BRAINWORKS VENTURES INC
Form 10KSB
June 27, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

|X| Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

|_| Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the fiscal year ended March 31, 2003

Commission File Number: 0-06334

BRAINWORKS VENTURES, INC.
(Name of Small Business Issuer in its Charter)

NEVADA (State or other Jurisdiction of Incorporation or Organization)	87-0291240 (I.R.S. Employer Identification No.)
5500 INTERSTATE NORTH PARKWAY ATLANTA, GEORGIA (Address of Principal Executive Offices)	30328 (Zip Code)

Registrant s Telephone Number including Area Code: (770) 952-0200

Securities Registered Pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on which Registered
NONE	NONE

Securities Registered Pursuant to Section 12(g) of the Exchange Act:

COMMON STOCK, PAR VALUE $0.01
(Title of Class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. |_|

State issuer s revenues for its most recent fiscal year: $40,000.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold in the over-the-counter market on June 3, 2003, was approximately $1,930,426.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

As of June 3, 2003, the Registrant had outstanding 2,271,090 shares of its common stock, par value $.01 per share.

Transitional Small Business Issuer Disclosure format (check one):

Yes |_| No |X|

DOCUMENTS INCORPORATED BY REFERENCE

If the following documents are incorporated by reference, briefly describe them and identify the Part of the Form 10-KSB (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933.

None

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PART I

Item 1. DESCRIPTION OF BUSINESS

Overview

Brainworks Ventures, Inc., a Nevada corporation (the Company), provided funding and business consulting services to early-stage technology companies by developing, investing in, acquiring or acquiring interests in, and operating such companies. The Company also sought to work with universities, corporations, research laboratories, government economic authorities and individual investors to foster the commercialization of new concepts and technologies. Effective April 1, 2003 merged with AssuranceAmerica Corporation. The purpose of the merger was to facilitate the Company s entrance into the property and casualty insurance industry. In anticipation of the merger, Brainworks ceased its operations in 2003.

On February 14, 2001, the Company acquired all the outstanding capital stock of eBusinessLabs, Inc., a privately-held Georgia corporation now known as Brainworks Ventures Labs, Inc. (BVL), for approximately 800,000 shares of the Company s common stock. BVL seeks to develop university affiliated venture development labs designed to assist the launch of business ventures.

On May 8, 2001, the Company acquired all the outstanding capital stock of Executive Venture Partners, Ltd., a privately held Massachusetts company (EVP), for 500,000 shares of the Company s common stock. EVP provides consulting services to develop and implement corporate venturing strategies for Fortune 2,000 companies by offering advice and recommendations related to asset development and value maximization. EVP holds a non-exclusive license to use an asset commercialization methodology. This license may be revoked upon the happening of certain events specified in the Amended and Restated License Agreement between EVP and Robert H. Cawly dated March 6, 2001.

On March 31, 2003, the Company has three wholly-owned subsidiaries: Auric Minerals Corporation, a Nevada corporation (Auric Minerals), EVP and BVL.

History

The Company originally incorporated in 1969 under the laws of the state of Utah. In 1985, the Company became a Nevada corporation by merging with a Nevada corporation that was a wholly-owned subsidiary of the Company created solely for the purpose of changing the Company s state of domicile. Prior to May 2000, the Company was principally engaged in the acquisition, exploration and development of interests in various natural resource properties, primarily through participation with other parties in natural resource joint ventures or other arrangements. During the fiscal year ended March 31, 2001, the Company sold its ownership interests in all natural resource properties held by the Company as described below.

Disposition and Termination of Interest in Natural Resource Properties

Hillcrest Claims

In 1981, the Company leased forty-five (45) unpatented mining claims (the Hillcrest Claims) covering approximately 600 acres northwest of Elko, Nevada from Hillcrest Mining Company (Hillcrest) under a lease the initial term of which expired on August 31, 1984. The lease granted to the Company the option to extend the lease for twenty (20) additional one-year terms by making advance royalty payments of $6,000 per year to Hillcrest. The lease further provided that the Company will pay to Hillcrest a royalty equal to fifty percent (50%) of the Company s earnings from the property, after deducting all direct costs incurred by the Company in the development of the property, exclusive of the Company s overhead. Pursuant to the terms of a modification to the lease which provided the Company and Hillcrest with equal interests under the lease, the Company and Hillcrest each became entitled to receive a one percent (1%) royalty interest for gold and a three percent (3%) royalty interest on other metals extracted from the Hillcrest Claims.

In 1981, the Company subleased its interest in the Hillcrest Claims to USX, formerly known as United States Steel Corporation, under a sublease the initial term of which expired on December 31, 1983. Pursuant to the sublease, USX had the right to renew the sublease for 20 additional one-year terms by paying an advance royalty of $50,000 per year for the term of the lease or as long as there was production. USX paid the advance royalty for each year through the fiscal year ended March 31, 1998.

In August 1997, the Company agreed to an assignment of the sublease to Great Basin Gold, Inc. and an amendment to said sublease (the Sublease Amendment). Under the terms of the Sublease Amendment, the Company and Hillcrest agreed to extend the sublease for up to four 20-year periods commencing on December 31, 1997, provided that the $50,000 annual advance royalty payment is paid for each year for which there are no mining operations on the leased property. For each 20-year renewal period, the annual minimum advance royalty increases $5,000 per year.

In October 2000, the Company sold its entire leasehold interest in the Hillcrest Claims to James Fouts, a former president of the Company, for $22,000.

Disposition of Interest in Ivanho Property

The Company also held a leasehold interest in 85,000 acres of property located near Elko, Nevada (the Ivanho Property). In October 2000, the Company sold its entire leasehold interest in the Ivanho Property to Mr. Fouts for $200,000.

Disposition of Investment in Dynamic Oil Limited

As of March 31, 2000, the Company held 129,600 shares of restricted common stock of Dynamic Oil Limited, an unaffiliated publicly-held British Columbia corporation (Dynamic) engaged in oil and gas exploration. In June 2000, the Company sold 79,600 shares of Dynamic for $107,000. In August 2000, the Company sold the remaining 50,000 shares of Dynamic for $56,000.

Disposition of Interest in Robbie Claims

In September 1995, the Company entered into a partnership agreement with Hi-Tech Exploration, Ltd. (Hi-Tech), Hillcrest, and Mr. Fouts, who then served as the Company s president, pursuant to which the Company, Hillcrest and Mr. Fouts each purchased from Hi-Tech a twenty-five percent (25%) interest in 107 unpatented lode mining claims (the Robbie Claims) for the sum of $3,567. The Robbie Claims are located near Elko, Nevada, on land controlled by the Bureau of Land Management (BLM).

During the fiscal year ended March 31, 2000, the parties leased the Robbie Claims to Great Basin Gold, Inc., for the sum of $4,000 per year, together with a royalty of two percent (2%) of net smelter returns and an obligation by the leaseholder to cover the annual fee payable to BLM of $100 per claim, payable by September 1 of each year. Pursuant to such lease, the Company was entitled to receive one-fourth of the annual payment and one-fourth of the net smelter returns, if any. In July 2000, the Company sold its interest in these claims to Mr. Fouts for $4,000.

Sale of Investment in La Fonda

In addition to the natural resource investments previously held by the Company, Auric Minerals owned a minority interest in the outstanding capital stock (the La Fonda Stock) of Corporacion de La Fonda, Inc., a closely-held corporation that owns and operates the La Fonda Hotel in Santa Fe, New Mexico (La Fonda).

During the fiscal year ended March 31, 2000, the Company sold to La Fonda a total of 800 shares of La Fonda Stock at a price of $141.00 per share, resulting in a net pre-tax gain of $103,000. In May 2000, the Company sold to La Fonda its remaining 9,200 shares of La Fonda Stock at a price of $141.00 per share for a total of $1,304,000 in cash. The Company realized a gain of approximately $1,188,000 from the sales of the La Fonda Stock.

Employees

The Company currently has one full time employee. This employee is not represented by a labor union.

Item 2. DESCRIPTION OF PROPERTY

Effective August 31, 2002, the Company terminated its lease of 101 Marietta Street, Suite 3450, Atlanta, GA.

As discussed in Item 1 Description of Business above, the Company no longer holds interests in any natural resource properties.

Item 3. LEGAL PROCEEDINGS

The Company is not a party to any pending legal proceedings.

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

The Company did not submit any matters to a vote of security holders during the quarter ended March 31, 2003.

PART II

Item 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company s common stock is quoted on the Over-the-Counter Bulletin Board (OTC-BB) under the symbol BRAV. There is currently a very limited trading market for the Company s common stock. The following sets forth, for the respective periods indicated, the high and low sales prices of the Company s common stock in the over-the-counter market, as reported and summarized by the OTC-BB. Such prices are based on inter-dealer bid and asked prices, without markup, markdown, commissions or adjustments, and may not represent actual transactions.

QUARTER ENDED	HIGH	LOW
2002 Fiscal Year:		
June 30, 2001	$ 8.00	$ 3.85
September 30, 2001	7.50	3.52
December 31, 2001	4.50	2.00
March 31, 2002	1.50	1.15
2003 Fiscal Year:		
June 30, 2002	$ 1.65	$ 1.70
September 30, 2002	.82	.37
December 31, 2002	.51	.21
March 31, 2003	.31	.21

On June 3, 2003, the low and high bid prices quoted by broker-dealer firms effecting transactions in the Company s common stock were $ 0.75 and $ 1.05, respectively.

The Company has never declared or paid cash dividends on its common stock and currently intends to retain any future earnings for the operation and expansion of its business. Any determination to pay cash dividends on the Company s common stock will be at the discretion of the Board of Directors of the Company (the Board) and will be dependent on the Company s financial condition, results of operations, contractual restrictions, capital requirements, business prospects and such other factors as the Board deems relevant.

At June 3, 2003, there were approximately 770 holders of record of the Company s common stock.

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The following table sets forth information regarding compensation plans under which the Company s common stock is authorized for issuance as of March 31, 2003. The Company s stockholders approved the Brainworks Ventures Inc. Stock Option Plan (the Plan) at the Company s 2000 annual meeting of stockholders. The Plan is the Company s only equity compensation plan approved by the Company s stockholders.

	Number of securities to be issued upon exercise of outstanding options and warrants	**Weighted-average exercise price of outstanding options and warrants**	**Number of securities remaining available for issuance under equity compensation plans**
Equity compensation plan approved by securities holders	693,918	$4.73 per share	4,306,082
Equity compensation plans not approved by securities holders	255,000	$ 2.30 per share	N/A
TOTAL	948,918	$ 4.41 per share	3,703,000

(1) Represents (i) warrants and options to purchase 250,000 shares of the Company s common stock granted in April and May 2000 to current officers and directors of the Company for consulting services rendered before such grantees became officers and directors of the Company and (ii) an option to purchase 5,000 shares of the Company s common stock granted to Weberize, Inc. in October 2000 in exchange for services.

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

Certain statements contained in this Annual Report on Form 10-KSB are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and are thus prospective in nature. The words believe, expect, anticipate, predict, potential, seek, continue, will, may, could, intend, plan, estimate, and the negative thereof and other sin expressions are intended to identify forward-looking statements. Such forward-looking statements reflect management s beliefs and assumptions and are based on information currently available to management. The forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to differ materially from those expressed or implied in such statements. There can be no assurance that such factors or other factors will not affect the accuracy of such forward-looking statements. The Company does not assume any duty to publicly update these forward-looking statements. The Company strongly recommends that the discussion and analysis set forth below be read in conjunction with the Company s consolidated financial statements and notes thereto contained elsewhere herein.

Overview

The Company provided funding and business consulting services to early stage development companies by developing, investing in, acquiring or acquiring interest in and operating such companies. The Company previously made equity investments in three start-up companies. The Company also provided consulting services to commercialize new concepts and intellectual property developed by universities, research laboratories and other large commercial companies.

During the past two years, the Company has incurred significant losses from operations and such losses are expected to continue. Due to the lack of adequate working capital and business prospects, in 2003 the Board decided to cease its operations in anticipation of executing a merger with AssuranceAmerica Corporation on April 1, 2003. The Company, which will survive the merger, will focus upon offering automobile insurance coverages through the operating subsidiaries of AssuranceAmerica Corporation. The operating subsidiaries include: AssuranceAmerica Managing General Agency, AssuranceAmerica Insurance Company, and AssetAmerica Insurance Agencies.

Revenues

The Company s revenues consist of dividend and interest income, and income from consulting contracts. The company s consulting contracts were terminated in 2002.

Operating Expenses

Selling, general and administrative expenses consist primarily of consulting expenses, administrative and management personnel and related expenses, and depreciation and amortization expense.

Results of Operations

For the year ended March 31, 2003, the Company had revenues of $40,000, cost of revenue and selling, general and administrative expenses of $802,000, and other net expenses of $511,000, including impairment cost related to goodwill of $267,000, loss on disposal of fixed assets of $212,000 and a realized loss of $33,000 on the disposition of an investment. The Company s operations resulted in a net loss of $1,273,000 and a net loss per common share of $0.53. For the year ended March 31, 2002, the Company had revenues of $610,000, cost of revenue and selling, general and administrative expenses of $3,739,000, and other net expenses of $1,850,000, including impairment cost related to goodwill of $1,630,000, and a realized loss of $238,000 on the disposition of an investment. The Company s operations resulted in a net loss of $4,979,000 and a net loss per common share of $2.01.

Management does not believe that the Company s operations have been impacted by inflation.

Liquidity and Capital Resources

In the year ended March 31, 2003, net cash used in operating activities was $446,000. Net cash used in operating activities includes the net loss for the year ended March 31, 2003 of $1,273,000 offset by non-cash charges related to depreciation and amortization of $33,000 amortization of deferred compensation for warrants and options issued to advisors and consultants of $375,000 and asset impairment charges of $267,000. Net cash provided by investing activities was $54,000, which is associated with the sale of equipment and investments.

As of March 31, 2003, the Company had working capital of $(15,000).

Item 7. FINANCIAL STATEMENTS

The Company s consolidated financial statements (see Index to Financial Statements attached hereto) for the year ended March 31, 2003, together with the notes thereto, have been audited by the independent accounting firm of Miller Ray &

Houser, LLP, whose opinion thereto is included herein, which is included in this Report beginning at page F-1 hereof. The Company s consolidated financial statements for the year ended March 31, 2002, together with the notes thereto, have been audited by the independent accounting firm of Eisner, LLP, which were included in the Company s 10-QSB for the fiscal year ending March 31, 2002.

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

During the fiscal year ended March 31, 2003, there has been no disagreement with the Company s accountants on any matter of accounting principles or practices or financial statement disclosure required to be disclosed pursuant to Item 304 of Regulation S-B.

PART III

Item 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTORS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Officers and Directors

The table below sets forth the name, age and position of each executive officer and director of the Company:

Name	Age	Position	Officer or Director Since(1)
Donald Ratajczak	60	Chairman	May 2000
Marc J. Schwartz	39	President, Chief Financial Officer, Secretary and Treasurer	May 2000

(1) Dr. Ratajczak and Mr. Schwartz were appointed as officers and directors of the Company in May 2000 to replace prior management in connection with the Company s decision to change the Company s business direction. (See Item 12 hereof, Certain Relations and Related Transactions.)

Set forth below is a brief biographical description of Dr. Ratajczak and Mr. Schwartz:

Donald Ratajczak, age 60, has served as the Chairman of the Board and Chief Executive Officer of the Company since May 2000. From May 2000 to November 2000, Dr. Ratajczak has also served as the Company s President. From July 1973 to June 2000, he served as a professor and Director of Economic Forecasting Center at the J. Mack Robinson College of Business Administration at Georgia State University. Dr. Ratajczak also currently serves on the Board of Directors of the following organizations: Crown Crafts, Inc., a textile manufacturing company; T.B.C. Corporation, a tire distribution company, Ruby Tuesday, Inc., a food service company and Regan Holdings, an insurance marketing company. He is a consulting economist for Morgan, Keegan & Co., a broker/dealer company and a trustee for C.I.M. High Yield, a bond fund company.

Marc J. Schwartz, age 39, has served as President of the Company since March, 2002, and as Chief Financial Officer, Secretary, Treasurer and director of the Company since May 2000. From May 2000 through March, 2002, Mr. Schwartz also served as Vice President of the Company. Since April 1998, he has served as a registered financial advisor and Vice President of Investments for Dunwoody Brokerage Services, Inc. From February 1995 to April 1998, he served as a financial consultant with Smith Barney, Inc.

There are no family relationships among any of the executive officers or directors of the Company. Each director of the Company serves as a director until his successor is elected and qualified at the Company s next annual meeting of stockholders.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities and Exchange Act of 1934, as amended, requires the Company s directors, executive officers and persons who own beneficially more than 10% of a registered class of the Company s equity securities to file with the Securities and Exchange Commission (the SEC) initial reports of ownership and reports of changes in ownership of such securities of the Company. Directors, executive officers and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) reports they file.

To the Company s knowledge, the Section 16(a) filing requirements applicable to its directors, executive officers and greater than 10% beneficial owners were complied with during the fiscal year ended March 31, 2003.

Item 10. EXECUTIVE COMPENSATION

Compensation of Directors

For the fiscal year ended March 31, 2003, the Company did not compensate directors for their service on the Company s Board of Directors (the Board).

Compensation of Executive Officers

The following table sets forth the cash and non-cash compensation awarded or paid by the Company for services rendered during each of the years in the three-year period ended March 31, 2003, to its Chief Executive Officer and to its most highly compensated executive officers other than the Chief Executive Officer whose annual compensation exceeded $100,000 (the Named Executive Officers).

Summary Compensation Table

Name and Principal Position	Year Ended March 31, 2003	Salary	Bonus	Long-Term Compensation Awards/ Securities Underlying Options(#)(1)	All Other Compensation
Donald Ratajczak(2)	2003	$	$		$
Chief Executive Officer	2002				
	2001			110,000	
Marc J. Schwartz(3)					
President, Chief					
Financial Officer	2003	35,000			
Secretary and	2002			110,000	
Treasurer	2001		350,000	110,000	

(1) Unless otherwise noted, represents options granted under the Company s Stock Option Plan.

(2) Dr. Ratajczak began serving as Chief Executive Officer of the Company in May 2000. Dr. Ratajczak also served as President of the Company from May 2000 to November 2000.

(3) Mr. Schwartz began serving as an executive officer of the Company in May 2000.

Option Grants in the Last Fiscal Year

During the fiscal year ended March 31, 2003, the Company did not grant any stock options to either of the Named Executive Officers.

Year-End Option Values

Neither of the Named Executive Officers exercised any stock options during the fiscal year ended March 31, 2003. The following table sets forth information concerning the value at March 31, 2003, of unexercised options held by each Named Executive Officer.

Name	Number Of Securities Underlying Unexercised Options at 3/31/03 Exercisable/Unexercisable	Value Of Unexercised In-The-Money Options at 3/31/03(1) Exercisable/Unexercisable
Donald Ratajczak	260,000/0	0/0
Marc J. Schwartz	210,000/0	$0/0

(1) Value of the Company s unexercised, in-the-money options based on the average of the high and low price of the Company s common stock as of March 31, 2003, which was $0.25.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 31, 2003, the beneficial ownership of the Company s common stock by (i) each shareholder who is known by the Company to own beneficially more than 5% of the outstanding common stock, (ii) each director, (iii) each Named Executive Officer, and (iv) all officers and directors of the Company as a group:

	Common Stock Beneficially Owned(1)	
Name of Beneficial Owner(2)	**Number of Shares**	**Percentage of Class (3)**
Marc J. Schwartz	235,000	10.3%
Donald Ratajczak	138,000	6.1
Dean W. Andersen	213,242 (4)	9.3
Robert H. Cawly	161,000	7.1
Cole F. Walker	73,000 (5)	3.2
John P. Cayce	127,446	5.6
All officers and directors as a group (3 persons)	446,000	19.6

Executive Officer of the Company.
Director of the Company.

(1) Information as to the beneficial ownership of the Company s common stock has either been furnished to the Company by or on behalf of the indicated persons or is taken from reports on file with the SEC.

(2) Unless otherwise indicated, the principal business address of each beneficial owner is 5500 Interstate North Parkway, Suite 600, Atlanta, GA 30328.

(3) In accordance with the regulations of the SEC, the percentage calculations for each individual or group listed are based on 2,271,090 shares of the Company s common stock issued and outstanding as of March 31, 2003, plus shares of the Company s common stock which may be acquired within 60 days of March 31, 2003.

(4) Mr. Andersen s address is 1439 Emory Drive, Atlanta, Georgia 30306.

(5) Includes (i) 13,538 shares of the Company s common stock held by TANCS, Inc., of which Mr. Walker is an officer, director and sole stockholder and over which Mr. Walker may be deemed to have sole investment and voting power with respect to such shares, and (ii) options to acquire 55,000 shares of the Company s common stock exercisable within 60 days of July 26, 2002.

The following table sets forth information regarding compensation plans under which the Company s common stock is authorized for issuance as of March 31, 2003. The Company s stockholders approved the BrainWorks Ventures Inc. Stock Option Plan (the Plan) at the Company s 2000 annual meeting of stockholders. The Plan is the Company s only equity compensation plan approved by the Company s stockholders.

	Number of securities to be issued upon exercise of outstanding options and warrants	**Weighted-average exercise price of outstanding options and warrants**	**Number of securities remaining available for issuance under equity compensation plans**
Equity compensation plan approved by securities holders	693,918	$4.73 per share	4,306,082
Equity compensation plans not approved by securities holders	255,000	$ 2.30 per share	0
TOTAL	948,918	$ 4.41 per share	4,306,082

(1) Represents (i) warrants to purchase 250,000 shares of the Company s common stock granted in April 2000 to current officers and directors of the Company for consulting services rendered before such grantees became officers and directors of the Company; and (ii) a warrant to purchase 5,000 shares of the Company s common stock granted to Weberize, Inc. in exchange for services.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On February 14, 2001, the Company acquired all the outstanding common stock (the EBL Common Stock) of eBusinessLabs, Inc., a Georgia corporation now known as BrainWorks Ventures Labs, Inc. (EBL), pursuant to an Agreement and Plan of Merger (the EBL Merger Agreement) dated as of December 29, 2000, by and among the Company, a wholly-owned subsidiary of the Company, EBL and certain stockholders of EBL, whereby EBL became a wholly-owned subsidiary of the Company (the EBL Merger). Pursuant to the EBL Merger Agreement, all the issued and outstanding shares of EBL Common Stock were converted into the right to receive approximately 800,000 shares of the Company s common stock. Mr. Cayce, President of the Company at the time of the EBL Merger, owned approximately 3.4% of the issued and outstanding shares of EBL Common Stock immediately prior to the EBL Merger and, at the effective time of the EBL Merger, such shares were converted into the right to receive 27,446 shares of the Company s common stock. Mr. Andersen, a beneficial owner of greater than 5% of the outstanding common stock of the Company, owned approximately 18.5% of the outstanding shares of EBL Common Stock immediately prior to the EBL Merger and, at the effective time of the EBL Merger, such shares were converted into the right to receive 147,692 shares of the Company s common stock.

On May 8, 2001, the Company acquired all the outstanding common stock (the EVP Common Stock) of Executive Venture Partners, LTD., a Massachusetts company (EVP), pursuant to an Agreement and Plan of Merger (the EVP Merger Agreement) dated as of May 8, 2001, by and among the Company, a wholly-owned subsidiary of the Company, EVP and all the stockholders of EVP, whereby EVP became a wholly-owned subsidiary of the Company (the EVP Merger). Pursuant to the EVP Merger Agreement, all the outstanding shares of EVP Common Stock were converted into the right to receive 500,000 shares of the Company s common stock.

The holders of approximately 78% of the outstanding EVP Common Stock immediately prior to the EVP Merger were, at the time the EVP Merger was consummated, officers or directors of the Company or beneficial owners of greater than 5% of the outstanding common stock of the Company. Specifically, Dr. Ratajczak, Mr. Cayce and Kirk Reiss, who were, at the time the EVP Merger was consummated, each directors of the Company and the Chief Executive Officer, President and a senior advisor to the Company, respectively, owned approximately 20%, 20% and 2%, respectively, of the outstanding EVP Common Stock immediately prior to the EVP Merger. At the effective time of the EVP Merger, Dr. Ratajczak and Messrs. Cayce and Reiss became entitled to receive 100,000, 100,000 and 10,000 shares of the Company s common stock, respectively. Mr. Andersen, a beneficial owner of greater than 5% of the Company s outstanding common stock, owned approximately 8% of the outstanding EVP Common Stock immediately prior to the EVP Merger and, at the effective time of the EVP Merger, became entitled to receive 40,000 shares of the Company s common stock.

Item 13. EXHIBITS, LIST AND REPORTS ON FORM 8-K

No reports filed on Form 8-K for fiscal year ended March 31, 2003.

(B) REPORTS ON FORM 8-K

During the quarter ended March 31, 2002, the Company did not file any Current Reports on Form 8-K.

SIGNATURES

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

REGISTRANT:

BRAINWORKS VENTURES, INC.

Date: June 27, 2003 By: /s/ Lawrence Stumbaugh

Lawrence Stumbaugh,
Chief Executive Officer and Director

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

/s/ Lawrence Stumbaugh Lawrence Stumbaugh	Chief Executive Officer and Director (Principal Executive Officer)	Date: June 27, 2003
/s/ Robert J. Cormican Robert J. Cormican	Senior Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)	Date: June 27, 2003

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BRAINWORKS VENTURES, INC. AND SUBSIDIARIES

Index to Financial Statements

Report of Independent Public Accountants

To the Board of Directors and Stockholders of
Brainworks Ventures, Inc. and Subsidiaries

We have audited the consolidated balance sheet of Brainworks Ventures, Inc. and subsidiaries as of March 31, 2003, and the related consolidated statements of operations, changes in stockholder s equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of Brainworks Ventures, Inc. and subsidiaries as of March 31, 2002, were audited by other auditors whose report dated June 12, 2002, on those statements included an explanatory paragraph describing conditions that raised substantial doubt about the Company s ability to continue as a going concern.

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 Brainworks Ventures, Inc. and subsidiaries as of March 31, 2003 and the results of its consolidated operations and its consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Atlanta, Georgia
May 7, 2003

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BRAINWORKS VENTURES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2003 and 2002

Assets

	2003	2002
Current assets:		
Cash	**$ 5,000**	$ 397,000
Accounts receivable	**10,000**	6,000
Due from employees		11,000
Prepaid expenses and other current assets		38,000
Total current assets	**15,000**	452,000
Fixed assets, net	**5,000**	294,000
Investments in non-marketable equity securities		43,000
Goodwill		267,000
Total assets	**$ 20,000**	$ 1,056,000

Liabilities and Stockholders Equity

	2003	2002
Current liabilities:		
Accounts payable and accrued expenses	**$ 30,000**	$ 168,000
Stockholders equity (deficit):		
Common Stock, $0.01 par value; authorized 25,000,000 shares; 2,271,090 and 2,561,186 issued and outstanding	**23,000**	26,000
Additional paid-in capital	**7,877,000**	7,884,000
Accumulated deficit	**(7,910,000)**	(6,637,000)

Deferred compensation		(375,000)
Receivables for stock		(10,000)
Total stockholders equity (deficit)	**(10,000)**	888,000
Total liabilities and stockholder s equity	**$ 20,000**	$ 1,056,000

See accompanying notes and report of independent public accountants.

BRAINWORKS VENTURES, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

For the Years Ended March 31, 2003 and 2002

	2003	2002
Revenue	**$ 40,000**	$ 610,000
Operating costs and expenses:		
Cost of revenue	**15,000**	549,000
Selling, general and administrative	**787,000**	3,190,000
Impairment of goodwill	**267,000**	1,630,000
	1,069,000	5,369,000
Loss from operations	**(1,029,000)**	(4,759,000)
Interest expense	**(1,000)**	
Interest and dividends	**2,000**	18,000
Loss on disposal of fixed assets	**(212,000)**	
Realized loss on investments	**(33,000)**	(238,000)
Net loss	**$ (1,273,000)**	$ (4,979,000)
Net loss per common share-basic and diluted	**$ (0.53)**	$ (2.01)
Weighted average number of shares outstanding-basic and diluted	**2,412,000**	2,475,000

See accompanying notes and report of independent public accountants.

BRAINWORKS VENTURES, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders Equity

For the Years Ended March 31, 2003 and 2002

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Deferred Compensation	Receivables for Stock	Total
Balance, March 31, 2001	1,950,000	$ 19,000	$ 6,279,000	$ (1,658,000)	$ (917,000)	$ (62,000)	$ 3,661,000
Issuance of common stock in a private placement	144,918	2,000	423,000				425,000
Issuance of common stock in EVP merger	500,000	5,000	549,000				554,000
Fair value of options granted to consultants and advisors			617,000		(617,000)		
Collection on subscription receivable						14,000	14,000
Cancellation of subscription	(42,732)		(38,000)			38,000	
Shares issued for services and equipment	9,000		54,000				54,000
Amortization of deferred compensation					1,159,000		1,159,000
Net loss				(4,979,000)			(4,979,000)
Balance, March 31, 2002	2,561,186	26,000	7,884,000	(6,637,000)	(375,000)	(10,000)	888,000
Cancellation of subscription	(9,846)		(10,000)			10,000	
Amortization of deferred compensation					375,000		375,000
Shares returned and cancelled	(280,250)	(3,000)	3,000				
Net loss				(1,273,000)			(1,273,000)
Balance, March 31, 2003	2,271,090	$ 23,000	$ 7,877,000	$ (7,910,000)	$	$	$ (10,000)

See accompanying notes and report of independent public accountants.

BRAINWORKS VENTURES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Net loss	**$ (1,273,000)**	$ (4,979,000)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	**33,000**	87,000
Amortization		1,137,000
Stock issued for services		21,000
Loss on disposal of fixed assets	**212,000**	
Impairment of goodwill	**267,000**	1,630,000
Realized loss on investments	**33,000**	238,000
Deferred compensation amortization	**375,000**	1,159,000
Changes in assets and liabilities:		
Accounts receivable	**(4,000)**	86,000
Due from employees	**11,000**	3,000
Prepaid expenses and other current assets	**38,000**	(11,000)
Accounts payable and accrued expenses	**(138,000)**	(172,000)
Net cash used by operating activities	**(446,000)**	(801,000)
Cash flows from investing activities:		
Purchase of equipment		(5,000)
Proceeds from sale of equipment	**44,000**	5,000
Proceeds from sale of investments	**10,000**	
Net cash paid on acquisitions		(77,000)
Net cash provided (used) by investing activities	**54,000**	(77,000)
Cash flows from financing activities:		
Collection of note receivable from officer		225,000
Proceeds from sale of common stock		425,000
Collection of subscriptions receivable		14,000
Net cash provided by financing activities		664,000
Net decrease in cash	**(392,000)**	(214,000)
Cash, beginning of year	**397,000**	611,000
Cash, end of year	**$ 5,000**	$ 397,000
Supplemental Disclosure of Cash Flow Information		
Cash paid for:		
Interest	$ 1,000	$
Non-Cash Investing and Financing Activities		
Issuance of options and warrants	$	$ 617,000

Issuance of stock for acquisition	$		$	554,000
Cancellation of stock subscription	$	10,000	$	38,000
Note and accounts receivable converted to investment in non-marketable equity securities	$		$	76,000
Issuance of stock for equipment	$		$	54,000

See accompanying notes and report of independent public accountants.

BRAINWORKS VENTURES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2003 and 2002

(1) Summary of Significant Accounting Policies

Organization and Nature of Operations

Brainworks Ventures, Inc. (Brainworks), together with its subsidiaries, referred to as the Company, is a Nevada corporation that ceased operations as of March 31, 2003. The Company formerly provided funding and business consulting services to early stage technology companies. As described in note 9, effective April 1, 2003, the Company has entered the property and casualty insurance industry through a merger with AssuranceAmerica Corporation.

On February 14, 2001, Brainworks acquired Brainworks Ventures Labs, Inc., formerly known as eBusinessLabs, Inc. (BVL), which formerly provided business-consulting services to early stage technology companies.

On May 8, 2001, the Company acquired Executive Venture Partners, Ltd. (EVP), which formerly provided consulting services to develop and implement corporate venturing strategies to corporations and research laboratories.

The acquisitions were accounted for under the purchase method of accounting.

Basis of Presentation

The consolidated financial statements include the accounts of its wholly-owned subsidiaries, BVL, EVP (from May 8, 2001) and Auric Minerals Corporation (which is currently inactive). All intercompany balances and transactions have been eliminated.

Cash

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments consist of equity securities classified as available for sale. Investments in non-marketable securities are carried at cost as adjusted for declines in value which are other than temporary in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities. Realized gains and losses on sales of investments are included in earnings and are determined on the specific identification method.

Fixed Assets

Fixed assets, consisting of office equipment, furniture and fixtures and leasehold improvements, are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the term of the lease or useful life of the improvements.

BRAINWORKS VENTURES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, continued

Goodwill

The Company adopted SFAS No. 142, Goodwill and Other Intangible Assets, on April 1, 2002. Under SFAS No. 142, goodwill, which represents the excess of purchase price over fair value of net assets acquired, and intangible assets with indefinite useful lives are no longer amortized but will be tested for impairment at least on an annual basis in accordance with the provisions of SFAS No. 142.

Goodwill is tested for impairment at least on an annual basis. The impairment test involves a comparison of the fair value of each of the reporting units as defined under SFAS No. 142, with its carrying amount. If an asset s carrying amount exceeds its fair value, then such asset is considered to be impaired. The impairment to be recognized is measured by the amount by which the carrying value of the reporting entity being measured exceeds its fair value, up to the total amount of its assets. The Company expects to perform its impairment tests during the fourth quarter of each year.

Prior to April 1, 2002, goodwill was amortized on a straight-line basis over the expected period to be benefited, which was estimated to be three years.

Revenue Recognition

Revenue is generated from consulting fees and is recognized when services are performed by the Company.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes, which requires recognition of deferred tax liabilities and assets for expected future tax consequences attributable to differences between the financial statement carrying amounts of the existing assets and liabilities and their respective tax basis. Deferred tax liabilities and assets are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized.

Stock-Based Compensation

The Company has adopted SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123). The provisions of SFAS 123 allow companies to either expense the estimated fair value of employee stock options or to continue to follow the intrinsic value method set forth in Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25), but disclose the pro forma effects on net income had the fair value of the options been expensed. The Company has elected to apply APB No. 25 in accounting for its employee stock option grants.

BRAINWORKS VENTURES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, continued

Net Loss Per Share

Basic and diluted loss per common share is computed using the weighted average number of common shares outstanding during the period. Stock options and warrants have not been included in the diluted loss per share calculation as their inclusion would have been antidilutive. Potential common shares not included in the calculation of net loss per share for the year ended March 31, 2003, and 2002 are as follows:

	2003	2002
Warrants	**245,000**	535,000
Stock options	**705,000**	1,452,000
	950,000	1,987,000

Financial Instruments

The carrying amounts of cash, accounts receivable, amounts due from employees, prepaid expenses and other current assets, investments in non-marketable equity securities, and accounts payable and accrued expenses approximate their fair value based on the nature of those items.

Use of Estimates

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

Recent Accounting Pronouncements

The Company adopted SFAS No. 141, Business Combinations . Under SFAS No. 141, all acquisitions subsequent to June 30, 2001, must be accounted for under the purchase method of accounting and goodwill is no longer amortized but is reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets acquired in a business combination that are not deemed to have an indefinite life will continue to be amortized over their useful lives.

BRAINWORKS VENTURES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(2) Acquisitions

On May 8, 2001, Brainworks consummated its acquisition of EVP. The transaction was accounted for under the purchase method of accounting. EVP was acquired for 500,000 shares of Brainworks common stock with a fair value of $554,000.

The fair value was based on an independent appraisal and the purchase price was substantially attributed to goodwill. The stock issued in the acquisition is entitled to piggy-back registration rights. Certain shareholders of EVP were also shareholders or directors of Brainworks prior to the acquisition. Such shareholders or directors received 390,000 shares of the total shares exchanged in the acquisition of EVP.

The assets acquired, liabilities assumed and the cost of the acquisition was as follows:

Assets acquired:		
Other current assets	$	51,000
Fixed assets		6,000
Goodwill		575,000
	$	**632,000**
Liabilities assumed and acquisition costs:		
Common stock issued to EVP stockholders at fair value	$	544,000
Transaction costs		78,000
	$	**632,000**

(3) Fixed Assets

Fixed assets at March 31, 2003 and 2002 are as follows:

		2003		**2002**	**Estimated Useful Life - Years**
Computer equipment	**$**	**5,000**	$	97,000	3
Furniture and fixtures		**3,000**		81,000	5
Leasehold improvements				215,000	
		8,000		393,000	
Less accumulated depreciation		**(3,000)**		(99,000)	
	$	**5,000**	$	294,000	

	2003	2002	Estimated Useful Life - Years

Depreciation and amortization expense on fixed assets for the years ended March 31, 2003 and 2002 was $33,000 and $87,000, respectively.

BRAINWORKS VENTURES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(4) Investments

The investments consist of non-marketable equity securities and are carried at cost as adjusted for declines in value which are other then temporary. The Company determined the decline in the fair value of the non-marketable securities to be other than temporary and recorded a realized loss of $33,000 and $238,000 for the years ended March 31, 2003 and 2002, respectively.

(5) Goodwill

Goodwill acquired in the acquisitions of BVL and EVP of approximately $2,580,000 and $575,000, respectively, was recorded at the date of the acquisitions.

For the year ended March 31, 2002, the Company recorded amortization expense related to goodwill of $1,137,000 based on an estimated useful life of three years. The Company also recorded an impairment charge related to goodwill of $1,630,000 for the year ended March 31, 2002.

In accordance with SFAS No. 142 the Company recorded an impairment charge related to goodwill of $267,000 for the year ended March 31, 2003.

(6) Stock Options

Stock Options Plan

Options to purchase common stock under the Company s 2000 Stock Option Plan (the Plan) can be granted to employees and directors. Under the Plan, up to 5,000,000 shares may be granted. The Plan is administered by the Board of Directors, which determines the terms of the options granted, including the exercise price, the number of shares subject to option, and the option vesting period. The exercise price of all options granted under the plan must be at least 100% of the fair market value on the date of grant. Options generally have a maximum term of five to six years and vest over two years.

Value of Options Granted to Employees

For disclosure purposes, the fair value of all stock options granted is estimated using the Black-Scholes option-pricing model. No stock options were granted by the Company for the year ended March 31, 2003. The following weighted average assumptions were used for stock options granted by the Company during the year ended March 31, 2002:

Annual dividends	0%
Expected Volatility	186%
Risk-free interest rate	4.59%
Expected life (in years)	5.37%

BRAINWORKS VENTURES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(6) Stock Options, continued

Value of Options Granted to Employees, continued

If compensation cost had been determined on the basis of fair value pursuant to SFAS 123, then net loss attributable to common stockholders and net loss per share attributable to common stockholders would have increased for the years ended March 31, 2003 and 2002 as follows:

	(In thousands, except per share data)	
	2003	2002
Net loss:		
As reported	$ (1,273)	$ (4,979)
Pro forma	$ (1,273)	$ (6,874)
Basic and diluted net loss per share:		
As reported	$ (.53)	$ (2.01)
Pro forma	$ (.53)	$ (2.78)

Following is a summary of stock option and warrant activity during each of the years ended March 31, 2003 and 2002:

	2003				2002			
	Range of Exercise Prices	**Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**	Range of Exercise Prices	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding at beginning of year	$1.125 - $7.75	1,552,000	$5.10	3.8 years	$1.125 - $7.75	1,391,000	$5.10	4.5 years
Granted during the year					$4.25-$6.5	321,000	$5.19	
Expired	$1.125 - $7.70	(602,000)	$5.47		$5.25 - $5.25	(160,000)	$5.25	
Exercised								
Outstanding at end of year	$1.125 - $7.75	950,000	$4.41	2.71 years	$1.125 - $7.75	1,552,000	$5.10	3.8 years
Exercisable at end of year	$1.125 - $7.75	950,000	$4.41	2.71 years	$1.125 - $7.75	1,057,000	$4.90	3.2 years

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Following is a summary of options and warrants outstanding as of March 31, 2003:

Options and Warrants Outstanding				Options and Warrants Exercised	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$1.125 - $3.00	250,000	2.09	$ 2.25	250,000	$ 2.25
$3.90 - $5.00	131,000	1.50	$ 4.26	131,000	$ 4.26
$5.25 - $7.75	569,000	3.26	$ 5.40	569,000	$ 5.40

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BRAINWORKS VENTURES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(7) Income Taxes

The following table summarizes the significant differences between the U.S. Federal statutory tax rate and the Company s effective tax rate:

	Year Ended March 31,	
	2003	2002
Federal statutory rate	**(34)%**	(34)%
State taxes, net of federal effect	**(4)**	(4)
Permanent difference	**17**	19
Net change in valuation allowance	**21**	19
Effective tax rate	**0%**	0%

Deferred tax assets and liabilities are determined based on the difference between the financial accounting and tax bases of assets and liabilities. Significant components of the Company s deferred tax assets as of March 31, 2003 and 2002 are as follows:

	2003	2002
Deferred tax assets:		

Net operating loss and research and experimentation credit carry forwards	**$ 1,151,000**	$ 870,000
Intangible assets	**1,031,000**	
Non qualified stock options and warrants granted		940,000
Loss recorded on investments		90,000
Depreciation		11,000
	2,182,000	1,911,000
Valuation allowance for deferred tax assets	**(2,182,000)**	(1,911,000)
Net deferred tax assets	**$**	$

The net increase in the valuation allowance for deferred tax assets in 2003 was $271,000. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

At March 31, 2003, the Company has net operating loss carry forwards for U.S. federal and state income tax purposes of approximately $3,033,000 which expire in varying amounts beginning in the year 2020. Utilization of the net operating losses carried forward will be limited under Section 382 of the Internal Revenue Code as the Company experienced an ownership change greater than 50%. Accordingly, certain net operating losses may not be realizable in future years due to this limitation.

BRAINWORKS VENTURES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(8) Private Placement

Between September 2001 and January 2002, the Company raised net proceeds of $425,000 (net of expenses of approximately $9,000) in a private placement offering of its securities. Pursuant to the offering, the Company sold 144,918 shares of its common stock for $3.00 per share and issued 144,918 warrants to buy the Company s common stock at an exercise price of $5.50 per share (Warrant I). Each Warrant I is exercisable over a five-year period from the date of issuance, and when exercised, the holder receives one share of common stock and another warrant to buy the Company s common stock at an exercise price of $8.25 per share (Warrant II). Each Warrant II is exercisable over a five-year period from the date of issuance, and when exercised the holder receives one share of common stock and a third warrant to buy the Company s common stock at an exercise of $12.375 per share.

(9) Subsequent Event

On April 1, 2003, pursuant to an agreement and plan of mergers and reorganization, the Company merged with AssuranceAmerica Corporation. The purpose of the merger was to facilitate the Company s entrance into the property and casualty insurance industry. The combination was a reverse acquisition and was accounted for as a purchase with the Company as the acquired entity.

The Company issued 19,508,902 shares of common stock on April 1, 2003 and anticipates issuing 23,241,098 additional shares at such time as the authorized number of common shares is increased to a number sufficient to complete the transaction. As a result of the merger, the existing shareholders will have approximately 5% ownership in the new entity.

The assets, liabilities and stockholders equity of AssuranceAmerica Corporation were as follows:

Assets:	
Current assets	$ 926,000
Fixed assets	815,000
Intangible assets	3,321,000
Other assets	49,000
	$ 5,111,000
Current liabilities and stockholders equity:	
Current liabilities	$ 1,524,000
Long-term debt and accrued interest to related party	3,582,000
Other liabilities	107,000
Stockholders equity (deficit)	(102,000)
	$ 5,111,000