. These shares were redeemable, at the option of the Company, on or after February 27, 1999 and had a liquidation preference of $200 per share. As of February 28, 2001, February 27, 2000 dividends in arrears were $570,134, and $489,484, respectively. The liquidation preference of $200 per share as well as any dividends in areas at that time were settled in full, pursuant to the approved plan of reorganization. (See Note 1).

16

Nantucket Industries, Inc.
and Subsidiaries

Notes to Consolidated Financial Statements

b. Issuance of Treasury Stock

In connection with the Company's refinancing on March 22, 1994, the Company entered into a $2,000,000 term loan agreement with a financial institution. Pursuant to the agreement, the Company issued to the bank 10,000 treasury common shares related to mandatory prepayments, which were not made. The treasury stock was retired in conjunction with the plan of reorganization.

c. Grant of Warrants

Warrants have been granted to NAN Investors LP to purchase 16,500,000 shares of the Company's Common Stock for $.10 per share, with a five-year term effective May 21, 1998. All warrants were canceled in conjunction with the plan of reorganization.

10. Commitments, Contingencies and Related Party Transactions

a. Agreement with Principal Stockholders

On March 1, 1994, in connection with the restructuring described in Note 4, the Company entered into agreements with its two principal stockholders and a group of employees (the "Management Group"). The agreements provide, among other things, for:

The reimbursement of the principal stockholders, limited to $1.50 per share to the extent that the gross proceeds per share from the sale of common stock by the stockholders during the two-year period beginning September 1, 1994 were less than $5.00 per share. Such guaranty was applicable to a maximum of 150,000 shares sold by such stockholders, subject to reductions under certain circumstances. The principal stockholders sold 157,875 shares including 88,400 at prices below $5.00 per share; 37,125 shares in the fiscal year ended March 1, 1997 and 51,275 shares in the year ended March 2, 1996 which resulted in a charge to operating results of $12,000 and $35,000, respectively.

Warrants to purchase up to 157,875 shares of common stock equal to the number of shares sold by the principal stockholders. The exercise price per share of such warrants would equal the gross proceeds per share from the corresponding sale by the principal stockholders. Such warrants expired on February 28, 2000.

All agreement with principal stockholder were canceled in conjunction with the plan of reorganization.

b. Executive compensation

In accordance with employment agreement between the Company and John H. Treglia The Company's President dated, April 3, 2000, Mr. Treglia was entitled to cash compensation of $150,000 per year, all such cash compensation was waived by Mr. Treglia. In accordance with Paragraph 6 of this employment agreement, Mr. Treglia may receive common stock of the Company valued at the average market price on a monthly basis. In accordance with the agreement on February 5, 2002, Mr. Treglia was issued 630,397 shares of restricted common stock of the Company. Compensation for the period March 1, 2001 and ending on January 25, 2002 such shares equating to approximately $137,500 in salary.

c. Consulting agreement

On February 5, 2002 the Company engaged the services of Westminster Holdings Ltd. For a period of two years to provide management and business consulting services. In exchange for one consulting services Westminster received 1,200,000 shares of common stock of Nantucket Industries, Inc.

Such shares shall be restricted in accordance with Rule 144 of the 1933 Securities Act. In addition, notwithstanding Rule 144, 600,000 of the 1,200,000 shares shall be restricted for a two year period from the date of issuance. The Company shall notify the transfer agent of such two year restriction. Such shares shall not have any piggyback registration rights, demand or otherwise, unless otherwise agreed to be the parties.

d. Lease obligation

The Company lease office under any agreement that expires on February 2006. As of February 28, 2002 the future minimum lease payments are as follows:

February 28	
2003	$22,944
2004	22,944
2005	22,944
2006	22,944
	$91,776

Accutone, Inc.
and Subsidiary

Consolidated Balance Sheet (Unaudited)

January 25,
Assets
Cash
Accounts receivable
Inventories
Deferred costs
Total current assets
Property, plant and equipment, net

```
==========================================================================================

Liabilities and Stockholders' Deficit

   Current portion of long-term debt
   Accounts payable
------------------------------------------------------------------------------------------
              Total current liabilities
------------------------------------------------------------------------------------------

Stockholders' equity

   Common stock, $.01 par value; authorized 100,000 shares; issued and
      outstanding
   Additional paid-in capital
   Accumulated deficit
------------------------------------------------------------------------------------------
              Total stockholders' equity
------------------------------------------------------------------------------------------

==========================================================================================
```

```
                                                                  Accutone, Inc.
                                                                  and Subsidiary

                                  Consolidated Statement of Operations (Unaudited)

==========================================================================================
  Period ended January 25,
  ----------------------------------------------------------------------------------------

  Net sales
  Cost of sales
  ----------------------------------------------------------------------------------------
                Gross profit
  Selling, general and administrative expenses
  ----------------------------------------------------------------------------------------
                Loss from operations
  Other expense:
     Depreciation
     Interest expense
  ----------------------------------------------------------------------------------------
                Total other expense
  ----------------------------------------------------------------------------------------
                Loss before income taxes
  Income taxes
  ----------------------------------------------------------------------------------------

  Net loss
  ----------------------------------------------------------------------------------------
```

Audited Financial Statements of

Accutone, Inc.

Years Ended December 31, 2001, 2000 and 1999

Independent Auditors' Report

To the Board of Directors
Accutone, Inc. and Subsidiary
Yonkers, New York

We have audited the accompanying consolidated balance sheet of Accutone, Inc. and Subsidiary as of December 31, 2001, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for December 31, 2000 and 1999 were audite by other auditors, therefore we do not render an opinion on these financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Accutone, Inc. and Subsidiary as of December 31, 2001, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

May 30, 2002

2

Accutone, Inc.
and Subsidiary

Consolidated Balance Sheets

December 31,	2001
Assets	
Cash	$ 4,826
Accounts receivable	93,786
Inventories	6,345
Deferred costs (Note 5)	78,599
Total current assets	183,556
Property, plant and equipment, net (Notes 2 and 3)	96,966
	$280,522
Liabilities and Stockholders' Deficit	
Current portion of long-term debt (Note 3)	$ 539
Accounts payable	76,420
Other liabilities (Note 5)	-
Total current liabilities	76,959
Long term debt (Note 3)	-
Total liabilities	76,959
Stockholders' equity (Note 4)	
Common stock; $.01 par value; authorized 100,000 shares issued and outstanding	1,000
Additional paid-in capital	479,071
Accumulated deficit	(276,508)
Total stockholders' equity	203,563
	$280,522

See accompanying notes to financial statements.

3

Accutone, Inc.
and Subsidiary

Consolidated Statements of Operations

Years ended December 31,	2001	
Net sales	$442,593	$314
Cost of sales	277,979	224
Gross profit	164,614	90
Selling, general and administrative expenses	141,321	152
Income (loss) from operations	23,293	(62
Other expense:		
Depreciation	21,143	21
Interest expense	2,786	1
Total other expense	23,929	22
Loss before income taxes	(636)	(84
Income taxes (Note 4)	-	
Net loss	$ (636)	$(84

See accompanying notes to financial statements.

4

Accutone, Inc.
and Subsidiary

Consolidated Statement of Stockholders' Equity

	Common stock	Additional paid-in capital	A
Balance at January 1, 1999	$1,000	$216,766	

Net loss			
Capital contribution		94,798	
Balance at December 31, 1999	1,000	311,564	
Net loss			
Capital contribution		67,940	
Balance at December 31, 2000	1,000	379,504	
Net loss			
Capital contribution		99,567	
Balance at December 31, 2001	$1,000	$479,071	

See accompanying notes to financial statements.

5

Accutone, Inc.
and Subsidiary

Consolidated Statements of Cash Flows

Years ended December 31,	2001	20
Cash flows from operating activities:		
Net loss	$ (636)	$(84,9
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	21,143	21,0
Changes in assets and liabilities		
Accounts receivable	(74,106)	(11,1
Inventories	4,415	2,6
Deferred costs	(8,000)	(70,5
Accounts payable	12,613	29,3
Other liabilities	(25,000)	25,0
Net cash used by operating activities	(69,571)	(88,6
Cash flows from investing activities:		
Additions to property and equipment	(31,000)	-
Net cash used by investing activities	(31,000)	-
Cash flows from financing activities:		
Capital contribution	99,567	67,9

Proceeds from equipment loan	-	-
Payments on long-term debt	(5,030)	(2,9
Net cash provided by financing activities	94,537	65,0
Net increase (decrease) in cash	(6,034)	(23,6
Cash, beginning of year	10,860	34,5
Cash, end of year	$ 4,826	$ 10,8

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. The Company

Accutone, Inc. and its wholly-owned subsidiary (the "Company") distribute hearing aids.

b. Principles of Consolidation

The consolidated financial statements include the accounts of Accutone, Inc. and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated.

c. Revenue Recognition

Revenue is recognized when the merchandise is shipped.

d. Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

e. Property and Equipment

Property and equipment are stated at cost. Depreciation is computed for financial statement purposes, using the straight-line method over the estimated useful life. For income tax purposes, depreciation is computed using statutory rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

f. Income Taxes

The Company and its wholly owned subsidiaries file a consolidated federal income tax return. Deferred income taxes arise as a result of differences between financial statement and income tax reporting.

g. Estimates

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

h. Long - Lived Assets

The company reviews the carrying values of its long-lived and identifiable intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Any long-lived assets held for disposal are reported at the lower of their carrying amounts or fair value less cost to sell.

2. Property, Plant and Equipment

	2001	2000	1999
Furniture and fixtures	$ 13,801	$ 13,801	$ 13,801
Leasehold improvements	25,000	25,000	25,000
Machinery and equipment	92,269	61,269	61,269
Customer list	47,935	47,935	47,935
	179,005	148,005	148,005
Accumulated depreciation	(82,039)	(60,896)	(39,872)
	$ 96,966	$ 87,109	$108,133

3. Long-term debt

	2001	2000	1999
Equipment loan payable to a finance company, collateralized by equipment with monthly installments			

of $280 including interest at 5.9% maturing in 2002.	$ 539	$5,569	$ 8,504
Less current maturities	539	3,129	2,935
	$ -	$2,440	$ 5,569

4. Income taxes — At December 31, 2001, the Company had net operating loss carryforwards of approximately $277,000 expiring from 2017 to 2020.

5. Commitment and contingencies — The Company has incurred fees with certain stockholders for legal servicesperformed in connection with a proposed reverse acquisition with Nantucket Industries Inc. The reverse acquisition was completed on January 25, 2002.

See accompanying notes to financial statements.

8

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None in the last two years.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

Directors, Executive Officers and Significant Employees

The following sets forth, as of June 1, 2002, the names and ages of our directors, executive officers, and other significant employees; the date when each director was appointed; and all positions and offices held by each. Each director will hold office until the next annual meeting of shareholders and until his or her successor has been elected and qualified:

Name	Age	Positions Held	Date Appointed Director
John H. Treglia	58	Director, President, and Secretary	Jan. 18, 2000
Dr. Frank Castanaro	51	Secretary and Director	February 17, 2000

Set forth below is information regarding the principal occupations of each current director during the past five years or more. None of the directors or principal executive officers holds the position of director in any other public company.

John H. Treglia is a graduate of Iona College, from which he received a BBA in Accounting in 1964. Since January 18, 2000, he has served as our president, secretary, and a director, devoting such time to our business and affairs as is required for the performance of his duties. From 1964 until 1971, Mr. Treglia was employed as an accountant by Ernst & Ernst. Thereafter, he founded and operated several businesses in various areas. From 1994 through 1998, Mr. Treglia served as a consultant to several companies which were in Chapter 11. These included J.R.B. Contracting, Inc., Laguardia Contracting, and Melli-Borrelli Associates. In 1996, Mr. Treglia founded Accutone Inc., a company engaged in the business of manufacturing and distributing hearing aids. He has served as its president and CEO since such time.

Dr. Frank Castanaro received a Bachelor of Science degree from the University of Scranton in 1974. In 1978, he graduated from Georgetown University School of Dentistry and has been in private practice as a dentist since such time. Dr. Castanaro was appointed as our director on February 17, 2000. Dr. Castanaro has assisted two large ophthalmology practices to introduce and expand their activities in Laser therapy, including, but not limited to, Lasik procedures. Dr. Castanaro presently practices dentistry in partnership with Dr.'s Joseph C. Fontana and John B. Fontana in Peekskill, New York, and has a solo practice in Yonkers, New York. Dr. Castanaro is a member of the American Dental Association, the Dental Society of the State of New York, the Ninth District Dental Society, and the Peekskill-Yorktown Dental Society.

ITEM 11. EXECUTIVE COMPENSATION

Compensation of Directors

Until June of 2000, when our board of directors eliminated compensation for directors other than those employed by us, such persons were paid $5,000 annually and an additional $500 for each Board or committee meeting attended in person. No payments have been made during the fiscal year ended February 28, 2002.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee was disbanded in May 1998. As of the date hereof, the Board of Directors has not established a new Compensation Committee and it has no plans to do so until such time as our financial position and prospects improve significantly.

SUMMARY COMPENSATION TABLE

The Summary Compensation Table shows compensation information for each of the fiscal years ended February 28, 2002 and February 28, 2001 for all persons who served as our chief executive officer. No other executive officers received compensation in excess of $100,000 during the fiscal year ended February 28, 2001.

To the best knowledge of current management, prior to and/or during the fiscal year ended February 27, 2000, we had in effect a 401(k) Profit Sharing Plan, a Long Term Incentive Plan and one or more Stock Option and SAR Plans and/or granted stock options outside of specific Plans therefore. As part of the projected reorganization under chapter 11, all existing compensation plans and rights to purchase our securities arising thereunder were terminated, as were all outstanding stock options; any funds or assets in our 401(k) Profit Sharing Plan and any other compensation plan holding funds or assets of former employees will be distributed by the Trustees of any such plans to the beneficial owners and all such Plans were terminated.

ANNUAL COMPENSATION

Name and Principal and Position	Year	Salary	Other Compensation
John H. Treglia	2002	$-0-	630,397
President, Chief Executive	2001	-0-	0
Officer, Secretary and Director	2000	-0-	0
Dr. Frank Castanaro	2002	$-0-	0
Secretary and Director	2001	-0-	0
	2000	-0-	0

The shares issued to John H. Treglia represent past due salary owed to Mr. Treglia.

ITEM NO. 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table sets forth information as of June 1, 2002, with respect to the persons known to us to be the beneficial owners of more than 5% of our common stock, $.10 par value.

PRINCIPAL SHAREHOLDERS

We know of no person, other than those listed in the Management's Shareholdings Table, below, who owns more than 5% of our common stock. The following table sets forth information as of June 1, 2002, with respect to the beneficial ownership of our common stock, $.10 par value, of each of

our executive officers and directors and all executive officers and directors as a group:

PRINCIPAL SHAREHOLDERS TABLE

Title of Beneficial Owner	Name and Address of Beneficial Ownership	Amount and Nature of Class	Percent of Class
Common	John H. Treglia 13-44 Henrietta Court Fair Lawn, NJ 07410	630,397	6.98%
Common	Carlyn A. Barr (1) 13-44 Henrietta Court Fair Lawn, NJ 07410	2,189,962	24.24%
Common	Westminster Holdings Ltd. 75 Maiden Lane New York, NY 10038	1,200,000	13.28%
Common	Park Avenue Health Care Management One North Lexington Avenue White Plains, New York 10601	1,200,000	13.28%
Common	Dr. Frank J. Castanaro 71 Bradford Boulevard	733,000	8.08%

	Yonkers, NY 10710		
Common	Frances Katz Levine 621 Clove Road Staten Island, NY 10310	600,000	6.64%
Common	Scott Rapfogel 16 Regency Circle Englewood, NJ	600,000	6.64%

(1) Carlyn A. Barr is the wife of John H. Treglia.

Security Ownership of Management

The following table sets forth information as of June , 2002, with respect to the shareholdings of the Company's executive officers and directors.

Title of Class Owner	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Class(1)	Percent of Class
Common	John H. Treglia 13-44 Henrietta Court Fair Lawn, NJ 07410	630,397	6.98%
Common	Carlyn A. Barr (1) 13-44 Henrietta Court Fair Lawn, NJ 07410	2,189,962	24.24%
Common	Dr. Frank J. Castanaro 71 Bradford Boulevard Yonkers, NY 10710	733,000	8.08%
Common	All directors and officers as a group (2 persons)	3,553,359	39.32%

Pursuant to the rules of the Securities and Exchange Commission, shares of our common stock which an individual or member of a group has a right to acquire within 60 days pursuant to the exercise of options or warrants are deemed to be outstanding for the purpose of computing the ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table. Accordingly, where applicable, each individual or group member's rights to acquire shares pursuant to the exercise of options or warrants are noted below.

Proposed Medical and Professional Advisory Board

We are in the process of forming a Medical and Professional Advisory Board which will consist of individuals with experience and expertise in otolaryngology, audiology, geriatric care (both medical and psychological), and new hearing aid product developments. The purpose of establishing this advisory board is to assist us with any complex questions or issues which may arise in connection with their fields of expertise. Once we have established this board, we will consult with its members with respect to current developments in their fields of expertise and, where appropriate, for advice respecting our business strategy.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following is a description of any transactions during the fiscal year ended

February 28, 2002 or any presently proposed transactions, to which we were, or are, to be a party, in which the amount involved in such transaction (or series of transactions) was $60,000 or more and which any of the following persons had or is to have a direct or indirect material interest: (I) any of our directors or executive officers; (ii) any person who owns or has the right to acquire 5% or more of our issued and

outstanding common stock; and (iii) any member of the immediate family of any such persons. Current management is not aware of any requirements, which may have been in effect prior to January 2000, with respect to the approval of related transactions by independent directors. Because of its current limited management resources, the company does not presently have any requirement respecting the necessity for independent directors to approve transactions with related parties. All transactions are approved by the vote of the majority, or the unanimous written consent, of the full board of directors. J all member so the board of directors all members of the board of directors, individually and/or collectively, could have possible conflicts of interest with respect to transactions with related parties.

Employment Agreement with John H. Treglia

On April 3, 2000, we entered into an employment agreement with John H. Treglia, our President and CEO. The agreement provides for an annual salary in the amount of $150,000 and a term of three years. Mr. Treglia has agreed to waive the right to be paid in cash until, in the opinion of the board of directors, we have sufficient financial resources to make such payments. In lieu of cash salary payments, Mr. Treglia may accept shares of common stock at, or at a discount from the market price. His agreement provides for the possibility of both increases in salary and the payment of bonuses at the sole discretion of the board of directors, participation in any pension plan, profit-sharing plan, life insurance, hospitalization of surgical program or insurance program adopted by us (to the extent that the employee is eligible to do so under the provisions of such plan or program), reimbursement of business related expenses, for the non-disclosure of information which we deem to be confidential to it, for non-competition with us for the two-year period following termination of employment with us and for various other terms and conditions of employment. We do not intend to provide any of our employees with medical, hospital or life insurance benefits until our board of directors determines that we have sufficient financial resources to do so.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

The following is a list of all exhibits and financial statement schedules filed as part of this report, certain of which documents have been incorporated by reference to documents previously filed on behalf of us.

Financial Statements

Reports on Form 8-K

On February 20, 2002 a Form 8-K was filed during the last quarter of the period covered by this report.

Exhibits

Exhibits which, in their entirety, are incorporated by reference to any report, exhibit or other filing previously made with the Securities and Exchange Commission are designated by an asterisk (*) and the location of such material is included in its description.

Exhibit No.	Description
(3)(a)	Certificate of Incorporation as currently in effect (filed as Exhibit 3 (a) to Form 10-K Report for the fiscal year ended February 27, 1988 (the "1988 10-K").
(3)(b)	By-laws as currently in effect (filed as Exhibit 3(b) to the Form 8K dated August 15, 1996).
(3)(c)	Certificate of Incorporation of Nantucket Hosiery Mills Corp. filed March 1, 2000.
(3)(d)	Nantucket Hosiery Mills Inc. filed February 25, 2000.
(4)(a)	Specimen Stock Certificate (filed as Exhibit 4(b) to Registration Statement on Form S-1, No. 2-87229 filed October 17, 1983 (the "1983 Form S-1).
(4)(b)	Share Purchase Rights Agreement, dated as of September 6, 1988, between the Company and State Street Bank and Trust Company (filed as Exhibit 4(a) to Form 8-K Report dated as of September 6, 1988), as amended by the following: Amendment No. 1 dated October 3, 1988 (filed as Exhibit 9 to Schedule 14D-9 Amendment No. I dated October 4, 1988), Amendment No. 2 dated October 18, 1988 (filed as Exhibit 14 to Schedule 14D-9 Amendment No. 2 dated October 19, 1988) and Amendment No. 3 dated November 1, 1988 (filed as Exhibit 4(c) to Form 10-K Report for the fiscal year ended February 25, 1989 (the " 1989 10K"), Amendment No. 4 dated as of November 17, 1988 (filed as Exhibit 1 to Amendment No. 1 to Form 8-A, dated November 18, 1988) and Amendment dated as of August 15, 1994 (filed as Exhibit 4(e) to Form 8-K dated August 19, 1994).
(4)(c)	Note Acquisition Rights Agreement dated as of September 6, 1988 between the Company and State Street Bank and Trust Company, as amended on September 19, 1988 (filed as Exhibit 4(b) to From 8-K Report dated September 6, 1988) as amended by the following: Amendment No. 2 dated October 3, 1988 (filed as Exhibit 10 to Schedule 14D-9 Amendment No. 2 dated October 4, 1988), Amendment No.3 dated October 18, 1988
(10)(x)(i)	Amendment No. 2 dated August 9, 1996 to that certain Employment Agreement * dated as of May 26, 1992 by and between Nantucket Industries, Inc. and Stephen P. Sussman (filed as Exhibit 99(a) to the Form 8-K dated August 15, 1996).
(10)(y)	Purchase and Sale Agreement dated as of July 31, 1997 by and among Mimms Investments, a Georgia general partnership and Nantucket Industries, Inc. regarding the sale of the Registrant's property at 200 Cook St., Cartersville, GA.(filed as Exhibit (10)(y) to 10Q report for August 30,

1997).

(10)(y)(i)	Amendment dated August 14, 1997 to Purchase and Sale Agreement dated as of July 31, 1997 by and among Mimms Investments, a Georgia general partnership regarding the sale of the Registrants property located at 200 Cook St., Cartersville, GA (filed as Exhibit (10)(y)(i) to 10Q report for August 30, 1997).
(10)(y)(ii)	Amendment dated August 27, 1997 to Purchase and Sale Agreement dated as of July 31, 1997 by and among MimmsInvestments, a Georgia general partnership regarding the sale of the Registrants property located at 200 Cook St., Cartersville, GA (filed as Exhibit (10)(y)(ii) to 10Q report for August 31,1997).
(10)(z)(i)	Intentionally omitted.
(10)(z)(ii)	Amended and Restated Employment Agreement by and between Nantucket Industries, Inc. and Stephen M. Samberg (filed as Exhibit 10(z)(ii) to the 1994 Form 10-K) as amended by the Amendment dated August 8, 1994 (filed as Exhibit 99(c) to Form 8-K dated August 19, 1994).
(10)(z)(iii)	Amendment No. 2 dated August 9, 1996 to that certain Employment Agreement dated as of March 18, 1994 by and between Nantucket Industries, Inc. and Stephen M. Samberg (filed as Exhibit 99(c) to the Form 8-K dated August 15, 1996).
(10)(z)(iv)	Amendment No. 3 dated July 1, 1997 to that certain Employment Agreement dated as of March 18, 1994 by and between Nantucket Industries, Inc and Stephen M. Samberg (filed as Exhibit (10)(z)(iv) to 1998 10-K).
(10)(aa)	License Agreement dated October 5, 1992 between Cluett Peabody & Co., Inc. and Registrant with respect to the ARROW trademark (filed as Exhibit 2 to Form 10Q Report for November 28, 1992).
(10)(bb)	License Agreement dated December 9, 1992 between GUESS?, Inc. and Registrant with respect to the GUESS? trademark (filed as Exhibit 3 to Form 10Q Report for November 28, 1992).
(10)(cc)	Registrant's 1992 Long-Term Stock Option Plan (filed as Exhibit 4 to Form

	10Q Report for November 28, 1992).
(10)(dd)	Registrant's 1992 Executive Performance Benefit Plan (filed as Exhibit 5 to Form 10Q for November 28, 1992).
(10)(ee)	Management Agreement made as of January 1, 1993 by and between Nantucket Management Corp. (a subsidiary of Registrant) and Registrant (filed as Exhibit 10(ee) to 1993 10-K).

(10)(ff)	License Agreement dated December 21, 1992 between Registrant and McGregor Corporation with respect to the Botany 500 Trademark (filed as Exhibit 10(ff) to 1993 10-K).
(10)(ff)(I)	Letter Agreement dated July 10, 1995 amending License Agreement between the Registrant and McGregor Corporation with respect to the Botany 500 Trademark (filed as Exhibit 10(ff) to 1993 10-K).
(10)(gg)	Severance Agreement dated as of March 18, 1994 by and among Nantucket Industries George J. Gold and Donald Gold (filed as Exhibit 10(gg)(i) to the Form 10K Report for the fiscal year ended February 25, 1995). (Filed as Exhibit 10(gg) to the 1994 Form 10-K) as amended by the Amendment dated August 17, 1994 (filed as Exhibit 99(b) to Form 8-K dated August 19, 1994).
(10)(gg)(i)	Letter dated February 28, 1995 amending Severance Agreement by and among Registrant, George J. Gold and Donald D. Gold (filed as Exhibit 10(gg)(i) to the Form 10-K Report for the fiscal year ended February 25, 1995).
(10)(gg)(ii)	Third Amendment dated August 9, 1996 to that certain Severance Agreement dated as of March 18, 1994 by and among Nantucket Industries, Inc. George J. Gold and Donald D. Gold (filed as Exhibit 99(b) to the Form 8-K dated August 15, 1996).
(10)(hh)	Agreement dated as of March 1, 1994 by and among the Samberg Group, L.L.C., George J. Gold, Donald D. Gold, Stephen M. Samberg, Stephen P. Sussman, Robert Polen, Raymond L. Wathen and Nantucket Industries, Inc. (filed as Exhibit 10(hh) to the 1994 Form 10-K).
(10)(ii)	Loan and Security Agreement by and between Nantucket Industries, Inc. and Congress Financial Corp. dated as of March 21, 1994 (filed as Exhibit 99(b) to 1994 8-K).
(10)(ii)(i)	Amendment No. 2 dated July 31, 1996, to Loan and Security Agreement dated as of March 21, 1994, among Nantucket Industries, Inc. and Congress Financial Corp. (filed as Exhibit 99(o) to the Form 8-K dated August 15, 1996).
(10)(ii)(ii)	Amendment No. 3 dated August 15, 1996, to Loan and Security Agreement dated as of March 21, 1994, among Nantucket Industries, Inc. and Congress Financial Corp. (filed as Exhibit 99(p) to the Form 8-K dated August 15, 1996).
(10)(ii)(iii)	Amendment No.4 dated March 18, 1997 to Loan and Security Agreement dated as of March 21, 1994 among Nantucket Industries, Inc and Congress Financial Corp (filed as Exhibit (10)(ii)(ih) to 10Q report for August 30, 1997).
(10)(ii)(iv)	Amendment No. 5 dated March 31, 1997 to Loan and Security Agreement dated as of March 21, 1994 among Nantucket Industries, Inc and Congress Financial Corp (filed as Exhibit (10)(ii)(iv) to 10Q report for August 30, 1997).

(10)(ii)(v)	Amendment No. 6 dated May 4, 1997, to Loan and Security Agreement dated as of March 21, 1994, among Nantucket Industries, Inc and Congress Financial Corp (filed as Exhibit (10)(ii)(v) to 10Q report for August 30, 1997).
(10)(ii)(vi)	Extention dated March 20, 1998 to the Loan and Security Agreement dated as of March 21, 1994, among Nantucket Industries, Inc and Congress Financial Corp.(filed as Exhibit (10)(ii)(vi) to 1998 10-K).
(10)(ii)(vii)	Extention No. 2 dated May 20, 1998 to the Loan and Security Agreement dated as of March 21, 1994, among Nantucket Industries. Inc and Congress Financial Corp. (filed as Exhibit (10)(ii)(vii) to 1998 10-K).
(10)(jj)	Guaranty by Nantucket Mills, Inc. in favor of Congress Financial Corp. dated as of March 21, 1994 (filed as Exhibit 99(c) to 1994 8-K).
(10)(kk)	General Security Agreement by Nantucket Mifls, Inc. in favor of Congress Financial Corp. dated as of March 21, 1994 (filed as Exhibit 99(d) to 1994 8-K).
(10)(ll)	Guarantee of Nantucket Management Corporation in favor of Congress Financial Corp. dated as of March 21, 1994 (filed as Exhibit 99(e) to 1994 8-K).
(10)(mm)	General Security Agreement by Nantucket Management Corporation in favor of Congress Financial Corp. dated as of March 21, 1994 (filed as Exhibit 99(f) to 1994 8-K).
(10)(nn)	Amended and Restated Credit Agreement by and among Chemical Bank, Nantucket Industries, Inc., Nantucket Nfills, Inc. and Nantucket Management Corporation dated as of March 21, 1994 (filed as Exhibit 99(g) to 1994 8-K) and amended by the Amendment dated as of August 18, 1994 (filed as Exhibit 99(e) to the Form 8-K dated August 19, 1994).
(10)(oo)	Amended and Restated Security Agreement by and between Nantucket Industries, Inc. and Chemical Bank dated as of March 21, 1994 (filed as Exhibit 99(h) to 1994 Form 8-K).
(10)(pp)	Amended and Restated Security Agreement by and between Nantucket Mills, Inc. and Chemical Bank dated as of March 21 1994 (filed as Exhibit 99(i) to 1994 8-K).
(10)(qq)	Security Agreement by and between Management Corporation and Chemical Bank dated as of March 21, 1994 (filed as Exhibit 99(j) to 1994 8-K).
(10)(rr)	Deed to Secure Debt, Security Agreement and Assignment of Leases and Rents by Nantucket Industries, Inc. to Chemical Bank dated as of June 8, 1994 (filed as Exhibit 10(ss) to the 1994 Form 10-K). and Assignment of Leases and Rents by Nantucket Industries, Inc. to Congress Financial Corporation dated June 8, 1994 (filed as Exhibit 10(rr) to the 1994 Form 10-K).

(10)(ss)	Deed to Secure Debt, Security Agreement and Assignment of Leases and Rents by Nantucket Industries, Inc. to Chemical Bank dated as of June 8, 1994 (filed as Exhibit 10(ss) to the 1994 Form 10-K).
(10)(tt)	Employment Agreement dated November 23, 1994 by and between Registrant and Raymond L. Wathen (filed as Exhibit 10(tt) to Form 10-K Report for the fiscal year ended February 25, 1995).
(10)(tt)(i)	Amendment to Employment Agreement entered into as of January 1, 1996 between Registrant and Raymond L. Wathen.
(10)(uu)	Employment Agreement dated July 1, 1994 by and between Registrant and Ronald S. Hoffman (filed as Exhibit 10(uu) to Form 10-K Report for the fiscal year ended February 25, 1995).
(10)(uu)(i)	Letter Agreement dated June 12, 1995 between Registrant and Ronald S. Hoffman, extending the term of his employment to June 30, 1996.
(10)(uu)(ii)	Letter Agreement dated August 9, 1996 between Registrant and Ronald S. Hoffman amending the change of control provision in his employment agreement (filed as Exhibit 99(e) to the Form 8-K dated August 15, 1996).
(10)(uu)(iv)	Letter Agreement dated as of June 30, 1996 between Registrant and Ronald S. Hoffman, extending the term of his employment to June 30, 1997 (filed as Exhibit 99(j) to the Form 8-K dated August 15, 1996).
(10)(vv)	Employment Agreement dated as of January 1996 by and between Registrant and Joseph Visconti.
(10)(vv)(i)	Amendment dated August 9, 1996 to that certain Employment Agreement dated as of January 1, 1996 by and between Nantucket Industries, Inc and Joseph Visconti (filed as Exhibit 99(d) to the Form 8-K dated August 15, 1996).
(10)(vv)(ii)	Amendment No. 2 dated as of July 1, 1997 to that certain Employment Agreement dated as of January 1, 1996 by and between Nantucket Industries and Joseph Visconti (filed as Exhibit (10)(vv)(ii) to the 1998 10-K Form).
(10)(ww)	First Amendment, dated as of December 15, 1995 to Amended and Restated Credit Agreement dated as of March 21, 1994, among Nantucket Industries, Inc. and its subsidiaries and Chemical Bank (filed as Exhibit (10)(w) to Form 10-Q Report for the quarter ended November 25, 1995).
(10)(xx)	Complaint filed on March 7, 1997 with Superior Court of California for the County of San Francisco C.A. No. 985160, Nantucket Industries, Inc. v. Levi Strauss & Co., and Brittania Sportswear Limited (filed as Exhibit 99(q) to the Form 8-K dated March 7, 1997).

(10)(zz)	Press Release dated March 10, 1997 (filed as Exhibit 99(r) to the Form 8-K dated March 7, 1997).
(10)(aaa)	Lease between Registrant and First Industrial LP dated December 3, 1997 (filed as Exhibit 99(s) to Form 8-K dated November 26, 1997.
(10)(bbb)	Letter Agreement dated September 30, 1997 from Nantucket Industries, Inc. to NAN Investors, LP (filed as Exhibit 99(t) to the 10Q report for November 29, 1997.)
(10)(bbb)(i)	Letter Agreement No. 2 dated May 19, 1998 from Nantucket Industries to NAN Investers LP (filed as Exhibit (10)(bbb)(i) to 1998 Form 10-K).
(10)(ccc)	Termination of License Agreement dated March 25, 1998 between GUESS? Inc. and the Registrant (filed as Exhibit (10)(ccc) to 1998 Form 10-K).
(10)(ddd)	Employment Agreement, dated April 3, 2000, between John H. Treglia and Company.
(10)(eee)	Consulting Agreement date February 5, 2002 between Westminster Holdings, Inc. and the Company.
16(a)	Letter, dated June 8, 2000, of Grant Thornton LLP regarding change in certifying accountant.
23(a)	Consent of Grant Thornton LLP dated June 14, 2000.

SIGNATURES

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

NANTUCKET INDUSTRIES, INC.

June 13, 2002

By /s/ John H. Treglia

John H. Treglia, President and CEO

By: /s/ Frank Castanaro

Dr. Frank Castanaro, Secretary

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

June 13, 2002

/s/ John H. Treglia

John H. Treglia, Director

/s/ Frank Castanaro

Dr. Frank Castanaro, Director