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HOSTING SITE NETWORK INC
Form 10QSB
May 15, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended December 31, 2002

or

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

For the transition period from _____ to _____

Commission file number 33-73004

HOSTING SITE NETWORK INC.

(Exact name of small business issuer as specified in its charter)

Delaware

13-4122844

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

32 Poplar Place
Fanwood, New Jersey

07023

(Address of principal executive offices)

(Zip Code)

(973) 652-6333

(Registrant's telephone number, including area code)

Check whether the issuer (1) has filed all reports required to be filed by
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding
12 months, and (2) has been subject to such filing requirements for the past 90
days. Yes No

As of February 18, 2003, there were 7,273,500 shares of the issuer's common
stock, par value \$0.001, issued and outstanding.

Transitional Small Business Disclosure Format (check one): Yes No

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HOSTING SITE NETWORK INC.
DECEMBER 31, 2002 QUARTERLY REPORT ON FORM 10-QSB
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

To the extent that the information presented in this Quarterly Report on Form 10-QSB for the quarter ended December 31, 2002 discusses financial projections, information or expectations about our products or markets, or otherwise makes statements about future events, such statements are forward-looking. We are making these forward-looking statements in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. These risks and uncertainties are described, among other places in this Quarterly Report, in "Plan of Operation".

In addition, we disclaim any obligations to update any forward-looking statements to reflect events or circumstances after the date of this Quarterly Report. When considering such forward-looking statements, you should keep in mind the risks referenced above and the other cautionary statements in this Quarterly Report.

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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Consolidated Balance Sheets as at December 31, 2002 (unaudited) and September 30, 2002..

Consolidated Statements of Operations for the three months ended
December 31, 2002 and 2001 (unaudited) and for the period from May 31, 2000
(inception) to December 31, 2002 (unaudited).....

Consolidated Statements of Cash Flows for the three months ended
December 31, 2002 and 2001 (Unaudited) and for the period from May 31, 2000
(inception) to December 31,2002 (Unaudited).....

Notes to Consolidated Financial Statements (unaudited).....

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HOSTING SITE NETWORK, INC. AND SUBSIDIARY
(A Developmental Stage Entity)
CONSOLIDATED BALANCE SHEETS

| | December 31, 2002 |
|---|----------------------|
| | ----- (Unaudited) |
| ASSETS | |
| Current Assets: | |
| Cash | \$ 286,842 |
| Loan receivable | 185,864 |
| Accrued interest receivable | - |
| | ----- |
| Total current assets | 472,706 |
| Computer equipment, net of accumulated depreciation of \$7,084 and \$5,667 | 21,252 |
| | ----- |
| | \$ 493,958 |
| | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

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| | |
|--|------------|
| Accounts payable and accrued expenses | \$ 22,095 |
| | ----- |
| Total current liabilities | 22,095 |
| | ----- |
| Commitments and contingencies | |
| Stockholders' Equity: | |
| Preferred stock, \$.0001 par value, 5,000,000 shares authorized; none outstanding | - |
| Common stock, \$.001 par value; 100,000,000 shares authorized; 7,273,500 shares issued and outstanding | 7,273 |
| Additional paid in capital | 758,259 |
| Deferred stock based compensation | (81,834) |
| Accumulated deficit | (211,835) |
| | ----- |
| Total stockholders' equity | 471,863 |
| | ----- |
| | \$ 493,958 |
| | ===== |

See Notes to Consolidated Financial Statements.

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HOSTING SITE NETWORK, INC. AND SUBSIDIARY
(A Developmental Stage Entity)
CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three-months Ended December 31, | | |
|----------------------------|------------------------------------|-------------|-------|
| | 2002 | 2001 | |
| | (Unaudited) | | |
| | ----- | ----- | ----- |
| Revenues | \$ - | \$ - | \$ - |
| Operating expenses: | | | |
| General and administrative | (41,246) | (28,949) | |
| Interest income | 4,170 | 92 | |
| Net loss | \$ (37,076) | \$ (28,857) | \$ - |
| | ===== | ===== | ===== |
| Basic loss per share | \$ (.01) | \$ (.01) | \$ - |

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| | | | |
|---|-----------|-----------|-------|
| | ===== | ===== | ===== |
| Basic weighted average shares outstanding | 7,023,500 | 3,025,500 | |
| | ===== | ===== | ===== |

See Notes to Consolidated Financial Statements.

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HOSTING SITE NETWORK, INC. AND SUBSIDIARY
(A Developmental Stage Entity)
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three-months Ended December 31, | | |
|--|------------------------------------|-------------|------|
| | 2002 | 2001 | Dece |
| | (Unaudited) | | (U |
| Cash flow from operation activities: | | | |
| Net loss | \$ (37,076) | \$ (28,857) | \$ |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation expense | 1,417 | 1,417 | |
| Stock based compensation | 10,553 | 10,090 | |
| Common stock issued for services | - | - | |
| Change in operating assets and liabilities: | | | |
| Accrued interest receivable | 3,333 | 9,348 | |
| Accounts payable and accrued expenses | 12,932 | - | |
| Net cash used in operating activities | (8,841) | (8,002) | |
| Cash flow from investing activities: | | | |
| Advance of loan receivable | - | - | |
| Repayment of loan receivable | 14,136 | - | |
| Purchase of computers and equipment | - | - | |
| Net cash used in investing activities | 14,136 | - | |
| Cash flow from financing activities: | | | |
| Proceeds from private placement | - | - | |

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| | | | |
|---|------------|-----------|-------|
| Increase (decrease) in cash | 5,295 | (8,002) | |
| Cash, beginning of period | 281,547 | 35,045 | |
| | ----- | ----- | ----- |
| Cash, end of period | \$ 286,842 | \$ 27,043 | \$ |
| | ===== | ===== | ===== |
| Supplemental disclosure of non-cash investing and financing activities: | | | |
| Issuance of common stock for deferred offering costs | \$ - | \$ - | \$ |
| | ===== | ===== | ===== |
| Issuance of common stock for services | \$ - | \$ - | \$ |
| | ===== | ===== | ===== |

See Notes Consolidated Financial Statements.

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HOSTING SITE NETWORK, INC. AND SUBSIDIARY
(A Developmental Stage Entity)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - NATURE OF BUSINESS

Hosting Site Network, Inc. (the "Company") was incorporated in the State of Delaware on May 31, 2000. The Company operates through its wholly owned subsidiary HSN, Inc. which was incorporated in the State of New Jersey on August 21, 2002. The Company is currently searching for new business opportunities.

NOTE 2 - BASIS OF PRESENTATION AND CONSOLIDATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-months ended December 31, 2002 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2003. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 2002.

The consolidated financial statements include the accounts of Hosting Site Network, Inc. and its wholly owned subsidiaries, CreativeSites.com, Inc. for the period from September 14, 2000 through

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April 30, 2001 and HSN, Inc. for the period from August 21, 2001 through December 31, 2002. All material intercompany accounts and transactions have been eliminated in consolidation.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncements

Management does not believe that recently issued, but not yet effective accounting pronouncements if currently adopted would have a material effect on the accompanying financial statements.

NOTE 4 - LOAN RECEIVABLE

On July 17, 2002 the Company entered into a promissory note (the "Note") for \$200,000 with an unrelated third party, with interest accruing at 8% per annum. This Note was in conjunction with a letter of intent dated July 11, 2002 pursuant to which the parties expected to enter into an acquisition agreement where the Company would acquire the unrelated entity. The Note required repayment fifteen days after termination of the letter of intent, which occurred on August 10, 2002. On November 15, 2002 the Company brought an action in the Supreme Court of the State of New York against the unrelated third party (the "Defendant") for all principal and interest due.

During December 2002 both parties entered into a Stipulation of Settlement that requires the Defendant to repay a total of \$210,864 including principal, interest and attorney fees. The Defendant paid an initial \$25,000 on December 31, 2002 and a certified check of \$185,864 is due on or before March 15, 2003

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ITEM 2 PLAN OF OPERATION

We were incorporated on May 31, 2000 to provide businesses with a variety of Internet services including web hosting, web consulting and electronic mail services. Given the current Internet business environment, we have not commenced material business operations, have not had any operating revenues, and have concluded that our business model is not presently valid. Although we may determine to engage in our intended Internet operations at a later date, we have decided to look at other ventures of merit for corporate participation as a means of enhancing shareholder value. This may involve sales of our equity or debt securities in merger or acquisition transactions.

We have minimal operating costs and expenses at the present time due to our limited business activities. Accordingly, absent changed circumstances, we will not be required to raise additional capital over the next twelve months, although we may do so in connection with or in anticipation of possible acquisition transactions. We do not currently engage in any product research and development and have no plans to do so in the foreseeable future. We have no present plans to purchase or sell any plant or significant equipment. We also have no present plans to add employees although we may do so in the future if we engage in any merger or acquisition transactions.

ITEM 3. CONTROLS AND PROCEDURES

Our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures as of a date within

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90 days prior to the filing of this report. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our controls and procedures are effective in providing reasonable assurance that the information required to be disclosed in this report is accurate and complete and has been recorded, processed, summarized and reported within the time period required for the filing of this report. Subsequent to the date of this evaluation, there have not been any significant changes in our internal controls or, to our knowledge, in other factors that could significantly affect our internal controls.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On November 15, 2002 we filed a Summons and Complaint in the Supreme Court of the State of New York, County of New York (Index No. 02604182) against 2 Chansis Inc., Ray Grimm Jr., and Alfred Hanser (collectively the "Defendants"). The suit seeks \$200,000 together with interest, attorneys fees, and such other relief as the court deems proper. The action is based upon a July 12, 2002 Loan Agreement between us, 2 Chansis Inc., and Messrs. Grimm and Hanser pursuant to which we loaned 2 Chansis Inc. \$200,000 and a related \$200,000 promissory note (the "Note") dated July 17, 2002 issued to us by 2 Chansis Inc. and personally guaranteed by Messrs. Grimm and Hanser. The Note became due and payable on September 2, 2002 and, after several requests for payment thereon were ignored, the present action was instituted. In December 2002 we entered into a Settlement Agreement with Defendants whereby Defendants agreed to pay us the sum of \$210,864. This amount includes interest and attorney's fees. The Settlement Agreement provides for the payment to us of \$25,000 on or before December 31, 2002, which payment has been made, and the payment to us of \$185,864 on or before March 15, 2003. Subject to and upon timely receipt of the entire settlement sum, there shall be filed with the court, a Stipulation of Discontinuance with prejudice dismissing the action.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

No equity securities were sold by us during the period covered by this Report.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

99.1 Certificate of Chief Executive and Financial Officer.

(b) Reports on Form 8-K.

None.

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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.

HOSTING SITE NETWORK INC.

Dated: February 19, 2003

By: /s/ Scott Vicari

Scott Vicari
President, Chief Executive and
Accounting Officer

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CERTIFICATIONS

I, Scott Vicari, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Hosting Site Network, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - (a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made know to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) Presented in this quarterly report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;
5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

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(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 19, 2003

/s/ Scott Vicari

Scott Vicari
Principal Executive and Financial Officer