

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

ALEC BRADLEY CIGAR CORP/FL
Form 10KSB
April 17, 2003

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, 2002

Commission file number 0-32137

Alec Bradley Cigar Corporation

(Name of Small Business Issuer in its Charter)

Florida

65-0701352

(State or Other Jurisdiction of
Incorporation or Organization)

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

1750 N.W. 65th Avenue, Plantation, Florida 33313

(Address of Principal Executive Offices) (Zip Code)

(954) 321-5991

(Issuer's Telephone Number)

Securities registered under Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

None

Securities registered under Section 12(g) of the Exchange Act:

Class A Common Stock, \$.0001 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 there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the 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. [X]

State issuer's revenues for its most recent fiscal year. \$1,620,485.00.

State the aggregate market value of the voting stock held by non-affiliates

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

(1,104,777) computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days (\$.03 on April 11, 2003). \$33,143.30.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: April 14, 2003: 4,899,777 Shares of Common Stock.

Transitional Small Business Disclosure Format (Check One):

Yes [] No [X]

DOCUMENTS INCORPORATED BY REFERENCE

- None -

TABLE OF CONTENTS

PART I

Item 1 Description of Business.....
Item 2 Description of Property.....
Item 3 Legal Proceedings.....
Item 4 Submissions of Matters to a Vote of Security Holders.....

PART II

Item 5 Market for Common Equity and Related Stockholder Matters.....
Item 6 Management's Discussion and Analysis or Plan of Operation.....
Item 7 Financial Statements.....
Item 8 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....

PART III

Item 9 Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act.....
Item 10 Executive Compensation.....
Item 11 Security Ownership of Certain Beneficial Owners and Management.....
Item 12 Certain Relationships and Related Transactions.....
Item 13 Exhibits, Lists and Reports on Form 8-K.....
Item 14 Controls and Procedures.....

PART I

Item 1. Description of Business.

General

Alec Bradley Cigars was organized under the laws of the State of Florida on July 15, 1996. The Company is an importer and distributor of cigars. The Company's executive offices are located at 1750 N.W. 65th Avenue, Plantation, Florida and its telephone number is (954) 321-5991.

Description of Operations

The Company is a cigar importer and distributor. The Company initially imported and distributed a line of cigars to golf pro shops and country clubs nationwide under the name "Bogey's Stogies." The Company currently imports and distributes several cigar lines.

The Company primarily sells to two types of customers:

1. Distributors, including wine and liquor wholesalers; and
2. Retailers, which includes tobacco shops, convenience stores, bars, restaurants and country clubs.

Background of the Industry

In 1993 the cigar industry began to experience a dramatic increase in demand from consumers. This created a sizable increase in the number of both cigar manufacturers and retail tobacconists and distributors. Through the end of 1997, many of the cigar manufacturers were able to sell their entire production. However, by early 1998, the supply of cigars from the larger manufacturers exceeded demand from the retail tobacconists and distributors thereby causing the market to be flooded with cigars. This had an adverse effect on manufacturers, retailers and distributors. However, Bureau of Alcohol, Tobacco and Firearms Monthly Statistical Releases show that the industry remains strong. Recent statistical releases now indicated that cigars are being imported from foreign manufacturers at increasing levels. These releases can be found at www.atf.treas.gov.

Company Cigars

The Company distributes the following cigars:

Bogey's Stogies

Originally marketed towards the golfing industry, Bogey's Stogies are now sold to both distributors and retailers. Blended to be full bodied, yet mild, Bogey's Stogies are sold nationwide in tobacco shops, bars and

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

restaurants, as well as golf courses.

Bogey's Stogies is a premium long-filler, handmade cigar manufactured in the Honduras from a reserve of aged Cuban-seed Dominican Piloto with Mexican and Nicaraguan ligero leaf.

3

The cigars are made with a Sumatran binder and the cigar is finished with a gold Ecuadorean Connecticut-shade wrapper.

Bogey's Stogies are available in Spanish Cedar hinge-top boxes in the following sizes: Robusto (50x5), Corona (44x6-1/4), Double Corona (50x6), Churchill (49x7), and Pyramid (36/54x7).

Floribbean

Floribbean Cigar is a premium, long-filler, handmade cigar made in Miami. Rolled from a private stock of aged Cuban-seed Piloto Cubano and Nicaraguan Havano, this cigar is bound with a Pennsylvania broad-leaf binder and finished with a Sumatran wrapper.

Floribbean combines high quality tobaccos from the Caribbean and the expert Cuban craftsmanship of the Miami cigar rollers providing a traditional style cigar. Floribbean is available in the following sizes: Robusto (50x5), Corona (44x6-1/4), Double Corona (50x6), Churchill (49x7), and Pyramid (36/54x6). Floribbean is packaged in a Spanish cedar hinge-top boxes.

Spirit of Cuba

Spirit of Cuba is a premium, long-filler, handmade cigar imported from Honduras. Made from a reserve of aged Cuban-seed Piloto Cubano and Nicaraguan Havano, this cigar is bound with a Pennsylvania broad-leaf binder and finished with an Indonesian wrapper. Spirit of Cuba is available in the following sizes: Robusto (50x5), Corona (44x6-1/4), Double Corona (50x6), Churchill (49x7), and Pyramid (36/54x6).

Concept 2000

Concept 2000 is a premium, long-filler, handmade cigar imported from Honduras. It is manufactured from a private reserve of aged Cuban-seed Dominican Piloto with Mexican and Nicaraguan ligero leaf ensuring its smoothness. The cigar uses a Sumatran binder with a sweet finish, and the cigar is finished with a gold Ecuadorean Connecticut-shade wrapper. Concept 2000 provides a mild yet full-bodied taste.

Concept 2000 is available in the following sizes: Robusto (50x5), Corona (44x6-1/4), Double Corona (50x6), Churchill (49x7), and Pyramid (35/54x6).

Occidental Reserve

Occidental Reserve is a ultra premium cigar rolled by Hendrik Kelner in the Dominican Republic. Mr. Kelner produces over 20 million cigars annually and is considered one of the top producers of premium cigars in the world. The average price of a cigar produced by Mr. Kelner is over \$10.00 and many of the cigars produced under his supervision are known world-wide.

Occidental Reserve is produced with filler and binder from Tabadom, the Dominican tobacco supply arm of some of the world's most famous cigars, and is finished with a U.S. Connecticut shade wrapper.

This cigar directly competes in quality with cigars that are priced higher than the retail cost of the Occidental Reserve. Occidental Reserve is produced in sizes, a corona, robusto, toro, churchill, and torpedo and is sold in bundles of 25.

Occidental Havana Sun Grown

Occidental Havana Sun Grown is an ultra premium cigar rolled by Hendrik Kelner in the Dominican Republic. The Occidental Havana Sun Grown is a medium to full-bodied cigar with heavy flavor profiles. Occidental Havana Sun Grown is produced with filler and binder from Tabadom, the Dominican tobacco supply arm of some of the world's most famous cigars, and is finished with a U.S. Connecticut shade wrapper.

This cigar directly competes in quality with cigars that are priced higher than the retail cost of the Occidental Havana Sun Grown. Occidental Havana Sun Grown is produced in sizes, a corona, robusto, corona extra, churchill, and torpedo and is sold in boxes of 20.

Gourmet Dessert Cigars

Management of the Company believes a trend in today's cigar market is flavored cigars. Alec Bradley distributes a line of gourmet dessert cigars, which contain high-end, sandwich filler product, enhanced with natural and artificial FDA approved flavorings. The flavoring is processed into the tobacco before it is hand rolled.

Flavors include chocolate, vanilla, rum, cherry, pina colada, amaretto, and cappuccino. Marketing efforts focus on the newer generation of cigar smokers, which includes female cigar enthusiasts.

Purchasing and Distribution

The Company purchases and imports the majority of its cigars from cigar manufacturing plants in Honduras and the Dominican Republic. Occidental Cigar Corporation, the Company's supplier from the Dominican Republic, is a leading manufacturer of premium cigars. They produce the Company's Occidental Reserve and Havana Sun Grown cigar lines. Located in Santiago, Dominican Republic, Occidental Cigar Corporation occupies a 20,000 square foot building and produces 15,000,000 cigars annually. Occidental Cigar Corporation stocks over 3 years of raw material that includes wrapper, filler and binder. This stock of raw material assures consistent quality and production for several years.

La Perla Hondurena, located in Danli, Honduras, is the Company's supplier of gourmet cigars.

The Company does not have any agreements with cigar manufacturers. Purchases are made on a per order basis. The Company pays all shipping costs.

Customers

The Company has approximately 400 customers. The Company's biggest customer is Thompsons Cigar Company, located in Tampa, Florida. Over the past

two years, Thompsons accounts for approximately 25% of the Company's sales and is the only company which the Company depends on for a large portion of its revenues. The Company has no contractual relationship with Thompsons Cigar Company.

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

Other Projects

As the Company continues to expand and improve on its current wholesale and retail programs, it maintains its focus on creating ways of supplying cigars to the public. These include:

Mail Order Companies

Alec Bradley has established a relationship with Thompsons Cigar Company, a mail order catalog company in the United States. Alec Bradley presently supplies Thompsons Cigar Company with two of its cigar lines. Thompsons mails over 17,000,000 catalogues a year.

The Company's intent is to focus on dealing with catalog companies with large sources of distribution. To date, the Company has not had any material negotiations and has not entered into any definitive agreements. Mail order companies generally sell to the final consumers which should help bring public awareness to the Company's product lines. Payment received when selling to a catalog company has not been significantly less than payments received from traditional customers.

Alec Bradley Direct

The Company has created a direct sales approach which includes bi-monthly marketing via fax and daily in-house telemarketing. By removing all additional layers of distribution such as brokers, agents and outside sales representatives, the Company is able to keep prices below the industry average for high quality cigars. This is why Alec Bradley has chosen to deal directly with tobacconists on its new Occidental Reserve line. By marketing via broadcast fax and an in-house telemarketing staff the Company has been able to create and nurture relationships directly with the sales venue.

Personalized and Customized Cigar Band Program

Alec Bradley, in conjunction with an outside consultant, has developed a computer system for creating high quality, metallic ink cigar label bands. This technology allows the Company to produce small run (25 to 3,000) high quality personalized and customized private labeled cigars for a corporation, bar, restaurant or event. The Company receives revenues from this technology by selling personalized and customized bands to corporations, bars, restaurants and special events on a per order basis.

The Company has also recently developed a program for the retail tobacconists. The Company is able to create house brands utilizing the Occidental Reserve cigar and attaching customized private label cigar rings. The Company, on a per order basis, can provide a customer with a personally labeled cigar. Customers are under no contractual obligations, as they purchase personalized cigars on an order per order basis. These retail tobacconists who normally cannot order large enough quantities to entice a manufacturer to make a personalized product, can benefit by being able to order small quantities from the Company as needed from this program. The Company will gain additional

6

revenues by selling small quantities of personalized and custom cigars at slightly higher profit margins. No contracts are required for this program.

The Company has produced custom bands for the Gulfstream Race Track, the Carquest Bowl, Tyson Foods, and many restaurants.

Competition

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

The Company experiences competition with respect to its cigar distribution. The cigar distribution industry is highly competitive. The Company believes that as a distributor of premium cigars, it competes with a smaller number of domestic and foreign companies that specialize in premium cigars, and certain larger companies that maintain premium cigar lines, including Consolidated Cigar Corporation, Culbro Corporation and General Cigar Company. The Company competes within this industry by simply purchasing high quality cigars and distributing them at an affordable price to its customers. The Company believes that it can grow by following this simple principle. The Company is continually seeking manufacturers that can provide the highest quality cigars at the lowest possible price.

Government Regulation

The Company as an importer of cigars is required to have an importer permit from the Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms. The Company applied for and has been granted Permit Number FL-TI-127. The Company believes any future regulations including affixing warning labels on products, regulations on tobacco advertising, and limits on public smoking areas will be met with full compliance and will not affect the Company's ability for continued growth. The material costs to comply with governmental regulation will be negligible. The Company believes that there are no additional existing or probable governmental regulation that effects its business. The Company does not incur any material costs to comply with environmental laws.

Research and Development

Currently, the Company is not involved in any research and development projects. Over the past two years, the Company has not spent any capital on research and development. The Company does not plan on any future research and development.

Employees

The Company currently employs approximately 3 full-time and 2 part-time employees and has 4 independent sales representatives. Of its employees, 2 are engaged in sales and marketing and 2 in executive and administrative roles. None of the Company's employees are covered by any labor union. The Company believes its relationships with its employees are generally good. The Company does not have an employment contract or agreement with any of its employees.

7

Trademarks

The Company has trademarked the name Bogey's Stogies. The Company has applied for other trademarks for the cigars it distributes, but these applications are pending.

Item 2. Description of Property.

Commencing May 1, 1998, the Company entered into a lease agreement for approximately 2,500 feet of office, administrative and warehouse facilities located at 1750 N.W. 65th Avenue, Plantation, Florida 33313, at a monthly rate of \$1,400. The Company received rent abatements during 1999 and 2000. The lease has expired. The landlord has orally extended the lease on a month to month basis. The Company currently pays \$1,000 per month.

Item 3. Legal Proceedings.

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

As of the date of this report, the Company is not a party to any pending legal proceeding and is not aware of any threatened legal proceeding.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

8

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

Market for Common Equity

From 1999 through February 2002 the Company's Common Stock traded on the Pink Sheets. The Company's Common Stock currently trades on the OTC Bulletin Board under the symbol ABDC. The stock is thinly traded and transactions (if any) in the stock are sporadic and infrequent. On April 11, 2003, the Closing bid and asked price of our Common Stock was \$.03. The following table sets forth the high and low bid quotations for the Common Stock for the periods indicated. These quotations, as reported by Bloomberg, reflect prices between dealers, do not include retail mark-ups, markdowns, commissions and may not necessarily represent actual transactions.

Period -----	High ----	Low ---
1st quarter 2001	\$0.20	\$0.12
2nd quarter 2001	\$0.15	\$0.12
3rd quarter 2001	\$0.15	\$0.05
4th quarter 2001	\$0.05	\$0.03
1st quarter 2002	\$0.22	\$0.03
2nd quarter 2002	\$0.45	\$0.06

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

3rd quarter 2002	\$0.40	\$0.13
4th quarter 2002	\$0.13	\$0.04

As of the date of this report, there were approximately 50 holders of record of the Company's Common Stock.

The Company has never paid a cash dividend on its Common Stock nor does the Company anticipate paying cash dividends on its Common Stock in the near future. It is the present policy of the Company not to pay cash dividends on the Common Stock but to retain earnings, if any, to fund growth and expansion. Any payment of cash dividends on the Common Stock in the future will be dependent upon the Company's financial condition, results of operations, current and anticipated cash requirements, plan for expansion, as well as other factors the Board of Directors deems relevant.

Recent Sales of Unregistered Securities

In June 2002 the Company issued an aggregate of 415,000 shares of its common stock to an aggregate of 7 employees, consultants and other service providers as payment for services performed. The shares were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act. The shares issued contain a legend restricting their transferability without registration or an applicable exemption. The shareholders had access to information concerning the Company and had the opportunity to ask questions to the Company.

9

Item 6. Management's Discussion and Analysis or Plan of Operation.

Introduction

The following discussion is based upon, and should be read in conjunction with, the audited consolidated financial statements of the Company as of and for the years ended December 31, 2002 and 2001, together with the notes to the financial statements.

Year ended December 31, 2002 as compared to year ended December 31, 2001

Revenues

Revenues for 2002 were approximately \$1,620,485, an increase of approximately \$724,200, or 80.8%, from \$896,295 for 2001. This was attributable to an increase in sales (number of units) resulting from the Company's successful introduction of new cigar lines during 2002 (Trilogy, Criollo and Figurado) and 2001 (Havana Sun Grown Cigars). The Company's gross profit was \$629,160, an increase of approximately \$276,400, or 78.3% from \$352,842, due to the increase in sales. The increase in gross profit is directly attributable to the increase in sales.

Selling Expenses

Selling expenses for 2002 were \$183,808, an increase of approximately \$141,700 or 336.6% from \$42,118 in 2001. Selling expenses include all compensation and related benefits for the sales personnel and advertising and promotional costs. The increase in selling expenses was attributable to the increase in sales commissions of \$103,000, freight expense of \$30,000 and trade show costs and advertising costs of \$8,700 in 2002. Selling expenses represented 11.3% of revenues in 2002, compared to 4.7% in 2001.

General and administrative expenses

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

General and administrative expenses for 2002 were \$400,260, an increase of \$121,400, or 43.5%, from 278,750 in 2001. General and administrative expenses primarily include salaries, supplies, and general operating expenses. The increase in general and administrative expenses is attributable to the increases of \$50,600 in payroll and related taxes, \$20,500 in professional fees, and entertainment of \$12,600. The majority of payroll and tax increase was due to an increase in employee salaries and bonuses paid during 2002. General and administrative expenses represented 24.7% of revenues in 2002, compared to 31.1% in 2001.

Liquidity and Capital Resources

The Company's cash balance as of December 31, 2002 increased by \$7,500 from December 31, 2001 to \$46,000. During 2002, cash provided by operations was approximately \$11,600 and primarily resulted from the increase in accounts payable of approximately \$252,000 and income from operations plus the effect of net of non-cash items (depreciation expense). The cash provided was utilized to fund the increases in accounts receivable of \$52,100 and prepaid expenses of \$15,800.

10

The Company's working capital was approximately \$127,900 at December 31, 2002, compared to approximately \$65,100 at December 31, 2001. The increase in working capital was primarily attributable to the Company profits of approximately \$35,900, inventory of \$308,450 and the effect of net of non-cash items (depreciation expense) of \$9,300.

The Company has negotiated with major suppliers and extended credit terms for new products being developed through these suppliers. In addition, The Company has established a line of credit to provide for additional cash flow needs.

Management believes that the cash generated from the Company's operations and new credit terms and credit facility will be adequate to support its short-term cash requirements for capital expenditures and maintenance of working capital.

Accounting Pronouncements

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting where revenues are recognized upon shipment of merchandise to the customer and expenses are recognized in the period in which they are incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Income Taxes

For tax purposes, the Company was an S corporation prior to January 1, 2001. Accordingly, net losses and related timing differences for periods prior to January 1, 2001 were offset taxable income of the Company in subsequent periods. Effective January 1, 2001, the Company terminated its S corporation election, and, as a result, adopted Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. SFAS No. 109 requires that deferred income tax balances be recognized based on the differences between the financial statement and income tax bases of assets and liabilities using enacted tax rates.

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

Inventory

Inventory consists primarily of cigars, humidors, displays, boxes and labels and is stated at the lower of cost (first-in, first-out) or market.

Furniture and Equipment

Furniture and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven years.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

11

Comprehensive Income or Loss

The Company has no components of other comprehensive income or loss. Accordingly, net income or loss equals comprehensive income or loss for all periods presented.

Item 7. Financial Statements.

The information required by Item 310 (a) of Regulation S-B is included herein elsewhere in this report.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Effective March 17, 2003, the Company dismissed Jaffe, Kaufman & Sarbey, LLC ("JKS") to audit Company's financial statements. The reports of JKS on the financial statements of the Company for the past fiscal year contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle. The decision to dismiss JKS was recommended by management and approved by the Company's Board of Directors (the Company currently has no formal audit committee).

In connection with its audit for the most recent fiscal year and including the interim period up to and including the date of dismissal, there have been no disagreements with JKS on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of JKS would have caused them to make reference thereto in their report on the financial statements for such years.

Effective March 17, 2003, the Company engaged the accounting firm of Jewett, Schwartz & Associates as the Company's new independent accountants to audit the Company's financial statements for the fiscal year ending December 31, 2002.

On March 11, 2002, the Board of Directors of the Company approved the engagement of Jaffe, Kaufman, & Sarbey, LLC as independent auditors of the Company for the fiscal year ended December 31, 2001, to replace the firm of Spear, Safer, Harmon & Co., P.A., who were dismissed as the Company's auditors, effective March 11, 2002.

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

The reports of Spear, Safer, Harmon & Co. on the Company's financial statements for the fiscal year ended December 31, 1999 and fiscal year ended December 31, 2000, did not contain an adverse opinion or disclaimer of opinion, and were not qualified as to uncertainty, audit scope, or accounting principles.

In connection with the audits of the Company's financial statements for the fiscal year ended December 31, 1999, fiscal year ended December 31, 2000, and in the subsequent unaudited interim period through March 11, 2002 (date of dismissal), there were no disagreements with Spear, Safer, Harmon & Co. on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures which, if not resolved to the satisfaction of Spear, Safer, Harmon & Co., would have caused Spear, Safer, Harmon & Co. to make reference to the subject matter in their report.

12

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

The Directors and Executive Officers of the Company are as follows:

Name ----	Age ---	Positions Held -----
Alan V. Rubin	41	Director, Chief Executive Officer, President and Principal Financial Officer

Alan Rubin has served as a director and officer of the Company since its inception. Alan Rubin served as vice president of All Point Screw Bolt & Speciality Co., a distributor and direct importer of fasteners and building products from 1984 to 1996. Mr. Rubin attended the University of Florida.

The Company's directors are elected at the annual meeting of stockholders and hold office for one year and until their successors are elected and qualified. The Company's officers are appointed by the Board of Directors and serve at the pleasure of the Board. The Directors do not currently receive fees for their services as directors.

Committees

To date, the Company has not established a compensation or audit committee. The board of directors, solely consisting of Alan Rubin, reviews the professional services provided by the Company's independent auditors, the independence of the Company's auditors from its management, the Company's annual financial statements and its system of internal accounting controls. Alan Rubin is not considered a "financial expert."

Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than ten percent of its outstanding common stock to file with the SEC initial reports of ownership and reports of changes in ownership of common stock. These persons are required by SEC regulation to furnish the Company with copies of these reports they file.

To the Company's knowledge, based solely on a review of the copies of reports furnished to it, Section 16(a) filing requirements applicable to the

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

Company's officers, directors and greater than ten percent beneficial owners were not complied with on a timely basis for the period which this report relates.

Indemnification

The Company's Articles of Incorporation, as amended, provide that the Company must, to the fullest extent permitted by the Florida Business Corporation Act, indemnify all persons whom it has the power to indemnify from and against all expenses, liabilities or other matters. The Company's By-laws

13

further provide that the Company shall indemnify its directors, officers, employees and agents to the fullest extent permitted by Florida law. The indemnification provided in the By-laws is expressly deemed to not be exclusive of any other rights to which a person seeking indemnification may otherwise be entitled. The Company's indemnification obligation applies where the party to be indemnified acted in good faith and in a manner such party reasonably believed to be in, or not opposed to, the best interests of the Company.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Item 10. Executive Compensation

Executive Compensation

Commencing January 2001, Mr. Rubin has been paid a weekly salary of \$2,000 as economic conditions permit the Company to do so. When the payment of his salary is not feasible, no accrual will be made on the Company's financial records, rather the expense will be accrued as a capital contribution.

The following table sets forth compensation awarded to, earned by or paid to our sole officer and director for the past 3 years. We have not granted any stock options, restricted stock awards or stock appreciation rights or make any long term incentive plan payments.

Summary Compensation Table

Name	Year	Salary (\$)	Bonus (\$)	Other A Compens
----	----	-----	-----	-----
Alan Rubin	2002	\$104,000	\$10,000	\$23,5
	2001	\$109,000	-0-	\$12,3
	2000	-0- (2)	\$23,000	\$19,9

- (1) Mr. Rubin has received approximately \$525 per month for automobile lease expenses and approximately \$500 per month for automobile expense reimbursement. In addition, the Company has paid Mr. Rubin's health insurance.
- (2) While salary has not been paid to Mr. Rubin, the audited financial statements for the year ended December 31, 2000 include a compensation expense of \$100,000 as well as a capital contribution of \$100,000, to reflect the value of services provided by Mr. Rubin.
- (3) Includes 250,000 shares of common stock issued in June 2002 valued at

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

\$11,250.

Stock Options and SARs

Since inception, the Company has issued no stock options nor SARs.

14

Item 11. Security Ownership of Certain Beneficial Owners and Management.

As of the date of this report, there were 4,899,777 shares of the Company's Common Stock issued and outstanding. The following table sets forth information with respect to the beneficial ownership of each class of voting securities of the Company by: (1) each person known by the Company to be the owner of more than 5% of the outstanding shares of any class of voting securities; (2) each officer and director; and (3) all officers and directors as a group.

Name and Address -----	Beneficial Ownership	
	Shares -----	% of Sha -----
Alan V. Rubin 1750 N.W. 65th Avenue Plantation, FL 33313	2,895,000	59.
Bruce A. Ginsberg 2523 Monterey Court Weston, FL 33327	500,000	10.
Peter Troiano 7 Bayview Place Massapequa, N.Y. 11758	400,000	8.
All Executive Officers and Directors as a Group (1 person)	2,895,000	59.

Item 12. Certain Relationships and Related Transactions

None.

Item 13. Exhibits, Lists and Reports on Form 8-K.

(A) Exhibits

Exhibit Number -----	Description -----
3.0	Articles of Incorporation(1)
3.1	Amendment to Articles of Incorporation(1)
3.2	Bylaws(1)
16.1	Letter from Former Independent Auditor(2)
16.2	Letter from Former Independent Auditor(3)
21	Subsidiaries of the registrant(1)
99.1	Certification

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

(1) Previously filed on Form 10-SB Registration Statement dated December 19, 2000.

15

(2) Previously filed on Form 8-K Current Report dated March 11, 2002.

(3) Previously filed on Form 8-K Current Report dated March 27, 2003.

(B) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the period covered by this report.

Subsequent to the last quarter of the period covered by this report, on March 27, 2003, the Company filed a current report on Form 8-K to disclose the following:

Effective March 17, 2003, the Company dismissed Jaffe, Kaufman & Sarbey, LLC ("JKS") to audit Company's financial statements. The reports of JKS on the financial statements of the Company for the past fiscal year contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle. The decision to dismiss JKS was recommended by management and approved by the Company's Board of Directors (the Company currently has no formal audit committee).

In connection with its audit for the most recent fiscal year and including the interim period up to and including the date of dismissal, there have been no disagreements with JKS on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of JKS would have caused them to make reference thereto in their report on the financial statements for such years.

Effective March 17, 2003, the Company engaged the accounting firm of Jewett, Schwartz & Associates as the Company's new independent accountants to audit the Company's financial statements for the fiscal year ending December 31, 2002.

Item 14. Controls and Procedures.

Evaluation of disclosure controls and procedures

Within the 90 days prior to filing date of this report, the Company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. This evaluation was done under the supervision and with the participation of the Company's Principal Executive Officer and Principal Financial Officer. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures are effective in gathering, analyzing and disclosing information needed to satisfy the Company's disclosure obligations under the Exchange Act.

Changes in internal controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls since the most recent evaluation of such controls.

16

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALEC BRADLEY CIGAR CORPORATION

Date: April 14, 2003

By: /s/ Alan Rubin

Alan Rubin, Principal Executive
Officer and Principal Financial Officer

17

Certifications

I, ALAN RUBIN, certify that:

1. I have reviewed this annual report on Form 10-KSB of ALEC BRADLEY CIGAR CORPORATION.

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

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 annual report.

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report.

4. The registrant's other certifying officers and I are 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 known to us by others within those entities, particularly during the period in which this annual 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 annual report (the "evaluation date"); and
- C) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the evaluation date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- 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.

6. The registrant's other certifying officers and I have indicated in this annual 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: APRIL 15, 2003

/S/ALAN RUBIN

ALAN RUBIN

Chief Executive Officer (or equivalent)

I, ALAN RUBIN, certify that:

1. I have reviewed this annual report on Form 10-KSB of ALEC BRADLEY CIGAR CORPORATION.

2. Based on my knowledge, this annual report does not contain any

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

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 annual report.

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report.

4. The registrant's other certifying officers and I are 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 known to us by others within those entities, particularly during the period in which this annual 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 annual report (the "evaluation date"); and
- C) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the evaluation date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- 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.

6. The registrant's other certifying officers and I have indicated in this annual 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: APRIL 15, 2003

/S/ALAN RUBIN

ALAN RUBIN
Chief Financial Officer (or equivalent)

ALEC BRADLEY CIGAR CORP.
FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

ALEC BRADLEY CIGAR CORP.
YEARS ENDED DECEMBER 31, 2002 AND 2001

CONTENTS

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

	Page

Independent auditors' report	F-1-2
Financial statements:	
Balance sheets	F-3
Statements of operations	F-4
Statements of shareholders' equity	F-5
Statements of cash flows	F-6
Notes to financial statements	F-7-10

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Alec Bradley Cigar Corp.
Plantation, Florida

We have audited the accompanying balance sheet of Alec Bradley Cigar Corp. as of December 31, 2002 and the related statements of operations, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Alec Bradley Cigar Corp. as of December 31, 2001 and for the year then ended, were audited by other auditors whose report dated April 10, 2002, expressed an unqualified opinion on those statements.

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

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alec Bradley Cigar Corp. as of December 31, 2002, and 2001 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Jewett Schwartz & Associates
Hollywood, Florida
April 12, 2003

F-1

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Alec Bradley Cigar Corp.
Plantation, Florida

We have audited the accompanying balance sheet of Alec Bradley Cigar Corp. as of December 31, 2001 and the related statements of operations, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Alec Bradley Cigar Corp. as of December 31, 2000, were audited by other auditors whose report, dated April 5, 2001, expressed an unqualified opinion on those statements.

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

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

Jaffe, Kaufman & Sarbey, LLC

Fort Lauderdale, Florida
April 10, 2002

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

F-2

ALEC BRADLEY CIGAR CORP.
Balance Sheets
December 31, 2002 and 2001

A S S E T S

	2002 -----
Current Assets:	
Cash and cash equivalents	\$ 46,012
Accounts receivable, net of allowance for doubtful accounts of \$5,749 in 2002 and \$1,793 in 2001	103,624
Inventory	308,450
Prepaid expenses	20,212 -----
Total Current Assets	478,298
Furniture and Equipment, net	4,183
Other Assets	4,077 -----
	\$ 486,558 =====
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 350,369
Income taxes payable	48 -----
Total Current Liabilities	350,417 -----
Shareholders' Equity:	
Common stock, \$.0001 par value, 30,000,000 shares authorized, 4,899,777 and 4,484,777, shares issued and outstanding as of December 31, 2002 and 2001, respectively	490
Paid-in capital	479,055
Accumulated deficit	(343,404) -----
Total Shareholders' Equity	136,141 -----
	\$ 486,558 =====

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

See notes to financial statements.

F-3

ALEC BRADLEY CIGAR CORP.
 Statements of Operations
 Years Ended December 31, 2002 and 2001

	2002	
Sales, net	\$ 1,620,485	\$
Cost of Sales	991,325	
Gross Profit	629,160	
Operating Expenses:		
Selling	183,808	
General and administrative	400,262	
Net Income before income taxes	584,070	
Income tax expense	45,090	
Net Income	\$ 38,112	\$
Basic and diluted Earnings per Share	\$ 0.01	\$
Weighted Average Common Shares Outstanding - Basic	4,899,777	

See notes to financial statements.

F-4

ALEC BRADLEY CIGAR CORP.
 Statements of Shareholders' Equity
 Years Ended December 31, 2002 and 2001

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

	Number of Shares -----	Common Stock -----	Additional Paid-in Capital -----	Accumulated Deficit -----	Total Stockhol Equit -----
Balance at December 31, 2000	4,484,777	\$ 448	\$ 459,597	\$(405,585)	\$ 54,4
Net Income	--	--	--	24,069	24,0
Balance at December 31, 2001	4,484,777	448	459,597	(381,516)	78,5
Shares issued for services rendered	415,000	42	19,458	--	19,5
Net Income	--	--	--	38,112	38,1
Balance at December 31, 2002	4,899,777	\$ 490	\$ 479,055	\$(343,404)	\$ 136,1

See notes to financial statements.

F-5

ALEC BRADLEY CIGAR CORP.
Statements of Cash Flows
Years Ended December 31, 2002 and 2001

	2002 -----	2001 -----
Cash Flows from Operating Activities:		
Net income	\$ 38,112	\$ 24,069
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	9,339	10,710
Issuance of stock for services rendered	19,500	--
Changes in assets and liabilities:		
Accounts receivable	(52,131)	(25,993)
Inventory	(231,462)	(14,265)
Prepaid expenses	(15,813)	7,181
Accounts payable and accrued expenses	251,956	(14,428)
Taxes payable	(7,855)	7,903
Net Cash Provided by (Used in) Operating Activities	11,646	(4,823)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(4,142)	(2,231)

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

Net Increase (Decrease) in Cash and Cash Equivalents	7,504	(7,054)
	-----	-----
Cash and Cash Equivalents - Beginning of Period	38,508	45,562
	-----	-----
Cash and Cash Equivalents - End of Period	\$ 46,012	\$ 38,508
	=====	=====

See notes to financial statements.

F-6

ALEC BRADLEY CIGAR CORP.
Notes to Financial Statements
Years Ended December 31, 2002 and 2001

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Alec Bradley Cigar Corp. (the "Company"), a Florida corporation, was organized in July 1996. The Company imports and distributes cigars domestically, with offices located in Plantation, Florida.

Basis of Accounting - The financial statements are prepared using the accrual basis of accounting where revenues are recognized upon shipment of merchandise to the customer and expenses are recognized in the period in which they are incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents - The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Credit Risk - Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash and trade accounts receivable. The Company places its cash with high credit financial institutions. However, the Company occasionally maintains cash balances in excess of the F.D.I.C. insurance limits, thereby failing to limit the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade accounts receivable are reduced due to the Company's large number of customers. The Company conducts ongoing credit evaluations of its customers and generally does not require collateral or other security from these customers.

The Company's revenues included sales to one customer, which accounted

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

for approximately 17% and 23% of total revenues in 2002 and 2001, respectively.

The Company purchases and imports the majority of its cigars from cigar manufacturing plants in Honduras and the Dominican Republic. The Company does not have any agreements with cigar manufacturers. Purchases are made on a per order basis. Although the Company believes there are alternative sources for its products, a change in suppliers could cause delays in the Company's operations, which could adversely affect its operating results.

F-7

ALEC BRADLEY CIGAR CORP. Notes to Financial Statements (Continued) December 31, 2002 and 2001

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - For tax purposes, the Company was an S corporation prior to January 1, 2001. Accordingly, net losses and related timing differences for periods prior to January 1, 2001 were included in the individual tax returns of the S corporation shareholders and are not available to offset taxable income of the Company in subsequent periods. Effective January 1, 2001, the Company terminated its S corporation election, and, as a result, adopted Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. SFAS No. 109 requires that deferred income tax balances be recognized based on the differences between the financial statement and income tax bases of assets and liabilities using enacted tax rates.

Inventory - Inventory consists primarily of cigars, humidors, displays, boxes and labels and is stated at the lower of cost (first-in, first-out) or market.

Furniture and Equipment - Furniture and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven years.

Advertising Costs - Advertising costs are charged to expense during the period in which they are incurred. Advertising expenses for the years ended December 31, 2002 and 2001 approximated \$15,600 and \$13,900, respectively.

Earnings per Share - Basic and diluted earnings per common share are based on the weighted average number of shares outstanding of 4,484,777 for the years ended December 31, 2002 and 2001. There are no common stock equivalents or other dilutive items in the aforementioned periods presented.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comprehensive Income or Loss - The Company has no components of other comprehensive income or loss. Accordingly, net income or loss equals

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

comprehensive income or loss for all periods presented.

F-8

ALEC BRADLEY CIGAR CORP.
Notes to Financial Statements (Continued)
December 31, 2002 and 2001

NOTE 2 - FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following as of December 31,:

	2002	2001
	-----	-----
Computer and office equipment	\$ 7,123	\$26,170
Furniture and fixtures	11,107	19,913
	-----	-----
	18,230	46,083
Less accumulated depreciation	14,047	37,878
	-----	-----
	\$ 4,183	\$ 8,205
	=====	=====

Depreciation expense for the years ended December 31, 2002 and 2001 approximated \$7,800 and \$9,200, respectively.

NOTE 3 - INCOME TAXES

The components of income tax expense for the year ended December 31, 2002 and 2001 are as follows:

	2002	2001
	-----	-----
Federal tax provision	\$4,882	\$6,567
State tax provision	2,096	1,336
	-----	-----
	\$6,978	\$7,903
	=====	=====

As of December 31, 2001, the Company had no deferred income tax balances.

F-9

ALEC BRADLEY CIGAR CORP.
Notes to Financial Statements (Continued)
December 31, 2002 and 2001

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10KSB

Line of credit - The Company has established a credit facility with a financial institution that permits the Company to borrow up to \$50,000. The credit facility was approved on May 7, 2002 and expires on May 7, 2003. The facility's interest rate is 2% above Citibank's Prime Rate, not to be less than 7.50%. The Company is required to have at least a 30-day clean up period once a year. As of December 31, 2002 the Company had not utilized the facility.

Lease - The Company currently operates out of leased premises pursuant to a month-to-month rental agreement. Rent expense for the years ended December 31, 2002 and 2001 approximated \$12,000 and \$7,200, respectively. Subsequent to December 31, 2001, the Company's lease payments for the premises have increased to \$1,000 per month.

NOTE 5 - STOCKHOLDERS' EQUITY

In June 2002, the Company issued an aggregate of 415,000 shares of its common stock to certain employees and consultants in exchange for services provided to the Company. The Company valued these common shares at the fair market value on their issuance date of \$19,500.