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EVOLVE ONE INC  
Form 10KSB  
April 01, 2002

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

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the fiscal year ended DECEMBER 31, 2001

Commission file number 0-26415

EVOLVE ONE, INC.  
(Name of small business issuer in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

13-3876100  
(I.R.S. Employer Identification No.)

6413 CONGRESS AVENUE, SUITE 240, BOCA RATON, FL 33487  
(Address of principal executive offices) (Zip Code)

Issuer's telephone number (561) 988-0819

INTERNATIONAL INTERNET, INC.  
(Former name of small business issuer)

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

COMMON STOCK, \$.00001 PAR VALUE  
(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 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 - \$1,216,088.

As of February 28, 2002, the registrant had outstanding 788,446,187 shares of its Common Stock, par value \$.00001, its only class of voting securities. The aggregate market value of the shares of Common Stock of the registrant held by non-affiliates on February 28, 2002, was approximately \$809,937 based on its closing price on the OTC: Bulletin Board on that date. (See Item 5).

DOCUMENTS INCORPORATED BY REFERENCE

No documents are incorporated by reference into this Report except those Exhibits so incorporated as set forth in the Exhibit index.

Transitional Small Business Disclosure Format (Check one): Yes [ ]; No [X].

ITEM 1. DESCRIPTION OF BUSINESS

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### BUSINESS DEVELOPMENT AND BUSINESS OF ISSUER

Effective November 21, 2000, International Internet, Inc. changed its name to Evolve One, Inc. (the "Company" or "EONE") pursuant to ss.253 of the General Corporation Law of Delaware. On November 26, 1999, EONE, a Delaware corporation acquired 100% of the issued and outstanding stock of Caprock Corporation ("Caprock"), a Delaware corporation, pursuant to a Stock Purchase Agreement. The Board of Directors of EONE, on December 1, 1999, by unanimous written consent, elected to merge Caprock into EONE pursuant to ss.253 of Delaware's General Corporate Laws. As a result of the merger, EONE was the surviving company and assumes the reporting obligations under successor issuer status as more fully detailed in ss.12(g)(3) of The Securities Act of 1934. EONE was incorporated in Delaware on June 21, 1994. EONE formed StogiesOnline.com, Inc, ("Stogies") in Delaware on April 21, 1999, Web Humidor.com Corp. ("Humidor") in Delaware on April 13, 1999 and International Internet Ventures I, LLC ("Ventures LLC") in Delaware on May 6, 1999. Mr. Cigar, Inc. ("Cigar") was incorporated in Delaware on May 19, 1997. American Computer Systems ("ACS") was incorporated in Virginia on February 7, 1996 and was acquired by EONE effective September 30, 1999; EONE sold 80% of its investment effective March 31, 2001. On September 11, 2001 the Company sold its remaining 20% interest to an ACS officer in exchange for discharge of any liabilities of ACS. The BroadcastWeb.com, Inc. ("Broadcast" or "BW") (WWW.THEBROADCASTWEB.COM) was incorporated in Maine on May 28, 1999 and EONE acquired its 90% interest on June 14, 1999. On December 14, 2001, EONE entered into a stock purchase agreement with NYCLE Acquisition Corp (the "Purchaser"), EONE sold, assigned and transferred to the Purchaser all of its shares of the Common Stock representing its 90% interest of The BroadcastWeb.

EONE is a diversified holding Company, which develops and operates Internet and direct retail marketing companies on the Internet. The EONE Group includes wholly-owned subsidiaries; Stogies, AlDiscount Perfume, Ventures LLC and majority-owned subsidiaries, BroadcastWeb and Cigar. EONE, through its venture group also holds minority interests in several other companies. EONE's original business was operated as a developmental stage company in Cigar, which was in the business of licensing, selling and/or operating cigar vending machines. The Company opened its StogiesOnline.com Internet site in November 1998. As a result of the success of the StogiesOnline website, the Company refocused its resources in 1999 into the Internet cigar sales market and other specialty goods. EONE sold the vending equipment and business of Cigar in December 1999. EONE sold The BroadcastWeb as of December 2001.

#### STOGIESONLINE.COM

StogiesOnline.com ("Stogies") became an online distributor and retailer of brand name premium cigars within the United States on November 18, 1998. Stogies' products consist of premium cigars, factory brand name seconds and mass market cigars which are sold online to retail and wholesale customers. Stogies markets a wide variety of premium cigars and related tobacco products on a retail basis throughout the United States via the Internet. Management

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utilizes its websites located at URL's (WWW.CIGARCIGAR.COM) and (WWW.STOGIESONLINE.COM) as its primary advertising vehicle. Stogies' cigar line consists of over 60 brands. Among Stogies' products are nationally recognized brand names - Arturo Fuente, AVO, Baccarat, Cohiba, Don Diego, Dunhill, Garcia y Vega, H. Upmann, Macanudo, Montecristo, Opus X, Partagas, Punch, and Te-Amo.

As a direct buyer from most manufacturers, Stogies is eligible to participate in promotions, which enables it to pass substantial savings to its customers. Stogies purchases overstocked or overproduced items from manufacturers and other

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retailers, including factory brand name seconds. Currently, Stogies has entered into non-exclusive distribution agreements with: Miami Cigar, Inc. - who distributes Leon Jimenes and Tatiana cigars, Altidus - the manufacturer of fine cigars such as Montecristo, H. Upmann, Don Diego, Te-amo, General Cigar - the distributor of Punch, Macanudo, Cohiba Red Dot, Partigas, Hoyo de Monterrey, Excaliber and Villazone, Inter-Continental Cigars - the manufacturer of Al Capone, and Santa Clara - the manufacturer of El Rey de Mundo and Garcia y Vega.

Stogies utilizes its website as its primary advertising vehicle. Stogies' website highlights its sale items and changes its product offerings and featured specials weekly. By dialing 1-888-82-CIGAR, a customer can order any cigar or tobacco accessory currently carried. In the event that Stogies does not have a particular product in stock, a customer may place an order to ship on arrival, or telemarketers may direct the customer to similar products by utilizing its database.

Stogies currently uses United Parcel Service for shipping orders from its inventory, which is maintained in its Boca Raton, Florida warehouse facility.

StogiesOnline current client base consists of over 10,000 customers in the United States. Purchases from repeat customers have been steady, with repeat buyers accounting for approximately one-third of current orders. During the two years ended December 31, 2001, Stogies did not have any significant customers, the loss of which would have an adverse effect on operations.

### A1DISCOUNT PERFUME INC.

On September 28, 2001, the Company created a new Subsidiary named AlDiscountPerfume Inc. and in October 2001, launched a new e-commerce site specializing in men's and women's fragrances. The site named AlDiscountPerfume.com is located at [HTTP://WWW.A1DISCOUNTPERFUME.COM](http://www.aldiscountperfume.com). The site is a competitor of other discount as well as full price online retailers of Perfume and Cologne. The site employs the Microsoft / Great Plains eEnterprise system the Company purchased last year and permits customers to benefit by having direct access to up-to-the-minute information about inventory, pricing, "hot deals" as well as order information. The eEnterprise system allows AlDiscountPerfume.com to inexpensively reach customers anywhere, around the clock.

### THE BROADCASTWEB.COM, INC.

BroadcastWeb was acquired on June 14, 1999 for \$18,000 cash and 300,000 shares of EONE common stock. BroadcastWeb is an aggregator and broadcaster of streaming media programming on the Web with the network infrastructure to deliver or "stream" live and on-demand audio programs over the Internet and Intranets. BroadcastWeb

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([WWW.THEBROADCASTWEB.COM](http://www.thebroadcastweb.com)) and its five representative sites - BluesBoyMusic.com ([WWW.BLUESBOYMUSIC.COM](http://www.bluesboymusic.com)), SoulManMusic.com ([WWW.SOULMANMUSIC.COM](http://www.soulmanmusic.com)), JazzManMusic.com ([WWW.JAZZMANMUSIC.COM](http://www.jazzmanmusic.com)), ClassicRockers ([WWW.CLASSICROCKERS.COM](http://www.classicrockers.com)) and hitmusicradio.com ([WWW.HITMUSICRADIO.COM](http://www.hitmusicradio.com)) rely primarily on the leading provider of streaming media products, Microsoft's Windows Media Player to license encoders to it in order to broadcast its content and to distribute player software. Users are able to electronically download copies of Microsoft's Windows Media Player software free of charge from a wide variety of sources, including BroadcastWeb and its sites.

On December 14, 2001 EONE entered into a stock purchase agreement with NYCLE Acquisition Corp (the "Purchaser") , EONE sold, assigned and transferred to the Purchaser all of the companies shares of the Common Stock of The BroadcastWeb,

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representing 1,350 shares or 90% of the total shares of Common Stock of The BroadcastWeb outstanding. EONE assumed liability for the intercompany payable. The Purchaser shall not be liable for any and all outstanding debt, federal, state and local taxes, but is responsible for all vendor payables.

### AMERICAN COMPUTER SYSTEMS

ACS was acquired effective September 30, 1999 for \$150,000 cash and was a wholly owned subsidiary of EONE through March 31, 2000. ACS is a full service provider of computer systems and services to the federal government. ACS focuses on all phases of hardware implementation, including system engineering, product design, software integration and networking communications. In November 1997, ACS was awarded its first General Services Administration (GSA) schedule contract for computer systems and peripherals. This contract has been extended for five additional years. ACS has concentrated its efforts on providing the Federal Government best value systems with on-site service and support as required for both Continental United States (CONUS) and Outside the Continental United States (OCONUS). American Computer Systems maintains a web site at (WWW.ACSPC.COM). EONE determined after several months that the business of ACS did not meet its business plan requirements and was able to sell 80% of its investment in ACS for \$500,000 in cash, effective March 31, 2000. On September 11, 2001 the Company sold its remaining 20% interest to an ACS officer in exchange for discharge of any liabilities of ACS.

### TRADEMARKS

At this time, the Company has no registered trademarks or trade names.

### COMPETITION

All direct marketing and retail businesses are highly competitive. With the Internet, the Company competes for consumer expenditures with all other forms of retail businesses, including department, discount, warehouse and specialty stores, mail order, catalog and television home shopping companies as well as other direct sellers and infomercials. The Internet home shopping industry is highly competitive. The Company believes that the Internet

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shopping industry is still very attractive to consumers, manufacturers and retailers. The industry offers consumers convenience, entertainment and the opportunity to test market new products, create brand awareness and access additional channels. The Company is at a competitive disadvantage in attracting viewers due to the fact that the Company's Internet site is limited to its future advertising budget. The Company expects increasing competition for viewers from major Internet providers and retailers that may seek to enter Internet shopping. The Company believes that the number of new entrants into the Internet shopping industry will also continue to increase. The Company believes that it is positioned to compete; however, no assurance can be given that the Company will be able to acquire consistent advertising at prices favorable to the Company. The Company's competitors are larger and more diversified than the Company, have greater financial, marketing, merchandising and distribution resources; therefore, the Company cannot predict the degree of success, if any, with which it will meet competition in the future.

### TECHNOLOGICAL CHANGE

The Internet is characterized by technological change. The Company's success will depend, in part, on its ability to enhance its existing services, develop new services that address the needs of its prospective customers and respond to technological advances and practices on a timely basis. The development of a Web

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entails significant technical, financial and business risks. There can be no assurance that the Company will successfully implement new technologies or adapt its Web site, proprietary technology and transaction-processing systems to customer requirements or emerging industry standards. If the Company is unable, for technical, legal, financial or other reasons, to adapt in a timely manner in response to changing market conditions, such inability could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

### EMPLOYMENT

The Company has four full-time employees in administration and management, two full-time employees and two part-time employees in the Stogies operation.

### RISK FACTORS

WE HAVE A LIMITED OPERATING HISTORY UPON WHICH YOU CAN EVALUATE OUR BUSINESS AND PROSPECTS

We began offering products for sale on our Web site in 1998. Accordingly, we have a relatively short operating history upon which you can evaluate our business and prospects. You should consider our prospects in light of the risks, expenses and difficulties frequently encountered by online commerce companies. As an online commerce company, we have a rapidly evolving and unpredictable business model, we face intense competition, we must effectively manage our growth, and we must respond quickly to rapid changes in customer demands and industry standards. We may not succeed in addressing these challenges and risks.

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WE COULD LOSE MARKET SHARE IF WE DO NOT KEEP UP WITH THE INTENSE COMPETITION IN THE ONLINE COMMERCE MARKET

The online commerce market is new, rapidly evolving and intensely competitive. Our current or potential competitors include: online vendors of cigars, indirect competitors such as online gift services as well as major store-based retailers of cigars. We believe that the principal competitive factors in our market include brand recognition, selection, personalized services, convenience, price, accessibility, customer service, quality of search tools, quality of editorial and other Web site content, reliability and speed of fulfillment. Many of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we have. They may be able to secure merchandise from vendors on more favorable terms and may be able to adopt more aggressive pricing or inventory policies. They also can devote more resources to technology development and marketing than we can. We also expect to experience increased competition from online commerce sites that provide goods and services at or near cost, relying on advertising revenues to achieve profitability. As the online commerce market continues to grow, other companies may enter into business combinations or alliances that strengthen their competitive positions. Competition in the Internet and online commerce markets probably will intensify. As various Internet market segments obtain large, loyal customer bases, participants in those segments may use their market power to expand into the markets in which we operate. In addition, new and expanded Web technologies may increase the competitive pressures on online retailers. The nature of the Internet as an electronic marketplace may facilitate competitive entry and comparison shopping and render it inherently more competitive than conventional retailing formats. This increased competition may reduce our operating margins, diminish our market share or impair the value of our brand.

WE MAY EXPERIENCE SYSTEM INTERRUPTIONS, WHICH AFFECT THE VOLUME OF ORDERS WE

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### FULFILL AND THEREFORE OUR REVENUES

Customer access to our Web sites directly affects the volume of orders we fulfill and thus affects our revenues. We experience occasional system interruptions that make our Web sites unavailable or prevent us from efficiently fulfilling orders, which may reduce the volume of goods we sell and the attractiveness of our products and services. These interruptions will continue. We need to add additional software and hardware and upgrade our systems and network infrastructure to accommodate both increased traffic on our Web sites and increased sales volume and to fully integrate our systems. Without these upgrades, we may face additional system interruptions, slower response times, diminished customer service, impaired quality and speed of order fulfillment and delays in our financial reporting. We cannot accurately project the rate or timing of any increases in traffic or sales volume upgrades are uncertain. We maintain substantially all of our computer and communications hardware at a single leased facility in Boca Raton, Florida. Our systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, break-ins and similar events. We do not have backup systems or a formal disaster recovery plan and we may not have sufficient business interruption insurance to compensate us for losses from a major interruption. Computer viruses,

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physical or electronic break-ins and similar disruptions could cause system interruptions, delays and loss of critical data and could prevent us from providing services and accepting and fulfilling customer orders.

### ENTERING NEW BUSINESS AREAS WILL REQUIRE SIGNIFICANT EXPENSE AND COULD STRAIN MANAGEMENT, FINANCIAL AND OPERATIONAL RESOURCES

We intend to expand our operations by promoting new or complementary products, services or sales formats and by expanding our product or service offerings. This will require significant additional expense and could strain our management, financial and operational resources. We cannot expect to benefit in these new markets from the early-to-market advantage that we experienced in the online cigar market. Our gross margins in these new business areas may be lower than our existing business activities. In addition, we may have limited or no experience in these new business areas. We may not be able to expand our operations in a cost-effective or timely manner. Any new business that our customers do not receive favorably could damage our reputation and the CigarCigar.com brand.

### WE RELY ON A SMALL NUMBER OF SUPPLIERS; OUR BUSINESS WOULD BE HARMED IF OUR CURRENT SUPPLIERS STOP SELLING MERCHANDISE TO US ON ACCEPTABLE TERMS

Although we increased our direct purchasing from manufacturers, we purchase a majority of our cigars from three major vendors. We do not have long-term contracts or arrangements with most of our vendors to guarantee the availability of merchandise, or particular payment terms or the extension of credit limits. Our current vendors may stop selling merchandise to us on acceptable terms. We may not be able to acquire merchandise from other suppliers in a timely and efficient manner and on acceptable terms.

### THE LONG TERM VIABILITY OF THE INTERNET AS A MEDIUM FOR COMMERCE IS NOT CERTAIN

Consumer use of the Internet as a medium for commerce is a recent phenomenon and is subject to a high level of uncertainty. While the number of Internet users has been rising, the Internet infrastructure may not expand fast enough to meet the increased levels of demand. The increased use of the Internet as a medium for commerce raises concerns regarding Internet security, reliability, pricing,

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accessibility and quality of service. If use of the Internet does not continue to grow, or grows at a slower rate than we anticipated, or if the necessary Internet infrastructure or complementary services are not developed to support effectively growth that may occur, our business, financial condition and growth prospects would be harmed.

WE MAY BE SUBJECT TO PRODUCT LIABILITY CLAIMS IF PEOPLE OR PROPERTY ARE HARMED BY THE PRODUCTS WE SELL

As we enter new lines of business, we may increasingly sell products, such as cigar cutters, that may increase our exposure to product liability claims relating to personal injury, or property damage caused by such products. We maintain insurance, but we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be

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available to us on economically reasonable terms, if at all. In addition, some of our vendor agreements with our suppliers do not indemnify us from product liability.

GOVERNMENT REGULATION OF INTERNET COMMERCE IS EVOLVING AND UNFAVORABLE CHANGES COULD HARM OUR BUSINESS

We are subject to general business regulations and laws or regulations regarding taxation and access to online commerce. These laws or regulations may impede the growth of the Internet or other online services. Regulatory authorities may adopt specific laws and regulations governing the Internet or online commerce. These regulations may cover taxation, user privacy, pricing, content, copyrights, distribution, electronic contracts and characteristics and quality of products and services. Changes in consumer protection laws also may impose additional burdens on companies conducting business online, both in the US and internationally. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet and online commerce. Unfavorable resolution of these issues may harm our business.

THE COMPANY'S FUTURE STRATEGY MAY INCLUDE PURSUING ACQUISITIONS THAT MAY NOT BE SUCCESSFUL.

The Company's Future strategy may include pursuing acquisitions that may not be successful. Acquisitions involve a number of operational risks that the acquired business will not be successfully integrated, may distract management attention, may involve unforeseen costs and liabilities, and possible regulatory costs, some or all of which could have a materially adverse effect on the Company's financial condition or results of operations. The Company may make these additional acquisitions with cash or with stock, or a combination thereof. If the Company does make any such acquisitions, various associated risks may be encountered, including potential dilution to the Company's then current shareholders, as a result of additional shares of common stock being issued in connection with the acquisitions.

THE COMPANY'S REVENUES AND OPERATING RESULTS CAN BE UNPREDICTABLE.

The Company's revenue and operating results could fluctuate substantially from quarter to quarter and from year to year. In general, revenue and operating results in any reporting period may fluctuate due to factors including, among others:

- Loss of customers
- the timing and size of orders from customers;

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- changes in the overall economy

THE COMPANY'S STOCK PRICE WILL FLUCTUATE AND COULD SUBJECT THE COMPANY TO LITIGATION.

The market price of the Company's common stock may fluctuate significantly in response to a number of factors, some of which are beyond its control. These factors include:

- quarterly variations in operating results;
- changes in accounting treatments or principles;

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- additions or departures of key personnel;
- stock market price and volume fluctuations of publicly-traded companies in general and Internet-related companies in particular; and
- general political, economic and market conditions.

THERE IS A LIMITED PUBLIC MARKET FOR THE COMPANY'S COMMON STOCK AND THERE ARE NO ASSURANCES OF A CONTINUED TRADING MARKET FOR THE COMPANY'S COMMON STOCK.

The Company's common stock is currently quoted on the Over the Counter Market. The Company's common stock is thinly traded. There are no assurances the Company will maintain its listing. If the Company's common stock should be delisted, it is likely that the stock would then be quoted on the Pink Sheets, which would materially and adversely effect any future liquidity in the Company's common stock.

### ITEM 2. DESCRIPTION OF PROPERTY

The Company currently maintains two office spaces. The corporate headquarters is located at 6413 Congress Avenue, Suite 240, Boca Raton, Florida 33487. The Stogies warehouse and retail cigar outlet center is located at 6405 Congress Avenue, Suite 160, Boca Raton, Florida 33487. The combined square footage of the corporate headquarters and Stogies warehouse is 6,293 square feet, and the combined monthly rent is \$7,149. The corporate office phone number is (561) 988-0819.

### ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material pending legal proceedings other than ordinary routine litigation incidental to the business.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

Not Applicable

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### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### MARKET INFORMATION

The Nasdaq Stock Market implemented a change in its rules requiring all companies trading securities on the OTC Bulletin Board to become reporting companies under the Securities Exchange Act of 1934.



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EONE has effected the merger with Caprock and has become a successor issuer thereto in order to comply with the reporting company requirements implemented by the Nasdaq Stock Market.

The following chart shows the quarterly high and low bid prices for the Company's Common Stock for the last two fiscal years, as reported on the OTC:Bulletin Board. The prices represent quotations by dealers without adjustments for retail mark-ups, mark-downs or commissions and may not represent actual transactions.

	OPENING BID	HIGH BID	LOW BID	CLOSING BID
2001 Fourth Quarter	.009	.0125	.0061	.009
2001 Third Quarter	.017	.019	.007	.01
2001 Second Quarter	.03	.031	.01	.017
2001 First Quarter	.034	.06	.022	.027
2000 Fourth Quarter	.09	.13	.03	.03
2000 Third Quarter	.14	.17	.07	.09
2000 Second Quarter	.50	.53	.13	.15
2000 First Quarter	.28	1.00	.20	.36

### HOLDERS

As of December 31, 2001, there were approximately 602 holders of record of the Company's common stock, an undetermined number of which represent more than one individual participant in securities positions with the Company.

### DIVIDENDS

The Company has never paid cash dividends on its common stock, and intends to utilize current resources to expand its operations. Therefore, it is not anticipated that cash dividends will be paid on the Company's common stock in the foreseeable future.

### INVESTMENT AGREEMENT

In March 2000, the Company entered into an agreement with Avenel Financial Group ("AFG") to structure and fund an investment in the Company in an amount of up to \$11,250,000. The Company sold investors restricted shares of common stock in the Company at a purchase price of \$.375 per share. In addition, one warrant for every five shares purchased was issued to AFG.

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The warrant entitles the owner to purchase one share of common stock at an exercise price of \$1.50 per share. A fee in the amount of 3% of the gross amount funded to the Company was paid. On April 3, 2000, the Company issued 11,000,000 shares of its common stock and 2,200,000 warrants, with an exercise price of \$1.50 per share, for \$4,125,000 (\$4,001,250, net of the investment fee).

### RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, FASB issued SFAS No. 141, "Business Combinations." SFAS No. 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. We believe that the adoption of SFAS No. 141 will not have a significant impact on our financial statements.

In July 2001, FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets",

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which is effective for fiscal years beginning after December 15, 2001. SFAS No. 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions upon adoption for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the testing for impairment of existing goodwill and other intangibles. We are currently assessing but have not yet determined the impact of SFAS No. 142 on our financial position and results of operations.

In June 2001, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF Issue No. 00-25 addresses whether consideration from a vendor to a reseller is (a) an adjustment of the selling prices of the vendor's products and, therefore, should be deducted from revenue when recognized in the vendor's income statement or (b) a cost incurred by the vendor for assets or services received from the reseller and, therefore, should be included as a cost or expense when recognized in the vendor's income statement. The Company will adopt EITF Issue No. 00-25 effective January 1, 2002. The adoption of EITF Issue No. 00-25 is not expected to have a material impact on the Company's financial statements.

In August 2001, the FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143"), which provides the accounting requirements for retirement obligations associated with tangible long-lived assets. This Statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it occurred. This Statement is effective for our 2003 fiscal year, and early adoption is permitted. The adoption of SFAS 143 is not expected to have a material impact on our consolidated results of operations, financial position or cash flows.

In October 2001, the FASB issued Statement no. 144, " Accounting for the Impairment or Disposal of Long Lived Assets" (SFAS 144"), which excludes from the definition of long-lived assets goodwill and other intangibles that are not amortized in accordance with SFAS 142. SFAS 144 requires that long-lived assets to be disposed of by sale be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS 144 also expands the reporting of discontinued operations to

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include components of an entity that have been or will be disposed of rather than limiting such discontinuance to a segment of a business. This Statement is effective for our 2003 fiscal year, and early adoption is permitted. We are currently evaluating the impact of SFAS 144 to determine the effect, if any, it may have on our consolidated results of operations, financial position or cash flows.

### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

From time to time, the Company may publish forward-looking statements relative to such matters as anticipated financial performance, business prospects, technological developments and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. All statements other than statements of historical fact included in this section or elsewhere in this report are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934. Important factors that could cause actual results to differ materially from those discussed in such forward-looking statements include: 1. General economic factors including, but

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not limited to, changes in interest rates, trends in disposable income; 2. Information and technological advances; 3. Cost of products sold; 4. Competition; and 5. Success of marketing, advertising and promotional campaigns.

The Company's continuing operations consist of two Internet based businesses. Stogies is an online distributor and retailer of brand name premium cigars within the United States. AlDiscount Perfume is a online retailer of premium perfumes and colognes.

Stogies became operational in November 1998 and it accounts for substantially all of the sales revenue.

The following discussion and analysis has been restated to reflect the discontinued operation of The BroadcastWeb Inc.

### LIQUIDITY AND CAPITAL RESOURCES

The Company decreased its working capital from \$8,594,431 at December 31, 2000 to \$3,746,952 at December 31, 2001. The working capital decrease in the amount of \$4,847,479 consists primarily of decreases in cash in the amount of \$1,224,320, inventory of \$314,624 and marketable securities in the amount of \$5,452,342 less a decrease in current and deferred income taxes payable in the amount of \$2,111,500.

During the year ended December 31, 2001 stockholders' equity decreased \$10,338,223, which includes decreases in other comprehensive income in the amount of \$8,514,400, and the net loss for the year of \$1,823,823. (See Other Comprehensive Income below)

The Company invested approximately \$100,000 during the year ended December 31, 2001 to complete its installation, for a complete front office/back office system using Great Plains eEnterprise and eCommerce together with the necessary equipment to operate the system. The system is designed to support high sales volumes with low transaction costs and will allow Stogies to reach customers around the globe and around the clock. The eEnterprise system

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delivers tools for building sales, reducing costs, and making the Company more efficient by streamlining its workflow systems, minimizing manual processes, paperwork and reducing administrative overhead. Customers will benefit by having direct access to up-to-the minute information about inventory, pricing and "hot deals," as well as order and shipping information.

The Company executed a line of credit agreement with Merrill Lynch in the maximum amount of \$3,400,000 on December 13, 1999. The agreement required annual renewal, expired initially on January 31, 2001 and included variable interest at a per annum rate equal to the sum of 2.3% plus the 30-day Dealer Commercial Paper Rate. The annual fee was \$17,000 and the collateral consisted of a first security interest upon the Company's Merrill Lynch securities account containing securities having an aggregate value of not less than 115% of the maximum line of credit. In October 2000, the Company completed repayment of all advances on the line of credit and terminated the agreement.

In March 2000, the Company entered into an agreement with Avenel Financial Group ("AFG") to structure and fund an investment in the Company in an amount of up to \$11,250,000. The Company sold investors restricted shares of common stock in the Company at a purchase price of \$.375 per share. In addition, one warrant for every five shares purchased was issued to AFG. The warrant entitles the owner to purchase each share of common stock at an exercise price of \$1.50 per share. A fee in the amount of 3% of the gross amount funded to the Company was paid. On

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April 3, 2000, the Company issued 11,000,000 shares of its common stock and 2,200,000 warrants, with an exercise price of \$1.50 per share, for \$4,125,000 (\$4,001,250, net of the investment fee).

### RESULTS OF OPERATIONS

#### SALES AND COST OF SALES

-----

During the year ended December 31, 2001, sales decreased 44% from \$2,163,421 for 2000 to \$1,216,088 for the current year. Revenues declined \$947,333 (47%) during the year ended December 31, 2001, as compared to the prior year. The decline in sales is attributed to a number of factors, including the slowing economy and extraordinary events occurring in September 2001, which has resulted in less product demand and an overall reduction in consumer spending, the Company's efforts to increase prices and the loss of its principal wholesale sales representative. In an effort to increase sales by expanding its potential customer market, the Company recently added Wine Accessories, (including Wine Books, Wine CorkScrews, Wine Decanters and Wine Racks) and Cigar Accessories (including Cigar Ashtrays, Cigar Books, Cigar Cutters, Cigar Humidors and Cigar Lighters) to its list of products carried on its' StogiesOnline.com, Inc. CigarCigar.com ([HTTP://WWW.CIGARCIGAR.COM](http://www.cigarcigar.com)), website. Since employing the Microsoft / Great Plains eEnterprise system the Company's StogiesOnline.com, Inc. During 2001, the CigarCigar.com website, ([HTTP://WWW.CIGARCIGAR.COM](http://www.cigarcigar.com)), had risen to become the most popular retail Cigar site listed on the search engine Yahoo. Stogies improved its gross profit percentage of approximately 15% during the twelve months ended December 31, 2000 to 20% during the twelve months ended December 31, 2001.

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On September 28, 2001, the Company created a new Subsidiary named AlDiscountPerfume Inc. and in October 2001, launched a new e-commerce site specializing in men's and women's fragrances. The site named AlDiscountPerfume.com is located at [HTTP://WWW.ALDISCOUNTPERFUME.COM](http://www.aldiscountperfume.com). The site is to be a competitor of other discount as well as full price online retailers of Perfume and Cologne. The site employs the Microsoft / Great Plains eEnterprise system the Company purchased last year and will permit customers to benefit by having direct access to up-to-the-minute information about inventory, pricing, "hot deals" as well as order information. The eEnterprise system allows AlDiscountPerfume.com to inexpensively reach customers anywhere, around the clock.

#### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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Selling, general and administrative expenses decreased \$418,936 to \$1,662,527 in the twelve-month period ended December 31, 2001 as compared to the same period of the prior year. This decrease in selling, general and administrative expense of \$418,936 consists primarily of decreases in: salaries and wages - (\$206,735); advertising - (\$59,276); consulting - (\$72,487); legal and professional - (\$80,032); loan fees -(\$34,000) and travel -(\$32,416) and increases in depreciation expense - \$84,119; rent - \$24,920; insurance - \$30,162 The decrease in salaries and wages includes a decrease of \$88,000 due to the resignation of a Corporate officer, and a \$118,000 decrease due to the reduction of staff in stogies division including one wholesale representative, one computer personnel and 4 administrative staff. Loan fees decreased due to the payoff of the Merrill Lynch line of credit in 2000. Legal and professional decreased primarily due to higher legal fees in 2000 due to the sale of its wholly owned subsidiary ACS. Advertising decreased due to more efficient placement and use of internal advertising. The increase in insurance cost is due in part to the Directors and

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Officers liability insurance premium increased starting April 1, 2000 due to the increase in the coverage level, as well as the addition of an additional property insurance policy starting in February 2001. Depreciation expense increased due to the accounting and information management system that was added during the third quarter of 2000. The increase in rent is due primarily to the additional space utilized by the Stogies operation for warehouse, as well as, normal year-to-year rent increases. The Company feels that the complete implementation of the front office/back office system using Great Plains eEnterprise and eCommerce will allow for a reduction in selling, general and administrative expenses into the upcoming year.

### INTEREST EXPENSE

The Company incurred, during the twelve month period ended December 31, 2001, interest expense in the amount of \$7,745. During the twelve month period ended December 31, 2000, the company incurred interest expense in the amount of \$139,152, primarily on their credit facility with Merrill Lynch which was terminated during the fourth quarter of 2000.

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### MARKETABLE INVESTMENT SECURITIES

The Company sold trading equity securities and recognized realized profits of \$2,300 and \$647,776 during the twelve month period ended December 31, 2001 and 2000, respectively.

The Company recognized unrealized losses in the amount of \$(74,500) during the year ended December 31, 2001 and recognized unrealized losses in the amount of \$(685,532) during the prior year. Available for sale securities are described in Other Comprehensive Income (below).

### OTHER INCOME

The Company had income of \$78,669 and \$357,382 from interest and dividends in the twelve-month periods ended December 31, 2001 and 2000, respectively. The decrease is due to lower balances in interest bearing money market accounts in 2001.

### INCOME TAXES

The Company's 2001 income tax benefit consists of a current tax expense of \$1,294 and a deferred tax benefit of \$54,800. The deferred tax benefit consists primarily of the tax benefit from net operating losses incurred during the current year in the amount of \$960,000, a valuation allowance of \$519,500 and the tax benefit attributed to the unrealized loss on marketable securities of \$199,600. The Company's non-current deferred income tax liability in the amount of \$242,400 is principally for the net unrealized gains on available-for-sale securities.

### DISCONTINUED OPERATIONS

The Company sold 80% of their investment in ACS as of the end of March 2000. The net earnings from discontinued operation in the amount of \$29,093 consisted of a loss of \$92,341 from operations (net of tax benefit in the amount of \$55,800) and a gain on the sale in the amount of \$121,434 (net of taxes in the amount of \$73,400). On September 11, 2001 the Company sold its remaining 20% interest to an ACS officer in exchange for discharge of any liabilities of ACS. The Company recognized a loss of \$(76,291) on the write off of this remaining 20% interest.

On December 14, 2001, the Company entered into a Stock Purchase agreement with

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NYCLE Acquisition Corp to sell its 90% investment in The BroadcastWeb Inc. The net loss from discontinued operation in the amount of \$382,249 consisted of a loss of \$204,606 from operations of a discontinued division and a loss on the disposal in the amount of \$177,643 (net of a tax benefit in the amount of \$107,100). The 2000 discontinued operations have been restated to include the net loss of The BroadcastWeb of \$154,977 for the twelve month period ended December 31, 2000.

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### OTHER COMPREHENSIVE INCOME

During the twelve months ended December 31, 2001, the Company recorded a decrease in its net unrealized gain from available-for-sale securities in the amount of \$8,514,400, which consisted of a decline in market value of \$13,651,500 less a decrease in related deferred tax liability \$5,137,100. Available for sale securities consists primarily of SGD Limited Holdings (SGD) a holding company principally engaged in acquiring and developing jewelry related businesses. Our investment represents approximately 10.4% of the outstanding stock of SGD and accordingly the Company is subject to certain restrictions on the shares it can sell. Of the 10,200,000 shares held by the Company 3,840,000 shares valued at \$768,000 have been classified as current. The securities of SGD significantly decreased in value over the past year as a reflection of the overall market conditions. Due to the size of the Companies investment and the limited trading volume of SGD as well as other available for sale securities, there can be no assurance that the Company will realize the value assigned, under Statement of Accounting Standards #115 (Accounting for Certain Investments in Debt and Equity Securities), to these securities.

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### ITEM 7. FINANCIAL STATEMENTS

The Consolidated Financial Statements of Evolve One, Inc., and Subsidiaries, together with the report thereon of Goldstein Lewin & Co. dated March 1, 2002 for the years ended December 31, 2001 and 2000 is set forth as follows:

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders  
Evolve One, Inc. and Subsidiaries  
Boca Raton, Florida

We have audited the accompanying consolidated balance sheet of Evolve One, Inc. and Subsidiaries as of December 31, 2001, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2001. 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.

We conducted our audits 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Evolve One, Inc. and Subsidiaries as of December 31, 2001, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ GOLDSTEIN LEWIN & CO.

Boca Raton, Florida  
March 1, 2002

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### EVOLVE ONE, INC. AND SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEET DECEMBER 31, 2001

##### Assets

##### Current assets

Cash and cash equivalents .....	\$ 2,169,262
Accounts receivable .....	35,124
Marketable equity securities .....	1,038,308
Inventory .....	268,800
Other current assets .....	43,345
Deferred taxes .....	242,400
	-----
Total current assets .....	3,797,239
Property and equipment, net .....	441,852

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Marketable equity securities .....	1,272,000
Other assets .....	12,432
	-----
	\$ 5,523,523
	=====

Liabilities and stockholders' equity

Current liabilities	
Accounts payable .....	\$ 45,985
Accrued liabilities .....	4,802
	-----
Total current liabilities .....	50,787
	-----
Deferred income taxes .....	242,400
	-----

Commitments and contingencies

Stockholders' equity

Cumulative convertible preferred stock, \$.0001 par value; authorized 10,000,000 shares; outstanding -0- shares .....	-
Common stock, \$.00001 par value Authorized 1,000,000,000 shares; issued and outstanding 788,446,187 shares .....	7,884
Paid-in capital .....	6,819,781
Accumulated deficit .....	(2,325,225)
Accumulated other comprehensive income .....	727,896
	-----
Total stockholders' equity .....	5,230,336
	-----
	\$ 5,523,523
	=====

See accompanying notes to consolidated financial statements.

EVOLVE ONE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
	----	----
Sales and revenue .....	\$ 1,216,088	\$ 2,163,421
Cost of sales .....	971,142	1,833,262
	-----	-----
Gross profit .....	244,946	330,159
Selling, general and administrative expense ..	1,662,527	2,081,463
	-----	-----
Loss from operations .....	(1,417,581)	(1,751,304)
	-----	-----
Other income (expense):		
Gains from sale of marketable securities ...	2,300	647,776
Gain on the sale of property and equipment .	68	-
Investment income .....	78,669	357,382
Interest expense .....	(7,745)	(139,152)
Equity in net (loss) of affiliated company .	(76,291)	-
Unrealized gain (loss) on		



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marketable equity securities .....	(74,500)	(685,532)
	-----	-----
Total other income (expense) .....	(77,499)	180,474
	-----	-----
Earnings before income taxes .....	(1,495,080)	(1,570,830)
Income tax expense (benefit) .....	(53,506)	(588,883)
	-----	-----
Earnings (loss) from continuing operations ...	(1,441,574)	(981,947)
	-----	-----
Loss from earnings of a discontinued division	(204,606)	(125,885)
Loss on disposal of division, (less applicable		
income tax benefit of \$107,100) .....	(177,643)	-
	-----	-----
	(382,249)	(125,885)
	-----	-----
Net earnings (loss) .....	\$ (1,823,823)	\$ (1,107,832)
	=====	=====
Net earnings (loss) per share		
Basic .....	\$ (0.00)	\$ (0.00)
	=====	=====
Diluted .....	\$ (0.00)	\$ (0.00)
	=====	=====
Discontinued operations .....	\$ (0.00)	\$ (0.00)
	=====	=====
Weighted average shares outstanding		
Basic .....	788,446,187	775,921,596
	=====	=====
Diluted .....	788,446,187	775,921,596
	=====	=====

See accompanying notes to consolidated financial statements.

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EVOLVE ONE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2001 AND 2000

	Common Stock Shares	Par Value	Paid-in Capital	Accumulated Other Accumulated Deficit
	-----	-----	-----	-----
Balance, January 1, 2000 .....	767,446,187	\$ 7,674	\$ 2,658,741	\$ 606,429
Issuance for:				
Cash .....	11,000,000	110	4,001,140	-
Stock bonuses .....	10,000,000	100	159,900	-
Comprehensive income:				
Unrealized gain on available-	-	-	-	-
for-sale securities, net ....	-	-	-	-
Net loss .....	-	-	-	(1,107,831)

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Total comprehensive income ..	-	-	-	-
Balance, December 31, 2000 .....	788,446,187	7,884	6,819,781	(501,402)
Comprehensive income:				
Unrealized (loss) on available-				
for-sale securities, net ....	-	-	-	-
Net loss .....	-	-	-	(1,823,823)
Total comprehensive income ..	-	-	-	-
Balance, December 31, 2001 .....	788,446,187	\$ 7,884	\$ 6,819,781	\$ (2,325,225)

See accompanying notes to consolidated financial statements.

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EVOLVE ONE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
	----	----
Cash flows from operating activities		
Net (loss) .....	\$ (1,823,823)	\$ (1,107,831)
Less: (Loss) from discontinued operations, net .....	(382,249)	(125,884)
(Loss) from continuing operations .....	(1,441,574)	(981,947)
Adjustments to reconcile (loss) from continued operations to net cash (used in) operating activities:		
Depreciation and amortization .....	230,944	146,831
Gain on sale of property and equipment .....	(68)	-
Gain on marketable investment securities .....	(2,300)	(647,776)
Unrealized loss on marketable investment securities .....	74,500	685,532
Proceeds from sale of marketable investment securities .....	5,642	678,566
Purchase of marketable investment securities .....	-	(23,333)
Common stock issued for services .....	-	160,000
Deferred income taxes .....	(54,800)	(586,058)
Net change in operating assets of a discontinued operations ..	(80,790)	(59,555)
Decrease (increase) in assets:		
Accounts receivable .....	29,824	(30,849)
Inventory .....	314,624	(485,490)
Other assets .....	117,317	44,556
Increase (decrease) in liabilities:		
Accounts payable .....	(43,670)	(42,099)
Accrued liabilities .....	(33,896)	37,980
Income taxes payable .....	-	(30,318)
Net cash used in operating activities .....	(884,247)	(1,133,960)
Cash flows from investing activities		
Capital expenditures .....	(117,545)	(609,946)
Purchase of marketable investment securities .....	(9,000)	(1,068,750)
Proceeds from sale of discontinued operations .....	-	500,000
Proceeds from sale of assets .....	5,841	-
Loss from sale of equity investment .....	76,291	-
Net advances to discontinued operation .....	-	(672,043)

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Net cash used in investing activities .....	(44,413)	(1,850,739)
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See accompanying notes to consolidated financial statements.

Continued

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EVOLVE ONE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2001 AND 2000

(Continued)

	2001	2000
Cash flows from financing activities		
Issuance of common stock for cash .....	\$ -	\$ 4,001,250
Loan proceeds .....	-	3,742,988
Loan repayment .....	(91,054)	(3,834,398)
Net cash provided by (used in) financing activities .....	(91,054)	3,909,840
Net cash provided by (used in) continuing operations .....	(1,019,714)	925,141
Net cash used in discontinued operations .....	(204,606)	(247,318)
Net increase (decrease) in cash and cash equivalents .....	(1,224,320)	677,823
Cash and cash equivalents, beginning of period .....	3,393,582	2,715,759
Cash and cash equivalents, end of period .....	\$ 2,169,262	\$ 3,393,582

Supplemental cash flow information

Cash paid for interest and income taxes are as follows:

Interest .....	\$ 7,745	\$ 139,229
Income taxes .....	\$ -	\$ 150,923

Supplemental schedule of noncash investing and financing activities

Insurance financing .....	\$ 91,054	\$ 91,410
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See accompanying notes to consolidated financial statements.

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EVOLVE ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF BUSINESS

Evolve One, Inc. (the "Company" or "EONE") is a diversified holding company that develops and operates Internet and direct retail marketing companies. The EONE Group includes wholly owned subsidiaries, StogiesOnline.com, Inc. ("Stogies") (www.CigarCigar.com), AlDiscount Perfume Inc (www.AlDiscountperfume.com), and

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International Internet Venture I, LLC. The company previously had majority interests in The BroadcastWeb.com, Inc. ("BW") ([www.thebroadcastweb.com](http://www.thebroadcastweb.com)) sold in 2001 (Note 8) and Mr. Cigar, Inc. ("Cigar"). EONE, through its Venture division, owns an equity interest in several companies, some of which are classified as trading securities and some of which are classified as available-for-sale securities. EONE was incorporated in Delaware on June 21, 1994.

Stogies became an online distributor and retailer of brand name premium cigars within the United States on November 18, 1998. Stogies' products consist of premium cigars, factory brand name seconds and mass market cigars, which are distributed online to retail and wholesale customers.

On September 28, 2001, the Company created a new Subsidiary named AlDiscountPerfume Inc. and in October 2001, launched a new e-commerce site specializing in men's and women's fragrances. The site named AlDiscountPerfume.com is located at <http://www.AlDiscountPerfume.com>. The site is a competitor of other discount as well as full price online retailers of Perfume and Cologne. The site employs the Microsoft / Great Plains eEnterprise system the Company purchased last year and permits customers to benefit by having direct access to up-to-the-minute information about inventory, pricing, "hot deals" as well as order information. The eEnterprise system allows AlDiscountPerfume.com to inexpensively reach customers anywhere, around the clock.

Broadcast is an aggregator and broadcaster of streaming media programming on the Web with the network infrastructure to deliver or "stream" live and on-demand audio programs over the Internet. Broadcast and its representative sites ([BluesBoyMusic.com](http://BluesBoyMusic.com), [SoulManMusic.com](http://SoulManMusic.com), [JazzManMusic.com](http://JazzManMusic.com), [ClassicRockers.com](http://ClassicRockers.com) and [HitMusicRadio.com](http://HitMusicRadio.com)) rely primarily on providers of streaming media products to license encoders to it in order to broadcast its content and to distribute player software in order to create a broad base of users. On December 14, 2001 the Company entered into a Stock Purchase agreement with NYCLE Acquisition Corp (the Purchaser). The Purchaser acquired the capital stock interest of the Company in the BroadcastWeb. The Company sold, transferred and assigned to the Purchaser all of the companies shares of the Common Stock of the BroadcastWeb representing 1,350 shares of the 1,500 shares of the Common Stock of the BroadcastWeb. The Company assumed liability for the intercompany payable, the Purchaser shall not be responsible for any, all outstanding debt, federal, state, and local taxes, but is responsible for all vendor payables. As a result of this transaction, the Consolidated Financial Statements and the related footnotes have been restated to present the results of this division as a discontinued operations (Note 8).

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### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of EONE, Inc. and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

### REVENUE RECOGNITION

Revenue from sales of cigars over the Internet is recognized upon shipment. Provision is made at the time the related revenue is recognized for estimated product returns

### RISK AND UNCERTAINTIES

The Company is subject to all of the risks inherent in an early stage company in the Internet industry. These risks include, but are not limited to, a limited

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operating history, limited management resources, dependence upon consumer acceptance of the Internet, Internet related security risks and the changing nature of the electronic commerce industry. The Company's operating results may be materially affected by the foregoing factors.

### CASH EQUIVALENTS

For purposes of the statements of cash flows, the Company considers all highly liquid short-term investments purchased with an original maturity of three months or less to be cash equivalents.

### INVESTMENT SECURITIES

Investments are classified into three categories as follows:

- Held-to-maturity securities reported at amortized cost;
- Trading securities reported at fair value with unrealized gains and losses included in earnings;
- Securities available-for-sale reported at fair value with unrealized gains and losses reported in other comprehensive income.

### INVENTORIES

Inventories are stated at the lower of cost or market determined by the first-in, first-out method. Inventory consists of cigars and related accessories.

### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and depreciated on an accelerated basis over the assets' estimated useful lives.

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### GOODWILL

Goodwill represents the excess of the cost of the Company's interest in a purchased subsidiary over the fair value of a proportionate share of its net assets at the date of acquisition. Goodwill was being amortized using the straight-line method over 15 years, until the sale of the BroadcastWeb Inc in December 2001.

### COMPREHENSIVE INCOME

Other comprehensive income refers to revenue, expense and gains and losses, that under generally accepted accounting principles are included in comprehensive income but are excluded from net earnings (loss) as these amounts are recorded directly to an adjustment to stockholders' equity, net of tax. The Company's other comprehensive income is composed of net unrealized gains on available-for-sale securities.

### NEW ACCOUNTING STANDARDS

In July 2001, FASB issued SFAS No. 141, "Business Combinations." SFAS No. 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. We believe that the adoption of SFAS No. 141 will not have a significant impact on our financial statements.

In July 2001, FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets", which is effective for fiscal years beginning after December 15, 2001. SFAS No.

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142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions upon adoption for the reclassification of certain existing recognized intangibles such as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the testing for impairment of existing goodwill and other intangibles.

In June 2001, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF Issue No. 00-25 addresses whether consideration from a vendor to a reseller is (a) an adjustment of the selling prices of the vendor's products and, therefore, should be deducted from revenue when recognized in the vendor's income statement or (b) a cost incurred by the vendor for assets or services received from the reseller and, therefore, should be included as a cost or expense when recognized in the vendor's income statement. The Company will adopt EITF Issue No. 00-25 effective January 1, 2002. The adoption of EITF Issue No. 00-25 is not expected to have a material impact on the Company's financial statements.

In August 2001, the FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143), which provides the accounting requirements for retirement obligations associated with tangible long-lived assets. This Statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it occurred. This Statement is effective for our 2003 fiscal year, and early adoption is permitted. The adoption of SFAS 143 is not expected to have a material impact on our consolidated results of operations, financial position or cash flows.

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In October 2001, the FASB issued Statement no. 144, "Accounting for the Impairment or Disposal of Long Lived Assets" (SFAS 144), which excludes from the definition of long-lived assets goodwill and other intangibles that are not amortized in accordance with SFAS 142. SFAS 144 requires that long-lived assets to be disposed of by sale be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS 144 also expands the reporting of discontinued operations to include components of an entity that have been or will be disposed of rather than limiting such discontinuance to a segment of a business. This Statement is effective for our 2003 fiscal year, and early adoption is permitted. We are currently evaluating the impact of SFAS 144 to determine the effect, if any, it may have on our consolidated results of operations, financial position or cash flows.

### INCOME TAXES

The Company recognizes deferred tax assets and liabilities based on differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered. The Company provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets to be more likely than not.

### ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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### NET EARNINGS (LOSS) PER SHARE

Basic net earnings (loss) per share is computed by dividing net earnings (loss) by the weighted-average number of shares outstanding. Diluted net earnings (loss) per share includes the dilutive effect of stock options.

### STOCK BASED COMPENSATION

The Company measures stock based compensation expense for its stock based employee compensation plan using the intrinsic value method. At December 31, 2001 no options were outstanding under this plan.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short maturity of the instruments and the provision, if any, for what management believes to be adequate reserves for potential losses.

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### LONG-LIVED ASSETS

The Company reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

### CONCENTRATION OF CREDIT RISK

The Company at times has cash in banks in excess of FDIC insurance limits and places its temporary cash investments with high credit quality financial institutions.

### ADVERTISING EXPENSE

The Company expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2001 and 2000 amounted to \$137,776 and \$197,052, respectively.

### RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

### NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2001:

		Lives In Years -----
Furniture .....	\$ 48,310	7
Transportation Equipment .....	20,029	5
Equipment .....	714,897	5
Leasehold Improvements .....	50,088	10
	-----	

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	833,324
Less: Accumulated Depreciation	391,472
	-----
	\$441,852
	=====

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NOTE 3: MARKETABLE INVESTMENT SECURITIES

SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities," requires that all applicable investments be classified as trading securities, available-for-sale securities or held-to-maturity securities. The Company has classified certain of its investments as trading securities, which are reported at fair value, which is defined to be the last closing price for the listed securities. The unrealized gains and losses, which the Company recognizes from its trading securities, are included in earnings. The Company also has investments classified as available-for-sale, which are also required to be reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of shareholders' equity (net of the effect of income taxes). Fair value is also defined to be the last closing price for the listed security. Due to the size of certain of the Company's investments and their limited trading volume, there can be no assurance that the Company will realize the value which is required to be used by SFAS No. 115.

The amortized cost of investment securities as shown in the accompanying balance sheet and their estimated market value at December 2001 is as follows:

	2001
	----
Trading securities:	
Cost .....	\$ 10,572
Unrealized (loss) .....	(3,964)
	-----
	6,608
	-----
Available-for-sale securities:	
Cost .....	1,136,604
Unrealized gain .....	1,167,096
	-----
	2,303,700
	-----
	2,310,308
	-----
Marketable investment securities classified as current ...	1,038,308
	-----
Marketable investment securities classified as non-current	\$ 1,272,000
	=====

Gains (losses) from trading securities that were included in earnings for the years ended December 31, 2001 and 2000 were as follows:

	2001	2000
	-----	-----
Realized	\$ 2,300	\$ 647,776
	=====	=====
Unrealized	\$ (74,500)	\$ (685,532)



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=====

Unrealized gains from available-for-sale securities included as a component of equity at December 31, 2001 is as follows:

	2001
	----
Unrealized (loss) .....	\$ 1,167,096
Deferred income tax benefit .....	(439,200)
	-----
Accumulated other comprehensive income	\$ 727,896
	=====

The Company's investment in available-for-sale securities includes 10,200,000 shares (10,000,000 of which are not registered) of SGD Holdings, Ltd., formerly known as Goldonline International, Inc. ("SGD"), a holding company primarily engaged in acquiring and developing jewelry related businesses, with a cost of \$158,854 and a closing value on December 31, 2001 of \$2,040,000 (\$.20 per share). The Company's investment represents approximately 10.4% of the outstanding stock of SGD and accordingly the Company is subject to certain restrictions on the number of shares it can sell. The Company classifies 6,360,000 shares of SGD as non-current and 3,840,000 shares of SGD as current, which is approximately the maximum number of shares it could sell within the next twelve months.

NOTE 4: ACQUISITIONS AND VENTURES

Effective September 30, 1999, 100% of the outstanding common stock of American Computer Systems, Inc. ("ACS") a Virginia Corporation, was acquired for \$150,000 (Note 8). ACS provides sales of computer hardware and software to government agencies. The acquisition had been accounted for as a purchase. The excess of the purchase price over the fair market value of the ACS net assets acquired has been included in the determination of the discontinued operations (Note 8).

On June 14, 1999, 90% of the outstanding common stock of The BroadcastWeb Network, Inc. ("BW") a Maine corporation, was acquired in exchange for \$18,000 and 300,000 shares of the common stock of EONE. The BroadcastWeb Network, Inc. is an aggregator and broadcaster of streaming media programming of the Web with the network infrastructure to deliver or "stream" live and on-demand audio programs over the Internet and Intranets. The excess of the purchase price over the fair market value of the assets acquired of \$49,240 for BW was being amortized over 15 years until December 14, 2001 when The BroadcastWeb was sold. The excess of the purchase price over the fair market value of the ACS net assets acquired has been included in the determination of the discontinued operations (Note 8).

On February 3, 1999, GoldOnline.com, Inc. was incorporated by the Company in the State of Delaware for the purpose of acquiring the domain name GoldOnline.com. The domain name was acquired for \$25,000 and 1,000,000 shares of the common stock of EONE. On June 11, 1999, the Company sold 100% of its investment in GoldOnline.com, Inc. for 10,000,000 shares of the common stock of SGD, resulting in no gain or loss on the sale.

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On April 13, 1999, WebHumidor.com, Corp. was incorporated by the Company in the State of Delaware for the purpose of acquiring the domain name WebHumidor.com and is currently inactive. The domain name was acquired for \$3,000 and 30,000 shares of WebHumidor.com, Corp. common stock and 100,000 shares of the common stock of EONE.

On April 21, 1999, StogiesOnline.com, Inc. was incorporated by the Company in Delaware for the purpose of becoming an online distributor and retailer of brand name cigars.

On May 6, 1999, International E-Tail Group, Inc. was incorporated by the Company under the laws of the State of Nevada and is currently inactive.

On May 6, 1999, International Internet Ventures I, LLC was organized as a Delaware Limited Liability Company and is currently inactive.

On September 28, 2001, the Company created a new Subsidiary named AlDiscountPerfume Inc. that was incorporated as a Florida Company.

### NOTE 5: INCOME TAXES

The components of income tax expense for continuing operations are as follows for the years ended December 31, 2001 and 2000:

	2001	2000
	-----	-----
Current tax expense (benefit):		
Federal .....	\$ 1,294	\$ -
State .....	-	-
	-----	-----
	1,294	-
Deferred tax expense (benefit) .....	(54,800)	(588,883)
	-----	-----
Total income tax expense (benefit)	\$ (53,506)	\$ (588,883)
	=====	=====

Total income tax expense (benefit) applicable to earnings (loss), from continuing operations, before income taxes is reconciled with the "normally expected" federal income tax expense (benefit) as follows for the years ended December 31, 2001 and

	2001	2000
	-----	-----
"Normally expected" income tax expense (benefit)	\$ (508,006)	\$ (526,400)
Increase (decrease) in taxes resulting from:		
State income taxes, net of Federal income		
Tax benefit .....	(53,300)	(59,658)
Nondeductible meals and other .....	(11,700)	(2,825)
Change in valuation allowance .....	519,500	-
	-----	-----
	\$ (53,506)	\$ (588,883)
	=====	=====

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The deferred income tax liabilities (assets) at December 31, 2001 are comprised of the following:

CURRENT	NONCURRENT
---------	------------

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Unrealized loss on trading securities .....	\$ (1,500)	\$ -
Unrealized gain on available-for-sale securities	199,600	239,600
Net operating loss .....	(960,000)	-
Asset basis .....	-	2,800
	-----	-----
Total deferred income tax liabilities (assets)	(761,900)	242,400
	-----	-----
Valuation allowance .....	519,500	-
	-----	-----
Net deferred income tax liabilities (assets) ....	\$ (242,400)	\$ 242,400 (*)
	=====	=====

(\*) Included in other comprehensive income.

The Company has provided a valuation allowance on the deferred tax assets because of uncertainty regarding its realization period. The increase in the valuation account during the year ended December 31, 2001 was \$519,500. Management utilizes tax planning strategies and projected future taxable income in assessing these assets.

The Company has net operating loss carryforwards as of December 31, 2001, approximating \$2,551,000 for federal income tax purposes, which expire as follows:

YEAR OF ORIGATION	EXPIRING	AVAILABLE LOSS CARRYFORWARD
-----	-----	-----
2000	2020	\$ 864,000
2001	2021	1,687,000
		-----
		\$2,551,000
		=====

NOTE 6: COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Company has entered into two noncancelable leases in Boca Raton, Florida. The leases provide for base monthly rentals of \$7,114 plus the Company's proportionate share of certain expenses with 5% annual increases through June 30, 2003.

Minimum future obligations over the term of the lease are as follows:

YEAR ENDING DECEMBER 31,	
-----	
2002	85,374
2003	44,102
	-----
	\$129,476
	=====

Rent expense for the years ended December 31, 2001 and 2000 aggregated \$83,459 and \$58,539, respectively.

LITIGATION

The Company is periodically involved in legal actions and claims that arise as a

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result of events that occur in the normal course of operations. The ultimate resolution of these actions is not expected to have a material adverse effect on the Company's financial position.

### NOTE 7: CAPITAL STRUCTURE

#### PREFERRED STOCK

The Company has 10,000,000 shares of cumulative convertible preferred stock (par value \$.0001) authorized. The Board has the authority to issue the shares in one or more series and to fix the designation, preferences, powers and other rights, as it deems appropriate. No shares of preferred stock have been issued.

#### COMMON STOCK

The Company has 1,000,000,000 shares of common stock (par value \$.00001) authorized. Common stock has one vote per share for the election of directors and all other matters submitted to a vote of stockholders. Shares of common stock do not have cumulative voting, preemptive redemption or conversion rights.

On April 3, 2000, the Company issued 11,000,000 shares for cash at a price of \$.375 per share. Proceeds from this sale amounted to \$4,001,250 after investment fees paid. As a part of this sale, the purchaser also received warrants to purchase 2,200,000 shares of the Company's common stock at an exercise price of \$1.50 per share

During the year ended December 31, 2000, the Company issued 10,000,000 shares as compensation for services rendered by various employees. In recording the compensation, management determined the fair value of the shares, at the time of the transaction, to be \$.016 per share, which includes a discount of \$.016 per share because of restrictions on the sale and transfer of those shares. In recording the compensation, management determined the fair value of the shares, The excess of the valuation over the par value has been recorded as an increase in additional paid in capital.

#### STOCK OPTION PLAN

In November 1999, the Board of Directors approved the International Internet, Inc. Stock Option Plan (the "Plan"), which was approved by a majority of the shareholders at a meeting on November 11, 1999. The Company has reserved 25,000,000 shares of common stock for the grant of qualified incentive options or non-qualified options to employees and directors of the Company or its parents or subsidiaries, and to non-employee directors, consultants and advisors and other persons who may perform significant services for or on behalf of the Company under the Plan. Prices for incentive stock options must provide for an exercise price of not less than 100% of the fair market value of the common stock on the date the options are granted unless the eligible employee owns more than 10% of the Company's common stock for which the exercise price must be at least 110% of such fair market value. Non-statutory options must provide for an exercise price of not less than 85% of the fair market value.

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A summary of the status of the Company's stock options as of December 31, 2001 and the changes during the years ended December 31, 2001 and 2000 is presented below:

WEIGHTED  
AVERAGE  
EXERCISE

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STOCK OPTIONS	SHARES	PRICE
Outstanding at January 1, 2000 .	2,000,000	\$ .10
Granted .....	-	-
Exercised .....	-	-
Forfeited .....	2,000,000	.10
Outstanding at December 31, 2000	-	\$ .00
Granted .....	-	-
Exercised .....	-	-
Forfeited/expired .....	-	-
Outstanding at December 31, 2001	-	\$ .00
	=====	=====

The Company applied Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for the incentive stock options granted to employees under its stock option plan in its statements of operations. The Company did not grant any options during the year ended December 31, 2001 or 2000.

On September 30, 1999, as part of an employment agreement, the Company granted options to purchase 2,000,000 shares of the Companies common stock at an exercise price of \$.10 per share. The options were to vest on September 30, 2000 and expire on September 30, 2004. The option was forfeited when the employee left the Company in April 2000.

### WARRANTS

On April 3, 2000, as part of the issuance of 11,000,000 shares of its common stock, the Company issued warrants to acquire 2,200,000 shares of its restricted common stock with an exercise price of \$1.50 per share. The warrants have a term of two years from the date issued. All warrants are outstanding at December 31, 2001.

### NOTE 8: DISCONTINUED OPERATIONS

In December 1999, the Company reached an agreement to sell 80% of its wholly owned subsidiary ACS to an ACS officer for \$500,000. On September 11, 2001 the Company sold its remaining 20% interest to an ACS officer in exchange for discharge of any liabilities of ACS. On December 14, 2001 the Company entered into a Stock Purchase agreement with NYCLE Acquisition Corp (the Purchaser) . The Purchaser acquired the capital stock interest of the company in the BroadcastWeb. The Company sold, transferred and assigned to the Purchaser all of its shares of the Common Stock of the BroadcastWeb representing 1,350 shares of the 1,500 shares of the Common Stock of the

BroadcastWeb. The Company assumed liability for the intercompany payable , the Purchaser shall not be responsible for any, all outstanding debt, federal, state, and local taxes, but is responsible for all vendor payables

Pursuant to Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occuring Events and Transactions" ("APB 30"), the Consolidated Financial Statements of EONE have been reclassified

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to reflect the sale of The BroadcastWeb and ACS. Accordingly, the revenues costs and expenses, assets and liabilities, and cash flows of The BroadcastWeb and ACS have been segregated in the Consolidated Statements of Income, Consolidated Balance Sheets and Consolidated Statements of Cash Flows. The net operating results, net assets and net cash flows of this business have been reported as "Discontinued Operations"

Following is summarized financial information for the discontinued operations:

	2001	2000
	-----	-----
Net sales - ACS .....	\$ -	\$ 43,830
Net sales - BroadcastWeb	8,430	1,728
	-----	-----
Net sales - Total .....	\$ 8,430	\$ 45,558
	=====	=====
Net loss from discontinued operations - ACS .....	\$ -	\$ (92,341)
Net loss from discontinued operations - BroascastWeb	(204,606)	(154,977)
	-----	-----
Net loss from discontinued operations	(204,606)	(247,318)
	-----	-----
Loss on sale - net of income taxes of (\$107,100) BroadcastWeb	(177,643)	-
Gain on sale - net of income taxes of (\$73,400) ACS	-	121,434
	-----	-----
Net gain (loss) on sale .....	(177,643)	121,434
	-----	-----
Net (loss) from discontinued operations .....	\$ (382,249)	\$ (125,884)
	=====	=====
Net earnings (loss) per common share:		
Basic .....	\$ 0.00	\$ 0.00
	=====	=====
Diluted .....	\$ 0.00	\$ 0.00
	=====	=====

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### NOTE 9: EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing earnings available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect per share amounts that would have resulted if dilutive potential common stock had been converted to common stock. The following reconciles amounts reported in the financial statements:

	2001	2000
	-----	-----
Earnings (loss) from continuing operations .....	\$ (1,441,574)	\$ (981,947)
Earnings (loss) from discontinued operations .....	(382,249)	(125,884)
	-----	-----
Net earnings (loss) .....	\$ (1,823,823)	\$ (1,107,831)
	=====	=====
Denominator for basic earnings per share - Weighted average shares .....	788,446,187	775,921,596

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Effect of dilutive securities - stock options ..	-	-
	-----	-----
Denominator for diluted earnings per share		
Weighted average shares adjusted for		
Dilutive securities .....	788,446,187	775,921,596
	=====	=====
Basic and diluted earnings (loss) per common share:		
Earnings (loss) from continuing operations .....	\$ (0.00)	\$ (0.00)
Earnings (loss) from discontinued operations ....	(0.00)	(0.00)
	-----	-----
Net earnings (loss) .....	\$ (0.00)	\$ (0.00)
	=====	=====

NOTE 10: CREDIT ARRANGEMENTS

The Company had a credit facility with a financial institution for \$3,400,000 with interest at the 30-day Dealer Commercial Paper Rate plus 2.3%. At December 31, 2000 the credit facility had been repaid. The credit facility expired on January 31, 2001.

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NOTE 11: SEGMENT INFORMATION

The Company reports segments based upon the management approach, which designates the internal reporting that is used by management for making operating decisions and assessing performance. For the year ended December 31, 2001, the Company operated in the following segments, none of which have intersegment revenues:

	VENTURES	STOGIES	A1DISCOUNT	CORPORATE	CONSOLIDATED
	-----	-----	-----	-----	-----
Revenue .....	\$ -	\$1,200,573	\$ 15,515	\$ -	\$ 1,216,088
Operating loss .....	(49,115)	(658,122)	(10,541)	(679,802)	(1,397,580)
Other income (expense)	(145,454)	68	-	47,886	(97,500)
Loss from continuing operations .....	(65,169)	(413,453)	(6,542)	(956,410)	(1,441,574)
Assets .....	2,161,708	773,321	(528)	2,589,022	5,523,523

For the year ended December 31, 2000, the Company operated in the following segments, none of which have intersegment revenues:

	VENTURES	STOGIES	CORPORATE	BROADCAST WEB (DISCONTINUED)	CONSOLIDATED
	-----	-----	-----	-----	-----

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Revenue	\$	-	\$2,163,421	\$	-	\$	-	\$ 2,163,421
Operating								
Loss		(383,360)	(813,963)		(528,481)		-	(1,725,804)
Other income (expense)		(32,664)	117		187,522		-	154,975
Loss from continuing operations		(259,417)	(508,395)		(214,135)		-	(981,947)
Assets		16,229,066	1,226,075		3,336,818		136,719	20,928,678

The Ventures segment owns an equity interest in several companies, mainly with Internet operations, and derives its revenue from the net gains and losses recognized when the investments are sold. In addition, the Ventures segment recognizes income or loss from the unrealized gains or losses associated with its trading securities.

The Stogies segment is an online distributor and retailer of brand name premium cigars within the United States. Stogies revenue includes wholesale sales to cigar stores, as well as, retail sales to internet customers.

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The AlDiscount segment is an online distributor and retailer of brand name premium colognes and perfumes within the United States. AlDiscount revenue includes retail sales to internet customers.

Corporate assets consist of the majority of the cash and certain notes receivable. Interest expense will be allocated to the other segments to the extent it exceeds interest income.

NOTE 12: SUBSEQUENT EVENTS

The Company has entered into an Employment Agreement with its President and Chief Executive Officer (CEO) and Director. During the eight-year term, the executive will receive a base salary of \$150,000 with annual increases of 10% per year. The executive will also receive annual options to purchase 1,000,000 shares of common stock at market price less a 15% discount. The executive will also receive an annual unaccountable expense allowance. Certain of the compensation accelerates in the event the executive is terminated for reasons other than for cause, which includes termination following a change of control of the Company. The executive also agreed to certain restrictive covenants relevant to competitive activities following termination.

The Company has also entered into an Employment Agreement its Director of Marketing and a member of its Board of Directors. The executive will also receive a base salary of \$150,000 and annual options to purchase 1,000,000 shares of common stock of the Company, and other provisions similar to the arrangements concluded with the President and CEO.

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

None.

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS, COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES



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The following table sets forth the names, ages and current positions with the Company held by the Directors, Executive Officers and Significant Employees, together with the year such positions were assumed. There is no immediate family relationship between or among any of the Directors, Executive Officers or Significant Employees, except for Ms. Dermer is the sister-in-law of Mr. Tabin. The Company is not aware of any arrangement or understanding between any Director or Executive officer and any other person pursuant to which he was elected to his current position.

NAME	AGE	POSITION OR OFFICE WITH THE COMPANY	DATE FIRST ELECTED
----	---	-----	-----
Gary Schultheis	36	President, Director	1998
Herbert Tabin	34	Director	1998
Martin Scott	33	Director	2001
Marissa Dermer	34	Controller	2000

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GARY SCHULTHEIS is a co-founder of Evolve One, Inc. and has served as its President and a Director of the Company since February, 1998. Mr. Schultheis currently serves as President and CEO of Millennium Holdings Group, Inc., a corporate consulting firm. In February 1999, Mr. Schultheis became Vice President of Interactive Golf Marketing a publicly traded company that became WowStores.com. In August 1999, Mr. Schultheis resigned as Vice President of WowStores.com. Mr. Schultheis attended the State University of New York at Farmingdale in 1984. From March 1994 to February 1996, Mr. Schultheis was President of Wall Street Enterprises d/b/a Wall Street Associates, a financial consulting firm specializing in mergers and acquisitions. In February 1996, Wall Street Enterprises was acquired by Millennium Holdings Group, Inc. Currently, Wall Street Enterprises d/b/a Wall Street Associates is a wholly-owned subsidiary of Millennium Holdings Group, Inc.

HERBERT TABIN is a Director and founder of the Company and currently serves as its Director of Marketing. Mr. Tabin has been a Director of Evolve One, Inc. since February 1998. Mr. Tabin is currently the President, CEO and a Director of OnSpan Networking, Inc., a NASDAQ traded company. Mr. Tabin is also currently Vice President of Millennium Holdings Group, Inc. a private Florida based venture capital firm. Mr. Tabin has been Vice President with Millennium Holdings since 1996. In February 1999, Mr. Tabin became President of Interactive Golf Marketing a publicly traded company that became WowStores.com. In August 1999, Mr. Tabin resigned as President of WowStores.com. Previously, Mr. Tabin was a Vice President of Marketing with LBI Group, Inc., a merchant banking and venture capital group from April 1995 to December 1996. From September 1993 to March 1995 Mr. Tabin was a vice president with HBL Associates a financial relations firm in New York City. From 1989 to August 1993 Mr. Tabin was employed with the American Stock Exchange and Three Long Island, New York based Stock Brokerage firms. Mr. Tabin received a Bachelor of Science in Business Economics from the State University of New York At Oneonta in 1989. In March 2000, the State University of New York At Oneonta named their campus' largest computer lab, the Tabin Computer Lab.

MARISSA DERMER is currently controller for the Company. From September 1997 to April 2000 Ms. Dermer was an assistant controller with Mitchell Hutchins Asset Management, Inc., the mutual fund advisory group of Paine Webber Inc. From 1990 to 1997, Ms. Dermer was a manager of David Berdon and Company LLP, a leading public accounting firm headquartered in New York City. Ms. Dermer graduated in 1990 from the State University of New York at Albany with a degree in Business/Accounting. Ms. Dermer is the Treasurer, Chief Financial Officer and a Director of OnSpan Networking, Inc., a NASDAQ traded company.

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MARTIN SCOTT was a certified public accountant, he owns a consulting practice that specializes in assisting small public companies in preparing financial reports. He was Chief Financial Officer of Geotec Thermal Generators, Incorporated from January 2000 Until July 2001. Mr. Scott served as Secretary and Treasurer and Principal Accounting and Financial Officer of Registry Magic, Incorporated , a NASDAQ traded company since October 1997. From June 1996 until October 1997, Millward & Co., CPAs, employed him as an Audit Supervisor. From October 1995 until June 1996, Mr. Scott served as Controller of ERD Waste Corp., a NASDAQ traded company, a waste disposal company. Prior thereto, from January 1995, he was employed as a Senior Accountant with the firm of Richard A. Eisner & Co., LLP. From January 1991 to January 1995, he was employed as a Senior Accountant with the firm of Feldman Radin & Co., P.C.

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### COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

During the year ended December 31, 2000, Messrs. Schultheis, Tabin and Wussler were late filing their Form 4's for the months of January and February reporting their sales of the Company's common stock and Messrs. Schultheis and Tabin were late filing their Form 4's for the month of December reporting the Company's issuance of 2,225,000 shares of its common stock to each of them. Messrs. Schultheis, Tabin and Wussler have filed Form 5's with the SEC for the fiscal year ended December 31, 2000.

### ITEM 10. EXECUTIVE COMPENSATION

The following table shows the cash compensation of the Company's chief executive officer and each officer whose total cash compensation exceeded \$100,000, for the three fiscal years ended December 31, 2001. The Company has no long-term compensation plans.

NAME AND PRINCIPAL POSITION -----	FISCAL YEAR ENDED -----	SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION -----	ALL OTHER COMPENSATION -----
Gary Schultheis	12/31/01	\$ 105,572	\$ -	N/A	N/A
	12/31/00	\$ 99,706	\$ 36,124	N/A	N/A
	12/31/99	\$ 102,500	\$103,437	N/A	N/A
Herbert Tabin	12/31/01	\$ 105,052	\$ -	N/A	N/A
	12/31/00	\$ 99,216	\$ 36,124	N/A	N/A
	12/31/99	\$ 102,500	\$103,437	N/A	N/A

The amount included in bonus in 2000 was paid in restricted common stock

On November 11, 1999, the Company established the International Internet, Inc. Stock Option Plan ("Plan") to grant to officers and other employees, non-employee directors, consultants and advisors and other persons who may perform significant services for or on behalf of the Company, a favorable opportunity to acquire common stock of the Company. The Company has reserved 25,000,000 shares for issuance under the Plan and may grant both incentive stock options within the meaning of Section 422 of the Code ("Incentive Stock Options") and stock options that do not qualify for treatment as Incentive Stock Options ("Nonstatutory Options").

On September 30, 1999, the Company granted an option to acquire 2,000,000 shares of its common stock at an exercise price of \$.10 to the vice president, and former owner, of ACS as a part of his employment agreement. The option

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terminated in April 2000 when the employee left the Company.

During the year ended December 31, 2000, the Company issued 10,000,000 shares as compensation for services rendered by various employees. The Company, in recording the compensation, valued the shares at \$.016 per share, which includes a discount of \$.016 per share because of restrictions on the sale and transfer of those shares.

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### OPTION/SAR GRANTS IN LAST FISCAL YEAR

Name ----	Number of Securities Underlying options/SARs granted (number) -----	Percent of total options/SARs granted to employees in fiscal year -----	Exercise or base price (\$/share) -----	Expiration date -----
Gary Schultheis	-	-	-	N/A
Herbert Tabin	-	-	-	N/A

### AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

Name ----	Shares Acquired On Exercise (number) -----	Value realized (\$) -----	Number of Securities underlying unexercised options/SARs at FY-end (number) Exercisable/ Unexercisable -----	Value of unexercised in-the-money options/SARs at FY-end (\$) Exercisable/ Unexercisable -----
Gary Schultheis	-	0	None	None
Herbert Tabin	-	0	None	None

There were no long-term incentive plan awards during the fiscal year.

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### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table indicates all persons who, as of March 1, 2002, the most recent practicable date, are known by the Company to own beneficially more than 5% of any class of the Company's voting securities and all Directors of the Company and all Officers who are not Directors of the Company, as a group. As of March 1, 2002, there were 788,446,187 shares of the Company's common stock outstanding.

TITLE OF CLASS -----	NAME AND ADDRESS OF BENEFICIAL OWNER -----	AMOUNT AND NATURE OF BENEFICIAL OWNER -----	% OF CLASS -----
Common	Gary Schultheis	254,533,800	32.06%

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6413 Congress Ave, Suite 240  
Boca Raton, FL 33487

Common	Herbert Tabin 6413 Congress Ave, Suite 240 Boca Raton, FL 33487	254,623,800	32.05%
Common	All directors and executive officers as a group (two persons)	509,157,600	64.11%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

- (A) EXHIBITS - See Exhibit Index at page 44 hereof.
- (B) REPORTS ON FORM 8-K - The Company did not file any Form 8-K's during the fourth quarter.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EVOLVE ONE, INC.

Date: March 29, 2002

By: /S/ GARY SCHULTHEIS

-----  
Gary Schultheis,  
President and Principal  
Financial and Accounting Officer

Date: March 29, 2002

By: /S/ MARISSA DERMER

-----  
Marissa Dermer,  
Controller

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

Date: March 29, 2002

By: /S/ GARY SCHULTHEIS

-----  
Gary Schultheis,  
Director

Date: March 29, 2002

By: /S/ HERBERT TABIN

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-----  
Herbert Tabin,  
Director

Date: March 29, 2002

By: /S/ MARTIN SCOTT

-----  
Martin Scott,  
Director

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EXHIBITS HAVE BEEN OMITTED FROM THIS COPY. COPIES OF EXHIBITS MAY BE OBTAINED FROM EVOLVE ONE, INC. (THE "COMPANY") UPON REQUEST AND PAYMENT OF THE COMPANY'S COSTS IN FURNISHING SUCH COPIES. COPIES MAY ALSO BE OBTAINED FROM THE SECURITIES AND EXCHANGE COMMISSION FOR A SLIGHT CHARGE. (The foregoing is not applicable to the original(s) hereof.)

EXHIBIT INDEX

Securities  
and Exchange  
Commission

Exhibit No.	Type of Exhibit	Page Number
-----		
2	Plan of acquisition, reorganization, arrangement, liquidations, or succession.	N/A
3(ii)	By-laws	N/A
4	Instruments defining the rights of holders including indentures.	N/A
9	Voting trust agreement	N/A
10	Material contracts	N/A
11	Statement re: computation of per share earnings	Part I, Item 7
16	Letter on change in certifying accountant	N/A
18	Letter on change in accounting principles	N/A
21	Subsidiaries of the registrant	Part I, Item 1
22	Published report regarding matters submitted to vote	N/A
23	Consent of experts and counsel	N/A
24	Power of attorney	N/A
27	Financial Data Schedule	N/A
99	Additional Exhibits	N/A

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