MILITARY RESALE GROUP INC
Form SB-2/A
July 12, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON ________, 2004
REGISTRATION NO. 333-75630

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 6
TO
FORM SB-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MILITARY RESALE GROUP, INC.
(Name of Small Business Issuer in Its Charter)

NEW YORK	5141	11-2665282
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

2180 EXECUTIVE CIRCLE
COLORADO SPRINGS, COLORADO 80906
(719) 391-4564
(Address and Telephone Number of Principal Executive Offices)

2180 EXECUTIVE CIRCLE
COLORADO SPRINGS, COLORADO 80906
(Address of Principal Place of Business or Intended Principal Place of Business)

ETHAN D. HOKIT, PRESIDENT
MILITARY RESALE GROUP, INC.
2180 EXECUTIVE CIRCLE
COLORADO SPRINGS, COLORADO 80906
(719) 391-4564
(Name, address and telephone number of agent for service)

COPIES TO:
Eric M. Hellige, Esq.
Pryor Cashman Sherman & Flynn LLP
410 Park Avenue
New York, New York 10022-4441
(212) 421-4100

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

10,000,000 SHARES

MILITARY RESALE GROUP, INC.

COMMON STOCK

Military Resale Group, Inc., a New York corporation, is offering up to 10,000,000 shares of its common stock at a price of $0.25 per share. We may offer the shares for cash from the date of this Prospectus until the termination of this offering.

Our common stock is traded in the over-the-counter market and prices are reported on the OTC Bulletin Board under the symbol "MYRG."

SEE "RISK FACTORS" BEGINNING ON PAGE 3 FOR RISKS OF AN INVESTMENT IN THE SECURITIES OFFERED BY THIS PROSPECTUS, WHICH YOU SHOULD CONSIDER BEFORE YOU PURCHASE ANY SHARES.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

We are offering the shares on a "best efforts, no minimum" basis. In a "best efforts, no minimum offering," we do not need to reach a specific level of subscriptions before the proceeds are available to us. There will be no escrow of funds. There is no underwriter assisting us in the offer and sale of the shares.

We intend to keep the offering open until November 30, 2004. However, if we have not sold all of the shares by that date, we may extend the offering period at our sole discretion for an additional 120 days.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Company(1)
Per Share............	$0.25	$0.00	$0.25
Total................	$2,500,000	$0.00	$2,500,000

(1) Assumes the sale of the maximum number of shares offered by this Prospectus before deducting expenses, including professional fees, printing costs, and filing fees related to the offering payable by us, estimated at $250,000.

The date of this Prospectus is __________, 2004

To comply with the securities laws of certain jurisdictions, the shares of common stock offered by this Prospectus may have to be offered or sold only through registered or licensed brokers or dealers. In addition, in certain jurisdictions, the shares of common stock may not be offered or sold unless they have been registered or qualified for sale or an exemption is available and complied with. We currently plan to register all of the 10,000,000 shares offered hereby for offer and sale in the States of Colorado and New York and a limited number of shares in the States of Connecticut, Florida and New Jersey. Brokers or dealers effecting transactions in the shares should confirm that the shares have been registered under the securities laws of the state or states in which sales of the shares occur as of the time of such sales, or that there is an available exemption from the registration requirements of the securities laws of such states.

This prospectus is not an offer to sell any securities other than the shares. This prospectus is not an offer to sell securities in any circumstances in which such an offer is unlawful.

We have not authorized anyone, including any salesperson or broker, to give oral or written information about this offering, Military Resale Group, Inc., or the shares that is different from the information included in this Prospectus. You should not assume that the information in this Prospectus, or any supplement to this Prospectus, is accurate at any date other than the date indicated on the cover page of this Prospectus or any supplement to it.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this Prospectus and may not contain all of the information that you should consider before investing in the shares. You are urged to read this Prospectus in its entirety.

We are a regional distributor of grocery and household items specializing in distribution to the military market. We distribute a wide variety of items, including fresh and frozen meat and poultry, seafood, frozen foods, canned and dry goods, beverages, dairy products, paper goods and cleaning and other supplies. Our operations are currently directed to servicing the commissary at each of six military installations located in Colorado, Wyoming and South Dakota, including the Air Force Academy located in Colorado Springs, Colorado. We are approved by the Department of Defense to contract with military commissaries and exchanges.

Military commissaries are large supermarket-type stores operated by the United States Defense Commissary Agency ("DeCA") to provide grocery items for sale to authorized patrons at the lowest practicable prices in facilities designed and operated under standards similar to those in commercial food stores. As of April 30, 2004, there were 275 commissaries worldwide, of which 171 were located in the Continental U.S. and 104 were located overseas. Commissaries are authorized by law to sell goods only to authorized patrons, which include the approximately 1.4 million active duty U.S. military personnel, their dependents and certain authorized reservists and retirees. As of April 30, 2004, these authorized patrons totaled approximately 12.4 million individuals. Annual worldwide commissary sales totaled approximately $5 billion in DeCA's fiscal year ended September 30, 2003.

We were formed as a New York corporation on August 31, 1983 under the name Owl Capital Corp. On June 17, 1988, we changed our name to Bactrol Technologies, Inc. On November 15, 2001, we acquired 98.2% of the issued and outstanding shares of Military Resale Group, Inc., a Maryland corporation, in a reverse acquisition (the "Reverse Acquisition") and subsequently changed our name to Military Resale Group, Inc. In connection with the Reverse Acquisition, we commenced operations in our current line of business. Prior to the Reverse Acquisition, we were inactive and had nominal assets and liabilities. Our principal address is 2180 Executive Circle, Colorado Springs, Colorado 80906, and our telephone number at that address is (719) 391-4564. In this Prospectus, reference to the terms "Military Resale Group," "we," "us" and "the company" refer collectively to Military Resale Group, Inc. (a New York corporation) unless otherwise indicated.

ABOUT THIS OFFERING

We are offering up to 10,000,000 shares of common stock at a price of $0.25 per share. At June 18, 2004, we had 29,928,071 shares of common stock issued and outstanding. If we were to sell all of the shares offered by us in this offering, there would be 39,928,071 shares of common stock outstanding after the offering. There is no underwriter of this offering. We are offering the shares on a best efforts, no minimum basis. This means that, although we are offering up to 10,000,000 shares, we are not required to sell a specified number of shares in this offering prior to accepting any subscriptions. As a result, we may only sell a nominal amount of shares and receive minimal proceeds from this offering. In addition, we may terminate the offering at any time before we have sold all 10,000,000 shares. We will not escrow any of the proceeds we receive from this offering. There is no minimum offering and the proceeds from any subscription accepted by us will be immediately available to us. We may reject any subscription in whole or in part. If we reject a subscription we will return the investor's check or other funds without deduction and without the payment of any interest.

Common Stock Offered.....................	10,000,000 shares
Common Stock Outstanding Immediately Prior to the Offering.................	29,928,071 shares(1)
Common Stock to be Outstanding Following the Offering..........................	39,928,071(1) (2)
Use of Proceeds..........................	The net proceeds of this offering will be used (i) to acquire an inventory control system; (ii) for sales and marketing; (iii) to repay indebtedness; (iv) for acquisitions and new business development; and (v) for working capital and general corporate purposes. See "Use of Proceeds"
OTC Bulletin Board Ticker Symbol..........	MYRG

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(1) Does not include (i) 9,782,560 shares reserved for issuance upon the exercise of outstanding options and warrants and (ii) up to 2,805,980 shares issuable upon the conversion of outstanding bridge notes.

(2) Assumes the sale of all 10,000,000 shares of our common stock offered in this Offering.

SELECTED FINANCIAL INFORMATION

The selected financial information presented below is derived from and should be read in conjunction with our financial statements, including notes thereto, appearing elsewhere in this Prospectus. See "Financial Statements."

SUMMARY OPERATING INFORMATION

	FISCAL YEAR ENDED DECEMBER 31,		
	2002	2003	20
Total revenues....................................	$ 6,359,803	$6,049,445	$1,758,9
Net loss..	(2,319,221)	(2,631,749)	(500,6
Net loss per common share........................	(0.25)	(0.18)	(0.
Weighted average number of common shares outstanding.............................	9,156,648	14,619,599	11,684,1

SUMMARY BALANCE SHEET INFORMATION	DECEMBER 31,	MARCH 31,
	2003	2004
Working capital..................................	(1,195,614)	$ (1,024,066)

Total assets......................................	1,930,818	2,018,970
Total liabilities.................................	3,586,840	3,505,554
Stockholders' equity (deficit)....................	(1,656,022)	(1,486,584)

RISK FACTORS

You should carefully consider the risks described below before buying shares in this offering. If any of the following risks actually occur, our business, results of operations and financial condition could be seriously harmed, the trading price of our common stock could decline and you may lose all or part of your investment.

OUR OPERATING HISTORY IS LIMITED, SO IT WILL BE DIFFICULT FOR YOU TO EVALUATE OUR BUSINESS IN MAKING AN INVESTMENT DECISION.

Although we were incorporated in 1983, we commenced operations in our current line of business in November 2001 (at which time we acquired Military Resale Group, Inc., a Maryland corporation that commenced operations in November 1998) and have a limited operating history. We are still in the early stages of our development, which makes the evaluation of our business operations and our prospects difficult. Before buying our common stock, you should consider the risks and difficulties frequently encountered by early stage companies. These risks and difficulties, as they apply to us in particular, include:

- our need to expand the number of products we distribute;
- potential fluctuations in operating results and uncertain growth rates;
- limited market acceptance of the products we distribute;
- concentration of our revenues in a single market;
- our dependence on the military market for most of our revenue;
- our need to expand our direct sales force;
- our need to manage rapidly expanding operations; and
- our need to attract and train qualified personnel.

WE HAVE INCURRED LOSSES SINCE INCEPTION AND WE MAY BE UNABLE TO ACHIEVE PROFITABILITY OR GENERATE POSITIVE CASH FLOW.

We incurred net losses of $2,319,221 in 2002, $2,631,749 in 2003 and $515,812 in the first quarter of 2004 and we may be unable to achieve profitability in the future. If we continue to incur net losses in future periods, we may be unable to achieve one or more of the key elements of our business strategy, including the following:

- increase the number of products we distribute;
- increase our sales and marketing activities, including the number of our sales personnel;

- increase the number of regions in which we distribute products; or

- acquire additional distributorships.

As of March 31, 2004, we had an accumulated deficit of $6,422,525. We may not achieve profitability if our revenues increase more slowly than we expect, or if operating expenses exceed our expectations or cannot be adjusted to compensate for lower than expected revenues. If we do achieve profitability, we may be unable to sustain or increase profitability on a quarterly or annual basis. Any of the factors discussed above could cause our stock price to decline.

OUR BUSINESS RELATIONSHIPS WITH THE PRODUCERS AND MANUFACTURERS FOR WHICH WE DISTRIBUTE AND SELL PRODUCTS MAY BE TERMINATED AT ANY TIME, AND THE LOSS OF ANY SUCH RELATIONSHIP WOULD REDUCE OUR REVENUES AND OUR PROSPECTS FOR ACHIEVING PROFITABILITY.

Although we have good working relationships with our principal suppliers, we do not have long-term arrangements with these entities. Our relationships with the suppliers for which we distribute products may be terminated at any time by any supplier. Therefore, we cannot be assured that we will be able to maintain a business relationship with the producers and manufacturers for which we currently distribute and sell products. Any disruption in our relationship with the producers and manufacturers for which we distribute goods could result in the termination of our representation of such producers and manufacturers and their products, which would reduce our revenues and our prospects for achieving profitability.

PRODUCTS SUPPLIED BY CERTAIN SUPPLIERS ACCOUNT FOR A MATERIAL PERCENTAGE OF OUR REVENUES, AND THE LOSS OF ANY OF THESE SUPPLIERS COULD DRAMATICALLY REDUCE OUR REVENUES.

We derive a significant portion of our revenues from the distribution of products that are supplied by a limited number of suppliers. The loss of any major supplier could dramatically reduce our revenues. In 2002, products supplied by Tyson Foods Inc. accounted for approximately 40% of our revenues. In 2003, products supplied by Tyson Foods Inc. accounted for approximately 25% of our revenues and products supplied by S&K Sales, Inc. accounted for approximately 12% of our revenues. In the first quarter of 2004, products supplied by Tyson Foods Inc. accounted for approximately 30% of our revenues and products supplied by S&K Sales, Inc. accounted for approximately 15% of our revenues.

VARIOUS CHANGES IN THE DISTRIBUTION AND RETAIL MARKETS IN WHICH WE OPERATE HAVE LED AND MAY CONTINUE TO LEAD TO REDUCED SALES AND MARGINS AND LOWER PROFITABILITY FOR OUR CUSTOMERS AND, CONSEQUENTLY, FOR US.

The distribution and retail markets in which we operate are undergoing accelerated change as distributors and retailers, including military commissaries, seek to lower costs and provide additional services in an increasingly competitive environment. For example, there is a growing trend of large self-distributing chains consolidating to reduce costs and gain efficiencies. Eating away from home and alternative format food stores, such as warehouse stores and supercenters, have taken market share from traditional supermarket operators, including military commissaries, some of which are our customers. In an effort to ensure that more of their promotional fees and allowances are used by retailers to increase sales volume, vendors increasingly direct promotional dollars to large self-distributing chains. We believe that these changes have led to reduced sales, reduced margins and lower profitability among many of our customers and, consequently, for us.

OUR SALES MAY DECLINE UPON A GENERAL DECREASE IN THE PRICE OF CONSUMABLE GOODS OR AN ECONOMIC DOWNTURN.

We derive most of our revenues from the consumable goods distribution industry. This industry is characterized by a high volume of sales with relatively low profit margins. A significant portion of our sales are at prices that are based on product cost plus a percentage markup. Consequently, our sales may decline when the prices of consumable goods go down, even though our percentage markup may remain constant. The consumable goods industry is also sensitive to national and regional economic conditions, and the demand for our consumable goods has declined from time to time as a result of economic downturns.

AN INCREASE IN FUEL AND OTHER TRANSPORTATION-RELATED COSTS COULD REDUCE OUR PROFITS OR INCREASE OUR LOSSES.

Our distribution business is sensitive to increases in fuel and other transportation-related costs. In 2003, we transported approximately 5,800 tons of product and our trucks traveled in excess of 145,000 miles. Any significant increase in fuel or other transportation-related expenses would increase our operating expenses, which would have the effect of reducing our profits or increasing our losses.

REDUCTIONS IN THE ARMED FORCES MAY LEAD TO LOWER DEMAND FOR THE PRODUCTS WE DISTRIBUTE AND SELL, WHICH COULD RESULT IN REDUCTIONS IN OUR REVENUES AND REDUCE OUR PROFITS OR INCREASE OUR LOSSES.

We distribute and sell products for resale to active and retired military personnel. Since the end of the Cold War, the United States has streamlined its Armed Forces by reducing the number of military personnel and closing military bases. Reductions in funding for force modernization and military end strength have outpaced reductions in support services and overhead. Proposals have been made to decrease the cost to taxpayers of operating commissaries, including:

- increasing the surcharge charged to commissary patrons;
- merging commissaries with exchanges; and
- privatizing the commissary system.

Funding for commissaries has decreased since the early 1990s. In October 1996, DeCA became a "Performance Based Operation," which has resulted in DeCA's obtaining special waivers from Federal procurement regulations for the purpose of striving to operate more efficiently by adopting some characteristics of private-sector companies. The impact of these trends on our business is uncertain and could lead to reduced demand for the products we distribute and sell, which could result in reductions in our revenues and reduce our profits or increase our losses.

THERE IS NO MINIMUM NUMBER OF SHARES TO BE SOLD IN THIS OFFERING AND THERE IS A RISK THAT WE WILL BE UNABLE TO SELL A SUFFICIENT NUMBER OF SHARES TO ENABLE US TO CARRY OUT OUR BUSINESS PLAN OR TO GENERATE NET PROCEEDS FROM THIS OFFERING IN AN AMOUNT SUFFICIENT TO ENABLE US TO CONTINUE OPERATIONS.

There is no minimum number of shares of common stock that we must sell in this offering prior to the initial closing, and we expect to accept subscriptions for shares of common stock as they are received. In addition, this offering is a self-underwritten offering, and therefore there is no guarantee that we will sell all or any part of the shares offered in this offering. As a result, there can be no assurance that we will raise sufficient funds in this offering to carry out our business plan as currently proposed, or that the net proceeds from the initial subscriptions for shares will be in an amount sufficient to enable us to continue operations in any meaningful manner.

WE MAY NEED ADDITIONAL FINANCING TO IMPLEMENT OUR BUSINESS PLAN AND WE CANNOT BE SURE WE WILL BE ABLE TO OBTAIN ADDITIONAL FUNDING WHEN NEEDED OR ON ACCEPTABLE TERMS.

Assuming at least 4,000,000 shares of common stock offered hereby are sold in this offering, we believe the net proceeds from this offering, together with our projected cash flow from operations, will be sufficient to fund our operations as currently conducted for at least the next 12 months. Such belief, however, cannot give rise to an assumption that our cost estimates are accurate or that unforeseen events will not occur that will require us to seek additional funding to meet our operational needs. As a result, we may require substantial

additional financing in order to implement our business objectives. There can be no assurances that we will be able to obtain additional funding when needed, or that such funding, if available, will be obtainable on terms we find acceptable. In the event our operations do not generate sufficient cash flow, or we cannot obtain additional funds if and when needed, we may not be able to:

- attract additional suppliers;
- expand into additional regions; o develop or enhance our product line;
- take advantage of future opportunities; or
- respond to competitive pressures or unanticipated requirements.

For additional information on our anticipated future capital requirements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

OUR RELATIONSHIPS WITH THIRD PARTY BROKERS TO STOCK AND DISPLAY THE PRODUCTS WE DISTRIBUTE MAY BE TERMINATED AT ANY TIME AND THE LOSS OF CERTAIN THIRD PARTY BROKER RELATIONSHIPS COULD CAUSE THE TERMINATION OF OUR RELATIONSHIPS WITH THE COMMISSARIES WE SERVE OR THE SUPPLIERS WITH WHICH WE HAVE RELATIONSHIPS.

We rely on a network of brokers to ensure that sufficient inventories of products are received by commissaries and that products are properly stocked and displayed. Our arrangements with brokers may be terminated at any time by any broker. Although we have good working relationships with our brokers, there can be no assurance that we will be successful in maintaining our existing arrangements with brokers or in acquiring, or entering into arrangements with, additional brokers. In addition, we do not have exclusive relationships with the brokers we utilize. Many of these brokers may represent other products in addition to the products we distribute. There can be no assurance that the representation by brokers of multiple products does not result in conflicts of interest. The loss of certain of our brokers could cause the termination of our relationships with the commissaries we serve or with the manufacturers or suppliers of the products such brokers service.

WE CARRY ONLY A LIMITED AMOUNT OF PRODUCT LIABILITY INSURANCE AND ANY SIGNIFICANT PRODUCT LIABILITY CLAIM MAY IMPAIR OUR ABILITY TO FUND CURRENT OPERATIONS OR PREVENT US FROM CARRYING OUT OUR STRATEGIC PLANS.

The marketing and sale of products of the type we distribute entails a risk of product liability claims by consumers and others. Although we have obtained product liability insurance in the amount of $2,000,000, there is no assurance that such policy will be sufficient to cover us against all possible liabilities or that the policy can be maintained in force at a cost we find acceptable. In the event of a successful product liability claim against us, lack or insufficiency of insurance coverage could impair our ability to fund current operations or prevent us from carrying out our strategic plans.

FLUCTUATIONS IN OUR QUARTERLY OPERATING RESULTS MAY CAUSE OUR STOCK PRICE TO DECLINE AND A DECLINE IN THE VALUE OF YOUR INVESTMENT.

Our quarterly operating results have varied significantly in the past and will likely fluctuate significantly in the future. Significant annual and quarterly fluctuations in our results of operations may be caused by, among other factors:

- the volume of revenues we have generated;
- the timing of our announcements for the distribution of new products, and any such announcements by our competitors;
- the acceptance of the products we distribute in the military marketplace; and
- general economic conditions.

There can be no assurance that the level of revenues and profits, if any, achieved by us in any particular fiscal period will not be significantly lower than in other, including comparable, fiscal periods. We believe quarter-to-quarter comparisons of our revenues and operating results are not necessarily meaningful and should not be relied on as indicators of future performance. Operating expenses are based on management's expectations of future revenues and are relatively fixed in the short term. We plan to increase operating expenses to:

- expand our product line;
- expand our sales and marketing operations;
- increase our services and support capabilities; and
- improve our operational and financial systems.

If our revenues do not increase along with these expenses, our operating margins will decline and our net losses in a given quarter would be larger than expected. It is possible that in some future quarter our operating results may be below the expectations of public market analysts or investors, which could cause a reduction in the market price of our common stock.

WE MAY PURSUE ACQUISITIONS THAT, BY THEIR NATURE, PRESENT RISKS AND THAT MAY NOT BE SUCCESSFUL AND MAY REDUCE OUR PROFITS OR INCREASE OUR LOSSES.

Our growth strategy includes the acquisition of additional distributors and, possibly, of brokers in the business of selling consumer goods in the military market. Our ability to accomplish our acquisition strategy will depend upon a number of factors, including, among others, our ability to:

- identify acceptable acquisition candidates;
- consummate the acquisition of such businesses on terms that we find acceptable;
- retain, hire and train professional management and sales personnel at each such acquired business; and
- promptly and profitably integrate the acquired business operations into our then-existing business.

No assurance can be given that we will be successful with respect to such factors or that any acquired operations will be profitable or be successfully integrated into our then-existing business without substantial costs, delays or

other problems. In addition, to the extent that consolidation becomes more prevalent in the industry, the prices for attractive acquisition candidates may be bid to higher levels. In any event, there can be no assurance that businesses acquired in the future will achieve sales and profitability that justify the investments we make therein.

THE LOSS OF THE SERVICES OF ETHAN D. HOKIT, OUR PRESIDENT, COULD IMPAIR OUR ABILITY TO SUPPORT CURRENT OPERATIONS AND DEVELOP NEW BUSINESS AND TO RUN OUR BUSINESS EFFECTIVELY.

Our success will be dependent on the efforts of Ethan D. Hokit, our President. We have no employment agreement with Mr. Hokit. In addition, we have no key man life insurance on the life of any of our employees, and we have not entered into any employment agreements or non-competition arrangements with any of our key personnel. Our key personnel at the present time, however, are our executive officers and directors, and we believe such persons have certain fiduciary obligations to our company. The loss of the services of Mr. Hokit, or our inability to attract and retain other qualified personnel, could impair our ability to support current operations and develop new business or to run our business effectively.

OUR PRINCIPAL STOCKHOLDERS HAVE SIGNIFICANT VOTING POWER AND MAY TAKE ACTIONS THAT MAY NOT BE IN THE BEST INTERESTS OF OUR OTHER STOCKHOLDERS.

Assuming all shares of common stock offered hereby are sold in this offering, upon completion of this offering our executive officers and directors and their affiliates will beneficially own, in the aggregate, approximately 22.4% of the outstanding shares of our common stock. As a result, these stockholders will be able to exercise significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could delay or present an outside party from acquiring or merging with us. In the event we sell less than half (5,000,000) of the shares offered hereby, our executive officers and directors and their affiliates will beneficially own approximately 25.26% of the outstanding shares of our common stock. For a full presentation of the equity ownership of these stockholders, see "Principal Stockholders."

OUR STOCK PRICE MAY BE VOLATILE AND YOU MAY NOT BE ABLE TO RESELL YOUR SHARES AT OR ABOVE THE PUBLIC OFFERING PRICE.

There has been only a limited public market for our common stock prior to this offering. The public offering price for our common stock has been determined arbitrarily by our management and bears no relationship to our assets, book value, net worth or other economic or recognized criteria of value. This public offering price may vary from the market price of our common stock after the offering. If you purchase shares of common stock, you may not be able to resell those shares at or above the public offering price. The market price of our common stock may fluctuate significantly in response to factors, some of which are beyond our control, including the following:

- actual or anticipated fluctuations in our operating results;
- changes in market valuations of other companies in our industry;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel; and
- sales of common stock in the future.

In addition, the stock market has experienced extreme volatility that often has been unrelated to the performance of particular companies. These market fluctuations may cause our stock price to fall regardless of our performance.

You should read the information under the heading "Market For Common Equity and Related Shareholder Matters" for a more complete discussion of the factors that were considered in determining the public offering price of our common stock.

YOU WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL DILUTION IN THE BOOK VALUE OF YOUR SHARES.

The public offering price is expected to be substantially higher than the book value per share of our outstanding common stock immediately after this offering. For example, if we sell all 10,000,000 shares offered hereby and you purchase common stock in this offering, you will incur immediate dilution of approximately $0.22 in the book value per share of our common stock from the price you pay for our common stock. If we sell half (5,000,000) of the shares offered hereby, you will incur immediate dilution of approximately $0.25, or the full amount of your investment, in such book value per share, and if we sell only 2,500,000 of the shares offered hereby, you will incur immediate dilution of $0.25, or the full amount of your investment, in such book value per share. As a result, if all of our assets are sold in a liquidation of our company, you may not receive in respect of your shares an amount that is equal to or greater than the price you paid for your shares in this offering. For additional information on these calculations, see "Dilution."

WE FACE SIGNIFICANT COMPETITION FROM COMPETITORS WITH GREATER RESOURCES THAN OURS, AND SUCH COMPETITION COULD RESULT IN A REDUCTION IN OUR PRICES OR OPERATING MARGINS AND THE LOSS OF SOME OF THE PRODUCTS WE OFFER.

We operate in a highly competitive industry. Many companies are engaged in the sale and distribution of consumer products to the military market, and we compete on the basis of price, quality and assortment, schedules and reliability of deliveries and the range and quality of services provided. Many of our competitors have financial resources, research and development capabilities, marketing staffs and facilities substantially greater than ours. This competition could result in the reduction of our prices or operating margins and the loss of one or more of the products we offer. This competition may also hinder our ability to expand into other regions or to enter into relationships with new suppliers.

SUBSTANTIAL FUTURE SALES OF OUR COMMON STOCK IN THE PUBLIC MARKET MAY DEPRESS OUR STOCK PRICE AND COULD RESULT IN A DECLINE IN THE VALUE OF YOUR INVESTMENT.

We currently have approximately 18,815,603 shares of our common stock utstanding that are "restricted securities," as that term is defined under Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act").

In general, under Rule 144, a person who has satisfied a one-year holding period may, under certain circumstances, sell within any three-month period a number of shares of common stock that does not exceed the greater of 1% of the then outstanding shares of our common stock or the average weekly trading volume in such shares during the four calendar weeks prior to such sale. Rule 144 also permits, under certain circumstances, the sale of shares without any quantity or other limitation by a person who is not one of our affiliates and who has satisfied a two-year holding period. Any substantial sale of restricted securities under Rule 144 could significantly depress the market price of our common stock. In addition, the sale of these shares could reduce demand for our shares in the event we seek to raise capital through the additional sale of stock.

We have reserved 1,500,000 shares of our common stock for issuance to key employees, officers, directors and consultants under our existing equity incentive plan. As of June 18, 2004, we had issued and outstanding under our equity incentive plan options to purchase an aggregate of 800,000 shares of our common stock, and exclusive of our equity incentive plan, we had issued and outstanding, options and warrants to purchase an aggregate of 8,982,560 shares of our common stock. In addition, we have reserved 2,805,980 shares of common stock for issuance upon the conversion of bridge notes issued to certain creditors which, in most cases, mature in 2006. The existence of any outstanding options, warrants or convertible notes may prove to be a hindrance to future financings as the holders of such options, warrants or convertible notes may be expected to exercise such notes to purchase, or to convert such notes into, shares of our common stock at a time when we would otherwise be able to obtain additional equity capital on terms we would find more favorable.

WE DO NOT INTEND TO PAY DIVIDENDS ON OUR COMMON STOCK IN THE FORESEEABLE FUTURE, WHICH COULD CAUSE THE MARKET PRICE OF OUR COMMON STOCK AND THE VALUE OF YOUR INVESTMENT TO DECLINE.

The holders of our common stock are entitled to receive dividends when, as and if declared by our board of directors out of funds legally available therefor. To date, we have not paid any cash dividends. Our board of directors does not intend to declare any cash dividends in the foreseeable future, but instead intends to retain all earnings, if any, for use in our business operations.

WE MAY FAIL TO CONTINUE AS A GOING CONCERN, IN WHICH EVENT YOU MAY LOSE YOUR ENTIRE INVESTMENT IN OUR SHARES.

Our audited financial statements have been prepared on the assumption that we will continue as a going concern. Our independent auditors have indicated in its report on our 2003 financial statements that our recurring losses from operations and our difficulties in generating sufficient cash flow to meet our obligations and sustain our operations raise substantial doubt about our ability to continue as a going concern. If we fail to continue in business, you will lose your investment in the shares you acquire in this offering.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," and elsewhere in this Prospectus constitute forward-looking statements. These statements involve risks known to us, significant uncertainties, and other factors which may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by those forward-looking statements.

You can identify forward-looking statements by the use of the words "may," "will," "should," "could," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "potential," "proposed," or "continue" or the negative of those terms. These statements are only predictions. In evaluating these statements, you should specifically consider various factors, including the risks outlined above. These factors may cause our actual results to differ materially from any forward-looking statement.

Although we believe that the exceptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

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USE OF PROCEEDS

We expect to incur expenses in connection with this offering of approximately $250,000 for our legal fees, accounting fees, printing, Blue Sky legal and filing fees and other miscellaneous expenses. The net proceeds of this offering, estimated to be $2,250,000 if the maximum of 10,000,000 shares is sold, $1,625,000 if 75% (7,500,000) of the shares are sold, $1,000,000 if 50% (5,000,000) of the shares are sold, $625,000 if 35% (3,500,000) of the shares are sold, and $375,000 if only 25% (2,500,000) of the shares are sold are expected to be allocated as follows:

	2,500,000 Shares	3,500,000 Shares	5,000,000 Shares	7,500,000 Shares	10,000,000 Shares
Acquisition of Inventory Control System	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Sales and marketing	--	75,000	75,000	300,000	300,000
Repayment of indebtedness(1)	150,000	250,000	350,000	500,000	750,000

Acquisitions and new business development	--	--	--	250,000	500,000
Working capital	150,000	225,000	500,000	500,000	625,000
Totals	$ 375,000	$ 625,000	$1,000,000	$1,625,000	$2,250,000

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(1) Includes interest and principal on approximately (a) $605,000 aggregate principal amount of convertible bridge notes, of which $540,000 aggregate principal amount matures on or about June 3, 2006, and $65,000 aggregate principal amount that have matured but have not yet been paid and (b) $130,000 aggregate principal amount of demand notes. In the event any holders of any convertible notes elect to convert all or a portion of the principal and interest due on such notes into shares of our common stock pursuant to the terms of such notes, the net proceeds allocated to the repayment of such indebtedness will be reallocated to working capital purposes.

As reflected in the table above, the amounts of net proceeds that we intend to use for the repayment of indebtedness will depend upon the number of shares sold in this offering. If we only sell a nominal amount of shares (2,500,000), we intend to use approximately $150,000 for the repayment of past due indebtedness and for payment of accrued interest thereon. If all 10,000,000 shares are sold in this offering, we intend to use approximately $750,000 for the repayment of indebtedness, which is comprised of approximately $605,000 aggregate principal amount of convertible indebtedness and approximately $145,000 of accrued interest as of June 18, 2004. Of such $750,000 of net proceeds to be used for the repayment of indebtedness, approximately $370,000 will be used to repay the principal portion of our outstanding indebtedness to our officers and directors or their respective affiliates, of which, at June 18, 2004, the following amounts were outstanding:

- $60,000 of principal owed to Shannon Investments, Inc., one of our principal shareholders that is controlled by Edward Whelan, our Chairman of the Board and Chief Executive Officer;

- $100,000 of principal owed to Oncor Partners, Inc., a company of which Mr. Whelan is a principal shareholder;

- $82,500 of principal owed Atlantic Investment Trust, the trustee of which is Richard Tanenbaum, one of our directors;

- $72,500 of principal owed to Eastern Investment Trust, the trustee of which is Mr. Tanenbaum;

- $25,000 of principal owed to Ethan Hokit, our President and one of our directors; and

- $30,000 of principal owed to Edward T. Whelan, our Chairman of the Board and our Chief Executive Officer.

The proceeds of the convertible bridge notes that were issued between December

2001 and June 2003, the demand notes and the loans from our officers and directors or their respective affiliates were used for short-term working capital purposes. For additional information on the demand note indebtedness and the loans from our officers and directors or their respective affiliates, see "Certain Relationships and Related Transactions."

If the net proceeds from this offering are less than $625,000 (3,500,000 shares), such proceeds will be applied first to the acquisition of an inventory control system, next, up to $150,000 will be applied for working capital purposes, primarily to finance accounts receivable and for the acquisition of inventory, and thereafter, to the extent necessary, to the repayment of past due bridge note indebtedness discussed above. Any remaining net proceeds will be applied to working capital and for general corporate purposes. In the event we sell only a nominal number of shares offered hereby (2,500,000), the proceeds of such sale will be used to acquire an inventory control system, repay $150,000 of indebtedness and any remaining proceeds will be used for working capital purposes. We believe the net proceeds of the sale of at least 4,000,000 shares in this offering, together with anticipated revenues from sales of our products, will satisfy our capital requirements for at least the next 12 months.

In the event that we do not sell at least 7,500,000 shares in this offering, we may be forced to alter, delay or abandon our acquisition strategy. In such case, we may decide to allocate funds to alternative uses, such as the direct purchase of warehouses and operating facilities in markets in which we seek to develop business. At this time, we have no pending or planned acquisitions.

One of the purposes of this offering is to raise funds for working capital purposes, including to finance our accounts receivable until such time as we are able to obtain alternative financing sources, to purchase additional inventory and to fund other day-to-day operating expenses, including unforeseen cash requirements. Depending on the number of shares of common stock sold in this offering and the amount of the net proceeds of this offering that are applied to the repayment of indebtedness, a significant portion of the net proceeds of this offering (which may exceed 50% of the aggregate net proceeds) may be available for working capital purposes. We are unable to estimate the amounts of such net proceeds that will be applied for particular working capital purposes, and management will have broad discretion in the use of funds allocated for working capital purposes. As a result, you will be relying on the judgment of our management regarding the application of a significant portion of the net proceeds of this offering. Pending the application of the net proceeds, we intend to invest these funds in short-term, interest-bearing, investment-grade obligations.

DILUTION

If you purchase shares in this offering, you will experience immediate and substantial dilution in your investment. "Dilution" is the reduction in the value of a purchaser's investment and represents the difference between the price paid for the shares and the "net tangible book value" per share of the common stock acquired in the offering. Net tangible book value per share represents the book value of our tangible assets less the amount of our liabilities, divided by the number of shares of common stock outstanding.

At March 31, 2004, there were 26,895,571 shares of common stock issued and outstanding. Without taking into account any changes in our net tangible book value after that date other than to give effect to (i) 1,920,000 shares issued in connection with our purchase of Ohio Street Partners LLC subsequent to March 31, 2004, (ii) 1,050,000 shares issued to our consultants subsequent to March 31, 2004, (iii) 62,500 shares issued to one of our investors for liquidated damages pursuant to the terms of such investor's subscription agreement and (iv) the estimated net cash proceeds of $2,250,000 from the sale of the 10,000,000 shares offered hereby (after deducting estimated expenses of the offering that total approximately $250,000), at an offering price of $0.25 per share, the amount of increase in net tangible book value as of that date attributable to the sale of shares offered hereby would have been $0.03 per share, representing an immediate dilution to investors in this offering of $0.22 per share and an immediate increase of $0.07 per share to present shareholders.

The following table illustrates the per share dilution if we sell all 10,000,000 shares at a price of $0.25 per share, less offering expenses of $250,000.

Net tangible book value per share at March 31, 2004............	$ (0.04)
Pro forma net tangible book value per share after the offering.	0.03
Pro forma increase in net tangible book value per share attributable to investors in this offering..................	0.07
Pro forma dilution per share to investors in the offering......	0.22

The following table illustrates the per share dilution if we sell only 5,000,000 shares at a price of $0.25 per share, less the offering expenses of $250,000.

Net tangible book value per share at March 31, 2004..	$ (0.04)
Pro forma net tangible book value per share after the offering.	(0.01)
Pro forma increase in net tangible book value per share........ attributable to investors in this offering..................	0.03
Pro forma dilution per share to investors in the offering......	0.25

The following table illustrates the per share dilution if we sell only 2,500,000 shares at a price of $0.25 per shares, less the offering expenses of $250,000.

Net tangible book value per share at March 31, 2004............	$ (0.04)
Pro forma net tangible book value per share after the offering.	(0.03)
Pro forma increase in net tangible book value per share........ attributable to investors in this offering..................	0.01
Pro forma dilution per share to investors in the offering	0.25

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The following table summarizes the investments of all existing shareholders at March 31, 2004, the above issuances subsequent to March 31, 2004, and the new investors as of such date after giving effect to the sale of all of the shares offered hereby (after deducting estimated expenses of the offering that total approximately $250,000):

	Shares Purchased		
	Number	Percent	Total Investment
Existing Shareholders...	29,928,071	75.0%	$(1,198,681)
New Investors(1)........	10,000,000	25.0%	2,250,000
Total.................	39,928,071	100.0%	$ 1,051,319

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(1) Assumes the sale of all 10,000,000 shares offered under this Prospectus. The dilutive effect of the offering would be different if we are unsuccessful in selling all of the shares. For example, if we were to sell only (A) 2,500,000 shares in this offering, or (B) half of the shares offered by this Prospectus, the investment by the new investors and existing shareholders would be as follows:

(A)	Shares Purchased Number	Shares Purchased Percent	Total Investment
Existing Shareholders...	29,928,071	92.3%	$(1,198,681)
New Investors...........	2,500,000	7.7%	375,000
Total.................	32,428,071	100.0%	$ (823,681)

(B)	Shares Purchased Number	Shares Purchased Percent	Total Investment
Existing Shareholders...	29,928,071	85.7%	$(1,198,681)
New Investors...........	5,000,000	14.3%	1,000,000
Total.................	34,928,071	100.0%	$ (198,681)

DETERMINATION OF OFFERING PRICE

Our management has arbitrarily determined the offering price of the shares offered hereby. The offering price bears no relationship to our assets, book value, net worth, or other economic or recognized criteria of value. You should not regard the offering price to be an indication of future market price of our securities. In determining the offering price, we considered factors such as the prospects for our products, our management's previous experience, our historical and anticipated results of operations and our present financial resources.

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MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDERS MATTERS

MARKET FOR COMMON STOCK

Our common stock is traded on the OTC Bulletin Board under the symbol "MYRG."

Our shares began trading on the OTC Bulletin Board on January 10, 2001. Prior to that date, there was no public market for our shares.

The following table contains information about the range of high and low bid prices for our common stock for each full quarterly period since our shares began publicly trading, based upon reports of transactions on the OTC Bulletin Board.

	High	Low
2002		
First Quarter	1.54	0.31
Second Quarter	0.51	0.23
Third Quarter...................	0.41	0.17
Fourth Quarter..................	0.43	0.13
2003		
First Quarter...................	0.40	0.11
Second Quarter..................	0.29	0.11
Third Quarter...................	0.41	0.15
Fourth Quarter..................	0.19	0.07
2004		
First Quarter...................	0.26	0.11
Second Quarter (through June 18).	0.14	0.10

The source of these high and low prices was the OTC Bulletin Board. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not represent actual transactions. The high and low prices listed have been rounded up to the next highest two decimal places.

The market price of our common stock is subject to significant fluctuations in response to variations in our quarterly operating results, our public announcements regarding our then-pending acquisition of Military Resale Group, general trends in the market for the products we distribute, and other factors, over many of which we have little or no control. In addition, board market fluctuations, as well as general economic, business and political conditions, may adversely affect the market for our common stock, regardless of our actual or projected performance. On June 18, 2004, the closing bid price of our common stock as reported by the OTC Bulletin Board was $0.12 per share.

As of June 18, 2004, there were approximately 125 shareholders of record of our common stock.

DIVIDEND POLICY

We have not paid cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future.

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SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of June 18, 2004 with respect to shares of our common stock that are issuable under equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)

Equity compensation plans not approved by security holders		
2001 Equity Incentive Plan (1)	800,000	$0.50
Stern/Farbman (Vintage Filings) Consulting Agreement (2)	600,000	$0.25
Howard Ash Consulting Agreement (3)	500,000	$0.50
Louis Weiner Consulting Agreement (4)	500,000	$0.50
Howard Edrich Consulting Agreement (5)	250,000	$0.25
Edward Whelan Compensation Plan (6)		
Total (7)	2,650,000	

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(1) Our 2001 Equity Incentive Plan allows for the granting of share options to directors, officers, non-officer employees and consultants. See the disclosure entitled "Equity Incentive Plan" in Item 10 of this report.

(2) Pursuant to an agreement dated November 4, 2003, Shai Stern and Seth Farbman of Vintage Filings, LLC agreed to provide us with consulting services to help us manage our filings with the Commission through the EDGAR (Electronic Data Gathering and Reporting) filing system. In consideration of their services, we issued to each of Messrs. Stern and Farbman 50,000 shares of our common stock and warrants to purchase shares of our common stock at a price of $0.25 per share.

(3) Pursuant to a Business Consulting Agreement dated May 15, 2003, Howard Ash agreed to provide us marketing consultation services. In consideration for his services, we issued to Mr. Ash 500,000 shares of our common stock and options to purchase 500,000 shares of our common stock at a price of $0.50 per share. Mr. Ash's agreement had an original term of six months and was renewed for two additional three-month periods.

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(4) Pursuant to a Business Consulting Agreement dated August 1, 2003, Louis Weiner agreed to provide us marketing consultation services. In consideration for his services, we issued to Mr. Weiner options to purchase 500,000 shares of our common stock at a price of $0.50 per share. Such agreement has a one-year term.

(5) Pursuant to a Business Consulting Agreement dated December 15, 2003, Howard Edrich agreed to provide us marketing consultation services. In consideration for his services, we issued to Mr. Edrich 300,000 shares of our common stock and options to purchase 250,000 shares of our common stock at a price of $0.25 per share.

(6) In January 2004, our board of directors approved a one-year executive compensation arrangement with Edward T. Whelan, our Chief Executive Officer, pursuant to which we will issue Mr. Whelan restricted shares of

our common stock in consideration for his services as Chief Executive Officer. Under the terms of the arrangement, we will issue in respect of each month during 2004 a number of shares determined by dividing $12,000 by the product of 80% and the average low price for our common stock during such month. We will also issue to Mr. Whelan five-year options to purchase an equivalent number of shares of our common stock at a price of 0.25 per share. Such amounts cannot be reasonably determined at this time and, thus, no such amounts are reflected in the table above. As of June 18, 2004, an aggregate of 247,560 shares of our common stock and options to purchase an aggregate of 247,560 shares of our common stock were issued to Mr. Whelan under his executive compensation arrangement.

(7) The total amount does not include the shares issuable to Mr. Whelan described in footnote 6 above.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Certain statements in this discussion and analysis constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The words "believe", "expect", "anticipate", "intend" and "plan" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. Because our common stock is considered a "penny stock," as defined by the regulations of the Securities and Exchange Commission, the safe harbor for forward-looking statements does not apply to statements by our company.

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with our financial statements and notes appearing elsewhere in this Prospectus. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under the caption "Risk Factors" beginning on page 3 of this Prospectus.

Any forward-looking statements herein speak only as of the date hereof. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

RESULTS OF OPERATIONS -- THREE MONTHS ENDED MARCH 31, 2004 COMPARED TO THREE MONTHS ENDED MARCH 31, 2003

Revenues. Total revenue for the three months ended March 31, 2004 of $2,134,976 reflected a increase of $376,013, or approximately 21.4%, compared to total revenue of $1,758,963 for the three months ended March 31, 2003. Our revenues are derived in either one of two ways. In the majority of instances, we purchase products from manufacturers and suppliers for resale to the commissaries we service. In such cases, we resell the manufacturer's or supplier's products to the commissaries at generally the same prices we pay for such products, which prices generally are negotiated between the manufacturer or supplier and the Defense Commissary Agency ("DeCA"). Revenue is recognized as the gross sales amount received by us from such sales ("resale revenues"), which includes (i) the purchase price paid by the commissary plus (ii) a negotiated storage and delivery fee paid by the manufacturer or supplier. In the remaining

instances, we act as an agent for the manufacturer or supplier of the products we sell, and earn a commission paid by the manufacturer or supplier, generally in an amount equal to a percentage of the manufacturer's or supplier's gross sales amount ("commission revenues"). In such cases, revenue is recognized as the commission we receive on the gross sales amount. The increase in our total revenues was primarily due to the addition of the frozen chicken line of Tyson Foods, Inc. in December 2003, a line of health and beauty aids manufactured by Alberto Culver, Inc. in January 2004 and a frozen vegetable line produced by VIP Sales Company Inc. in January 2004, all of which we sell to commissaries on a resale basis.

Resale revenue for the three months ended March 31, 2004 of $1,961,544 reflected an increase of $348,947, or approximately 21.6%, compared to resale revenue of $1,612,597 for the three months ended March 31, 2003. For the three months ended March 31, 2004, approximately 50.8% of our gross profit was derived from sales involving resale revenue compared to approximately 40.7% for the three months ended March 31, 2003. These increases were attributable primarily to addition of the suppliers discussed above. We cannot be certain as to whether this trend will continue. However, in the long term, we are seeking to increase the ratio of our sales of products sold on a resale basis, rather than a commission basis, because we believe we can increase our profitability on such sales by taking advantage of payment discounts frequently offered by the manufacturers and suppliers of such products. Provided we can generate sufficient cash from operations or financing activities, we intend to do so by seeking to add new products that we can offer to commissaries on a resale basis from our existing manufactures and suppliers and from others with whom we do not currently have a working relationship.

Commission revenues for the three months ended March 31, 2004 of $173,432 reflected an increase of $27,066, or approximately 18.5%, compared to commission revenues of $146,366 for the three months ended March 31, 2003. For the three months ended March 31, 2004, approximately 49.2% of our gross profit was derived from sales involving commission revenues as compared to approximately 59.3% for the three months ended March 31, 2003. The increase in commission revenues was attributable primarily to a change in our supplier of fresh chicken products in the third quarter of 2003 from Tyson Foods, Inc., whose products we sold on a resale basis, to ConAgra Foods, Inc., whose products we sell on a commission basis.

Management believes our long-term success will be dependent in large part on our ability to add additional product offerings to enable us to increase our sales and revenues. However, we believe our ability to add additional product offerings is dependent on our ability to obtain additional capital to fund new business development and increased sales and marketing efforts. We are currently in discussions with a number of other manufacturers and suppliers in an effort to reach an agreement under which we can distribute their products to the military market. While there can be no assurance that we will do so, we believe we will be successful in negotiating agreements with a number of such suppliers and manufacturers.

To date, all of our sales revenue has been generated from customers located in the United States.

Cost of Goods Sold. Cost of goods sold consists of our cost to acquire products from manufacturers and suppliers for resale to commissaries. In instances when we sell products on a commission basis, there is no cost of goods sold because we act as an agent for the manufacturer or supplier and earn only a commission on such sales. During the three months ended March 31, 2004, cost of goods sold increased by $270,235, or approximately 17.9%, to $1,782,561 from $1,512,326 for the three months ended March 31, 2003. This increase was attributable primarily to increased sales of products that we sold on a resale basis as discussed above. We cannot be certain as to whether or not this trend will continue; however, in the long term we are seeking to increase the ratio of our sales on a resale basis, as discussed above.

Gross Profit. Gross profit for the three months ended March 31, 2004 increased by $105,778, or approximately 42.9%, compared to the three months ended March 31, 2003, from $246,637 for the three months ended March 31, 2003 to $352,415 for the three months ended March 31, 2004. This increase was attributable primarily to slightly higher storage and delivery fees that we began charging to new customers in December 2003.

Operating Expenses. Total operating expenses aggregated $811,120 for the three months ended March 31, 2004 as compared to $611,947 for the three months ended March 31, 2003, representing an increase of $199,173, or approximately 32.5%. The increase in total operating expenses was attributable primarily to an increase of $204,458 in stock-based compensation expense resulting primarily from the issuance of shares of our common stock and options to purchase shares of our common stock to our consultants. In addition, salary and payroll taxes increased by $45,651 resulting primarily from the addition of new employees.

Interest Expense. Interest expense of $57,107 for the three months ended March 31, 2004 reflected a decrease of $78,278 as compared to interest expense of $135,385 for the three months ended March 31, 2003. The decrease in interest expense was attributable primarily to decreased interest expense resulting from the recognition of the beneficial conversion feature (the right to convert debt into shares of our common stock at a discount to the fair market value of our common stock) of convertible promissory notes. We issued $50,000 aggregate principal amount of convertible promissory notes in the three months ended March 31, 2003, but did not issue any convertible notes in the three months ended March 31, 2004.

Net Loss. Primarily as a result of the increased operating expenses discussed above, we incurred a net loss of $515,812 for the three months ended March 31, 2004 as compared to a net loss of $500,695 for the three months ended March 31, 2003.

RESULTS OF OPERATIONS - YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

Revenues. Total revenue for the year ended December 31, 2003 of $6,049,445 reflected a decrease of $310,358, or approximately 4.9%, compared to total revenue of $6,359,803 for the year ended December 31, 2002. The decrease in our total revenues was primarily due to the following factors: (i) a short-term cash shortage during the first and second quarters of 2003, which prevented us from adding new products on a resale basis due the significant cash expenditure required, (ii) a change in our supplier of fresh chicken products in the third quarter of 2003 from Tyson Foods, Inc., whose products we sold on a resale basis, to ConAgra Foods, Inc., whose products we sell on a commission basis, and (iii) to a lesser extent, to lower sales to the commissary located at Ft. Carson, Colorado caused by the overseas deployment of military personnel stationed at Ft. Carson, which has historically been our largest customer.

Resale revenue for the year ended December 31, 2003 of $5,585,340 reflected a decrease of $430,066 , or approximately 7.1%, compared to resale revenue of $6,015,406 for the year ended December 31, 2002. For the year ended December 31, 2003, approximately 33.7% of our gross profit was derived from sales involving resale revenue compared to approximately 61.2% for the year ended December 31, 2002. These decreases were attributable primarily to the short-term cash shortage, change in our supplier of fresh chicken products and the military deployment as discussed above.

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Commission revenues for the year ended December 31, 2003 of $464,105 reflected an increase of $119,708, or approximately 34.8%, compared to commission revenues of $344,397 for the year ended December 31, 2002. For the year ended December 31, 2003, approximately 66.3% of our gross profit was derived from sales involving commission revenues as compared to approximately 38.8% for the year ended December 31, 2002. These increases were attributable primarily to the change in our supplier of fresh chicken products discussed above and the addition of the new products we began supplying to commissaries on a commission basis due to our short-term cash shortage discussed above.

To date, all of our sales revenue has been generated from customers located in the United States.

Cost of Goods Sold. Cost of goods sold consists of our cost to acquire products from manufacturers and suppliers for resale to commissaries. In instances when we sell products on a commission basis, there is no cost of goods sold because we act as an agent for the manufacturer or supplier and earn only a commission on such sales. During the year ended December 31, 2003, cost of goods sold decreased by $122,072, or approximately 2.2%, to $5,349,774 from $5,471,846 for the year ended December 31, 2002. This decrease was attributable primarily to decreased sales of products that we sold on a resale basis as discussed above.

Gross Profit. Gross profit for the year ended December 31, 2003 decreased by $188,286, or approximately 21.2%, compared to the year ended December 31, 2002, from $887,957 for the year ended December 31, 2002 to $699,671 for the year ended December 31, 2003. This decrease was attributable primarily to a decrease in sales on a resale basis, which offset the increase in sales on a commission basis

Operating Expenses. Total operating expenses aggregated $3,033,154 for the year ended December 31, 2003 as compared to $2,703,864 for the year ended December 31, 2002, representing an increase of $329,290, or approximately 12.2%. The increase in total operating expenses was attributable primarily to increased stock-based compensation expense of $531,739 resulting primarily from the issuance of shares of our common stock and options to purchase shares of our common stock to our consultants and to holders of our convertible notes in consideration of their willingness to extend the maturity dates of such notes. In addition, salary and payroll taxes increased by $29,990 resulting primarily from the addition of new employees.

Interest Expense. Interest expense of $298,266 for the year ended December 31, 2003 reflected a decrease of $178,793 as compared to interest expense of $477,059 for the year ended December 31, 2002. The decrease in interest expense was attributable primarily to decreased interest expense resulting from the recognition of the beneficial conversion feature (the right to convert debt into shares of our common stock at a discount to the fair market value of our common stock) of $110,000 aggregate principal amount of convertible promissory notes issued in the year ended December 31, 2003, as compared to $370,000 aggregate principal amount of convertible promissory notes issued in the year ended December 31, 2002.

Net Loss. Primarily as a result of decreased revenues and increased operating expenses discussed above, we incurred a net loss of $2,631,749 for the year ended December 31, 2003 as compared to a net loss of $2,319,221 for the year ended December 31, 2002.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2004, we had a cash balance of approximately $113,889. Since 2001, we have funded our operations primarily from borrowings of approximately $850,000 through the issuance of demand notes and convertible notes bearing interest at either 8% or 9% per annum and having original maturity dates of

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three to five months following the date of issuance of such convertible notes. At March 31, 2004, none of such demand notes was outstanding and $605,000 aggregate principal amount of convertible notes were outstanding, of which $520,000 aggregate principal amount mature on or about June 3, 2006 and $85,000 aggregate principal amount have matured but have not yet been paid. Such convertible notes require us to register under the Securities Act of 1933 the shares our common stock issuable upon conversion of such convertible notes. The terms of our convertible notes provide generally that the holders may convert, at any time and from time to time, all or a portion of the outstanding balance under each convertible note into a number of shares (subject to certain anti-dilution adjustments) of our common stock that will allow the noteholder to receive common stock having a market value equal to 150% of the converted balance of the note. To achieve this result, the conversion price of such notes has been initially set at $0.25; provided, that the closing price per share of our common stock as reported on the OTC Bulletin Board on the date of conversion is at least $0.375 per share. If such closing price is less than $0.375 per share, the conversion price shall be proportionately reduced, but in no event to a conversion price that is less than $0.25 per share, to permit the noteholder to receive the number of shares discussed above.

Our current cash levels, together with the cash flows we generate from operating activities, are not sufficient to enable us to execute our business strategy. As a result, we intend to seek additional capital through the sale of 10,000,000 shares of our common stock in this offering. In the interim, we intend to fund our operations based on our cash position and the near term cash flow generated from operations, as well as additional borrowings and the sale of unregistered shares of our common stock in private placements to accredited investors. In the three months ended March 31, 2004, we sold and issued shares of our common stock to accredited investors for aggregate gross proceeds of $547,500. Such proceeds were used for the repayment of current liabilities and for working capital purposes.

In the event we are able to generate sales proceeds of at least $750,000 (4,000,000 shares) in this offering, we believe that the net proceeds of such sale, together with anticipated revenues from sales of our products, will satisfy our capital requirements for at least the next 12 months. However, we would require additional capital to realize our strategic plan to expand distribution capabilities and product offerings. These conditions raise substantial doubt about our ability to continue as a going concern. Our actual financial results may differ materially from the stated plan of operations. Our independent auditors have indicated in its report on our 2003 financial statements that our recurring losses from operations and our difficulties in generating sufficient cash flow to meet our obligations and sustain our operations raise substantial doubt about our ability to continue as a going concern. Such qualification may hinder our ability to raise or obtain the capital we require or have an adverse impact on the terms upon which we are able to attract or obtain such capital. In addition, such qualification may adversely impact our ability to attract and maintain new customer accounts.

Assuming that we receive net proceeds of at least $750,000 (4,000,000 shares) from this offering (of which there can be no assurance), we expect capital expenditures to be approximately $100,000 during the next 12 months, primarily for the acquisition of an inventory control system and a web-based marketing software program. It is expected that our principal uses of cash during that period will be to provide working capital, to finance capital expenditures, to repay indebtedness and for other general corporate purposes, including sales and marketing and new business development. The amount of spending for any particular purpose is dependent upon the total cash available to us and the success of our public offering of common stock.

At March 31, 2004, we had liquid assets of $1,094,291, consisting of cash and accounts receivable derived from operations, and other current assets of $710,039, consisting primarily of inventory of products for sale and/or distribution and prepaid expenses. Long term assets of $214,640 consisted primarily of warehouse equipment used in operations and the long-term portion of prepaid interest.

Current liabilities of $2,828,396 at March 31, 2004 consisted primarily of $2,559,905 of accounts payable and accrued expenses, including related party amounts.

Our working capital deficit was $1,024,066 as of March 31, 2004 for the reasons described above.

During the three months ended March 31, 2004, we used cash of $340,399 in operating activities, primarily as a result of the net loss we incurred during this period.

During the three months ended March 31, 2004, we used net cash of $7,332 in investing activities, all of which was used for capital expenditures.

Financing activities, consisting primarily of proceeds from the sale and issuance of shares of our common stock, provided net cash of $458,758 during the three months ended March 31, 2004.

OFF BALANCE SHEET ARRANGEMENTS

At March 31, 2004, we had no off-balance sheet arrangements that had or were reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

BUSINESS

OVERVIEW

We are a regional distributor of grocery and household items specializing in distribution to the military market. We distribute a wide variety of items, including fresh and frozen meat and poultry, seafood, frozen foods, canned and dry goods, beverages, dairy products, paper goods and cleaning and other supplies. Our operations are currently directed to servicing the commissary at each of six military installations located in Colorado, Wyoming and South Dakota, including the Air Force Academy located in Colorado Springs, Colorado. We are approved by the Department of Defense to contract with military commissaries and exchanges.

Military commissaries are large supermarket-type stores operated by the United States Defense Commissary Agency ("DeCA") to provide grocery items for sale to authorized patrons at the lowest practicable prices in facilities designed and operated under standards similar to those in commercial food stores. As of April 30, 2004, there were 275 commissaries worldwide, of which 171 were located in the continental United States and 104 were located overseas. Commissaries are authorized by law to sell goods only to authorized patrons, which include the approximately 1.4 million active duty U.S. military personnel, their dependents and certain authorized reservists and retirees. As of April 30, 2004, the number of authorized commissary patrons totaled approximately 12.4 million individuals. Annual worldwide commissary sales totaled more than $5 billion in DeCA's 2003 fiscal year, which ended on September 30, 2003.

The categories and varieties of merchandise that may be sold in a commissary are strictly regulated by DeCA, as is the cost at which items may be purchased for resale. Under DeCA regulations, all items sold through the commissary system must be sold at cost. The military commissary system is generally self-funded and receives an annual appropriation from Congress primarily to pay the salaries of those who work for the commissaries. Store operations are funded by a 5% surcharge (not a tax) levied on the total amount of the customers' purchases. The surcharge pays for new commissary construction and renovation, new equipment and maintenance, paper bags, shopping carts and other operating costs. In selling products at cost, commissaries are considered an integral part of the military's pay and compensation package.

The military exchange system consists of nearly two dozen separate business enterprises, including main exchange stores, convenience stores, package stores, food operations, gas stations, movie theaters and others, operated by the various military services for the benefit of military personnel and other qualified patrons. As of April 30, 2004, there were 541 "main exchanges" worldwide, and approximately 20,000 other exchange service-operated facilities. Annual sales from the exchange systems' worldwide business operations totaled approximately $10.9 billion in the exchange system's fiscal year ended September 30, 2003. In October 2003, we began selling a limited number of products to stores in the military exchange system that are located on three of the military bases that we currently service.

STRATEGIC PLAN

Our strategy is to establish our company as a leading provider of goods to the military market. To accomplish this, our management intends to execute the following:

Expand Distribution Capabilities. We currently direct our focus to the distribution of products to commissaries located in the Midwest Region of the United States, which represents only one of the four DeCA regions. We do not currently sell to commissaries located overseas or to military exchanges. An important part of our strategic plan is to expand our distribution capabilities, both in the domestic and overseas markets, by acquiring or contracting with distributors, as opportunities permit.

Expand Product Offerings. Industry data indicate that the average number of items stocked by the typical civilian supermarket is approximately 25,000 as compared to approximately 13,000 for a commissary. We believe the discrepancy results primarily from the reluctance of certain large manufacturers and many medium and small manufacturers to undertake the administrative burden of obtaining DeCA's approval of products to be sold to commissaries. Under Federal procurement rules, a manufacturer may represent itself or retain a third-party representative on an exclusive basis to negotiate, supply, invoice and otherwise manage its products within the DeCA system. We believe there are many additional manufacturers with products that would meet the DeCA procurement standards and are desirous of selling to the military but that are unable or unwilling to commit the personnel and other resources necessary to comply with the DeCA procurement regulations and procedures required to enable them to sell their products to military commissaries. We intend to continue marketing to manufacturers, suppliers and brokers in an effort to establish new relationships that will allow us to increase the amount and types of products we offer.

Growth Through Acquisitions. We intend to pursue an acquisition program to increase the number of our offered products, strengthen our ability to sell to the military exchange and commissary systems, and broaden our geographic reach to sell and distribute products in domestic and overseas regions that we do not currently service. We believe the industry in which we operate is highly fragmented, consisting primarily of small local brokers and distributors that limit their operations to a narrow range of offered products or distribute products only to commissaries or exchanges in selected regions. In view of the current state of the industry and the trend to centralize the management of the commissary system and enhance its cost-effectiveness, we believe significant opportunities are available to a business that can consolidate the capabilities and resources of a number of existing brokers and distributors in the military consumer goods market, including the cost savings that are inherent in a vertically integrated business. We intend to implement our acquisition program if we are able to increase our working capital through the sale of at least 7,500,000 shares of our common stock in this offering or can otherwise arrange acquisition financing for a specific acquisition transaction. Once implemented, the rate at which we seek to acquire additional complementary business and the size of any such acquisitions will depend, to a significant degree, on our working capital position or the aggregate amount of acquisition financing available to us, including net proceeds from this offering.

Acquiring additional broker or distribution businesses will require additional capital and may have a significant impact on our financial position. We currently intend to finance future acquisitions by using our common stock for all or a portion of the consideration to be paid or through acquisition specific debt financing. In the event our common stock does not maintain sufficient value, or potential acquisition candidates are unwilling to accept our common stock as consideration for the sale of their businesses, we may be required to utilize more of our cash resources, if available, in order to continue our acquisition program. If we do not have sufficient cash resources, our growth could be limited unless we are able to obtain capital through the issuance of additional debt or the issuance of one or more series or classes of our equity securities, which could have a dilutive effect on our then-outstanding capital stock. We do not currently have a line of credit or other lending arrangement with a lending financial institution, and there can be no assurance that we will be able to obtain such an arrangement on terms we find acceptable or sufficient for our needs, if at all, should we determine to do so. Acquisitions could result in the accumulation of substantial goodwill and intangible assets, which may result in substantial amortization charges that could reduce our reported earnings.

Although we intend to perform a detailed investigation of each business that we acquire, there may nevertheless be liabilities that we fail or are unable to discover, including liabilities arising from non-compliance with environmental laws by prior owners, and for which we, as a successor owner, may be responsible. We will seek to minimize the impact of these liabilities by obtaining indemnities and warranties from the seller that may be supported by deferring payment of a portion of the purchase price. However, these indemnities and warranties, if obtained, may not fully cover the liabilities due to their limited scope, amount or duration, the financial limitations of the indemnitor or warrantor, or other reasons. At this time there are no pending or planned acquisitions.

Improve Management Information Systems. We are committed to improving our management information systems to enable management to more efficiently track sales and product shipments. To help make such improvements, we are seeking to purchase and implement an inventory control system and a web-based sales program. We believe that, upon completion of these projects, we will have achieved significant progress in creating an improved infrastructure capable of supporting expanded product offerings. In the event we sell at least 2,500,000 shares of our common stock in this offering, we will use a portion of the net proceeds to purchase and implement an inventory control system.

Our current cash levels, together with the cash flows we generate from operating activities, are not sufficient to enable us to execute our business strategy as described above. In the event we sell only a nominal amount of shares offered hereby (2,500,000), we intend to use such proceeds to purchase and implement an inventory control system and to continue to seek to expand our product offerings to the extent we have sufficient working capital to finance additional accounts receivable and purchase inventory. However, with only limited net proceeds from this offering, it is unlikely that we will be able to expand our distribution capabilities in any meaningful manner, and we may be unable to implement our proposed acquisition program.

PURCHASING AND SUPPLY

At December 31, 2003, we distributed an aggregate of over 4,125 Stock Keeping Units (SKUs) that we acquired from approximately 100 manufacturers or suppliers. Products distributed include fresh and frozen meat and poultry, seafood, frozen foods, canned and dry goods, beverages, dairy products, paper goods and cleaning and other supplies. In 2003, we distributed an aggregate of approximately 405 SKUs supplied by Tyson Foods, Inc. and S&K Sales, Inc., our two largest suppliers, and approximately 37% of our aggregate revenues was derived from the sale of products manufactured or supplied by such suppliers.

Our agreements with our principal suppliers generally provide that we will act as their exclusive agent for the distribution of their products to specific military commissaries. Pursuant to our agreement with Tyson Foods, Inc., we purchase products for resale to commissaries. Under our agreement with S&K Sales, Inc., a food broker, we sell and distribute products on a commission basis to the six commissaries we service. Our agreement with Tyson Foods, Inc. have a one-year term and automatically renew for successive one-year periods. Our agreement with S&K Sales, Inc. has no defined term and is cancelable by either party upon 30 days' written notice.

The majority of our revenues are derived from products that we purchase outright from manufacturers and resell to commissaries. In this arrangement, the manufacturer maintains an account with DeCA through the Electronic Data Interchange ("EDI") system. Generally, the manufacturer also selects the broker or brokers to merchandise the products and is actively involved in the sale of its products to commissaries/exchanges and the interaction between the commissaries/exchanges, the brokers and the distributors. Payment for products are remitted by DeCA to the manufacturer within seven days after the end of each roll-up period with respect to meats, 10 days with respect to dairy products and 23 days with respect to most other products.

For the year ended December 31, 2003 and the quarter ended March 31, 2004, approximately 66.3% and 49.2%, respectively, of our gross profit was derived from the sale of products acquired on a consignment basis. In a consignment sale, the manufacturer is involved in all facets of the transaction. It appoints and monitors brokers, maintains the account with DeCA, receives payment from DeCA and pays us a fee based on a percentage of the purchase price paid by DeCA.

For the year ended December 31, 2003 and the quarter ended March 31, 2004, approximately 33.7% and 50.8%, respectively, of our gross profit was derived from the purchase and sale of products in which we acted as principal and interacted directly with DeCA. In such instances, we purchase the products from manufacturers and resell such products to commissaries at negotiated prices. The manufacturer maintains an account with DeCA and receives payments directly from DeCA. We receive from the manufacturer the purchase price paid by the commissary plus a negotiated storage and delivery fee.

We believe all of our suppliers have sufficient resources to continue supplying the products we distribute and do not foresee any shortage of product availability from any of our suppliers.

MARKETING AND CUSTOMER SERVICE

Our senior management is involved in maintaining relationships with key customers and securing new accounts. We also maintain good relationships with brokers, which have been an effective source of new products. We believe that our ability to consistently provide a high level of service makes us desirable to brokers who want to ensure on-time delivery of the products they represent. We rigorously monitor the quality of our service. Our personnel frequently visit the commissaries that we serve and we are in constant communication with commissaries in order to ensure on-time order fulfillment.

OPERATIONS AND DISTRIBUTION

Our operations can generally be categorized into two business processes: (i) product replenishment and (ii) order fulfillment. Product replenishment involves the management of logistics from the vendor location through the delivery of products to our distribution center. Order fulfillment involves all activities from order placement through delivery to the commissary location. We determine the quantities in which such products will be ordered from manufacturers. Order quantities for each product are systematically determined by us. Given our experience in managing our product flow, losses due to shrinkage, damage and product obsolescence represented less than 1/3 of 1% of 2003 net sales.

We work closely with the commissaries in order to optimize transportation from vendor locations to the distribution center. By utilizing our own trucks and our expertise in managing transportation, we can ensure on-time delivery of products on a cost-effective basis. We believe that we realize significant cost savings by the consolidation of products from more than one vendor or for use by more than one commissary. We also utilize a number of third party carriers to provide in-bound transportation services. None of these carriers is material to our operations.

We currently warehouse approximately 4,125 SKUs for distribution to commissaries. Products are inspected at our distribution center upon receipt and stored in racks. Our distribution center includes approximately 28,746 square feet of dry storage space, 3,000 square feet of frozen storage space, and 2,000 square feet of refrigerated storage space, as well as offices for operating, sales and customer service personnel and a management information system.

We place a significant emphasis on providing a high service level in order fulfillment. We believe that by providing a high level of service and reliability, we reduce our costs by reducing the number of reorders and redeliveries. Each commissary places product orders based on recent usage, estimated sales and existing inventories. We have developed pre-established routes and pre-arranged delivery times with each customer. Product orders are placed with us six times a week either through our customer service representative or through electronic transmission using the EDI system. Approximately 90% of our orders are received electronically. Orders are generally placed on a designated day in order to coordinate with our pre-established delivery schedules. Processing and dispatch of each order is generally completed within seven hours of receipt and our standards require each order to be delivered to the customer within one hour of a pre-arranged delivery time.

Products are picked and labeled at each distribution center. The products are placed on pallets for loading of outbound trailers. Delivery routes are scheduled to both fully utilize the trailers' load capacity and minimize the number of miles driven. In 2003, we transported approximately 5,800 tons of product and our trucks traveled in excess of 145,000 miles.

THE MILITARY MARKET

General. The United States military market is composed of three main groups: the active members of the four branches of the United States military -- Army, Navy, Air Force and Marines; military retirees; and members of the military reserve. Including disabled veterans, overseas civil service personnel and dependents of all of these groups, and patrons of military commissaries and exchanges number over 12 million.

According to DeCA trade publications, active duty personnel generally are well-educated, well paid and sophisticated. They enjoy a high standard of living with excellent benefits, and, therefore, constitute an excellent market for a variety of goods and services. Military retirees consist of military personnel who retire after 20 years or more of service with full commissary and exchange privileges. Military retirees generally are younger than civilian retirees and tend to engage in second careers after retirement. As a result, they generally are affluent, and like active duty personnel, provide an excellent market for goods and services offered by commissaries and exchanges. Within the last several years, reservists were granted full commissary and exchange benefits while on active duty. Reservists for the most part mirror a cross-section of the general United States population. Generally, they do not shop at commissaries and exchanges as often as members of the other military groups, but tend to buy larger quantities at each trip.

The United States has streamlined its Armed Forces in the post-Cold War era. Despite these reductions, the United States military resale market continues to remain strong. In the fiscal year ended September 30, 2003, total annual worldwide commissary and exchange sales were approximately $16 billion, with more than $11 billion of these sales in the United States. Since 1945, there has been a major military build-down following each of World War II, the Korean War and the Vietnam war. The military market for consumer goods continued to prosper through each one. The post-Cold War reduction in manpower has not been as severe as previous reductions, and largely has been achieved by early retirement, and the curtailment of inductees. Retirees have earned and retained the privilege to shop in commissaries and exchanges, and Congress has elected to extend the shopping privilege to those forced out prior to retirement.

The Commissary System. Military commissaries are the supermarkets of the military. The stated mission of the commissary system is to provide grocery items for sale to authorized patrons at the lowest possible prices in facilities designed and operated like private-sector supermarkets. The assortment of brands

of merchandise, however, is limited to those that meet the reasonable demands of commissary patrons, and commissaries currently are prohibited by law from carrying certain merchandise, including beer and wine and automotive supplies. Commissaries primarily stock and generally sell leading name brands and do not offer private label or unknown brands. In the case of many remote military bases, the commissary is the only source of groceries for military personnel.

Commissaries sell their products at prices equal to cost plus a one percent fee to cover shrinkage plus a five percent surcharge. The only promotional fee that commissaries can accept is a direct reduction in price. Commissaries are prohibited from accepting other promotional items offered to private-sector stores, such as slotting allowances, display allowances or volume rebates. The commissary system receives an annual appropriation from Congress that pays for the salaries of commissary personnel and for the purchase of consumer goods for resale. Store operations otherwise are funded from the five percent surcharge on purchases. Proceeds from the surcharge also pay for new commissary construction, renovation, new equipment and maintenance, shopping bags, shopping carts and various other items. Overseas commissaries also receive Federal funds for transportation and utility costs. Through payment of the surcharge, the patrons of the commissaries essentially have created a worldwide military shoppers' cooperative.

The benefit provided by commissaries is an integral part of the military's pay and compensation package. Recent re-enlistment surveys show that commissaries rank second in importance only to the medical/dental benefit. Commissaries are among the only benefits aimed exclusively at the military family. As commissaries are prohibited by law from selling any product below cost, certain items (those used as loss leaders by private-sector stores) may be priced lower at private sector stores. Nevertheless, the annual savings amounts to up to 30%. It has been estimated that the commissary system results in approximately $2 billion of annual savings for its patrons. As a result, based upon the annual Congressional appropriation of approximately $1 billion available to DeCA, the commissary system provides one of the few government benefits that delivers more than two dollars in direct benefit to the beneficiary for every dollar spent by the taxpayer.

As of April 30, 2004, there were a total of 275 commissaries worldwide, of which 171 were located in the continental United States. At such date, the average gross square footage of these commissaries was approximately 22,300, and the average weekly sales per square foot of selling space, a commonly used measure of efficiency of retail operations, was approximately thirty percent more than that of commercial supermarkets. In DeCA's fiscal year ended September 30, 2003, total annual worldwide commissary sales were more than $5 billion, with more than $4 billion of these sales in the United States.

The table below shows the dollar volume of DeCA commissary sales over the three fiscal years ended September 30, 2003, as reported by the American Logistics Association.

FISCAL YEAR	WORLDWIDE STORE SALES ($000S)
2003	$5,039,259
2002	$4,963,120
2001	$5,038,832

Total annual worldwide commissary sales through the first five months of DeCA's 2004 fiscal year were $2.2 billion as compared to $1.7 billion for same period in DeCA's 2003 fiscal year, reflecting an increase of $0.5 billion, or approximately 29.4%.

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In recent years, DeCA has implemented a store modernization program. We believe DeCA's efforts to modernize facilities and merchandising and provide easy access, shorter lines and more convenient hours at commissaries will all contribute to increased sales volume in the commissary system.

The Exchange System. The military exchange system consists of nearly two dozen separate "businesses," including main exchange stores (department stores), convenience stores, package stores, food operations, gas stations, movie theaters, and others. The exchange system is a vast, logistically complex worldwide operation. Like the commissary system, the stated purpose of the exchange system is to improve the quality of life of military personnel and their families.

The exchange system is a "non-appropriated fund" government activity, and, therefore, does not receive taxpayer subsidies. It is self-sustaining and operates at a profit generated by patron purchases. After expenses, all exchange earnings are returned to patrons in the form of new and improved exchanges and dividends paid to the sponsoring service's morale, welfare and recreation ("MWR") funds. Appropriations by Congress only fund the cost of transporting goods from the United States to overseas military exchanges. All other costs and expenses, including building and operating costs, such as employees' salaries, are paid from exchange revenues. Unlike the commissary system, which is managed by one central governmental authority, each military service manages its own exchange program. These include the Army and Air Force Exchange Service (a joint military command), the Navy Exchange Service Command, the Marine Corps Exchange, the Coast Guard Exchange System and the Department of Veterans Affairs.

Military exchanges consistently are ranked by military personnel among the top benefits provided to the military community. As is the case with commissaries, exchanges are prohibited from pricing products below cost; therefore, certain items offered as "loss leaders" in private-sector stores may be priced below prices offered by exchanges. Notwithstanding this constraint, exchanges typically provide their customers with savings ranging from 20% to 25% compared to civilian mass-merchandisers and department stores.

At April 2004, there were 541 "main exchanges" worldwide and approximately 20,000 exchange service-operated facilities. In the 12 months ended September 30, 2003, total annual worldwide exchange sales were approximately $10.9 billion, with more than $7 billion of these sales in the United States. In October 2003, we began selling a limited number of products to stores in the military exchange system that are located on three of the military bases that we currently service.

The Defense Commissary Agency. DeCA, which is headquartered in Fort Lee, Virginia, was formed in October 1991 in an effort to consolidate the commissary system of each branch of the military into one efficient unit. Its stated mission is to ensure the commissary system provides United States military personnel and their families with needed groceries at the lowest possible price. DeCA's mission is recognized by many as essential to the military preparedness of the United States by assisting to maintain the morale, readiness and effectiveness of active duty troops, and by encouraging reenlistment of highly trained quality personnel.

DeCA is part of the Department of Defense ("DoD") under the Assistant Secretary of Defense for Personnel and Readiness. It manages the total resources of all DoD commissaries worldwide, including personnel, facilities, supplies, equipment and funds. DeCA commands and centrally manages the commissary system through four commissary regions. Three regions are located in the continental United States and one in Europe. Daily operational support to the agency's regions, zone managers, commissaries and associated facilities is provided by an Operations Support Center located in Fort Lee, Virginia (the "OSC"), which is responsible for acquisitions, financial management, information technology/electronic commerce management, inventory management, food safety,

marketing and transportation. All suppliers of goods to the commissary system are required to interface with the Marketing Business Unit (the "MBU") of the OSC, which combines several disciplines, such as operations, acquisition management and information management. The MBU is responsible for DeCA's electronic data interchange system, the preparation and administration of the resale ordering agreement used with suppliers, merchandising and marketing, and maintenance of the catalog master file, the list of products authorized to be carried by commissaries.

The great majority of the DeCA buying and merchandising decisions for the four DeCA regions are handled at DeCA's headquarters in Fort Lee, Virginia. Each region has its own Region Stock List ("RSL"). Within each RSL is a "Key Item List," which is a list of items that each store within that region should carry. Suppliers of brand name products must sell their products to the regional buyers to have their products included on that region's RSL. Once a product is listed on an RSL, it is the responsibility of the individual supplier to ensure that the product gets on the shelf. Many suppliers employ brokers, like us who function as sales representatives and provide a liaison with DeCA. Brokers also serve to promote the suppliers' products and ensure that the products are properly displayed and stocked on the shelf. Suppliers also contract with distributors who warehouse and ship the suppliers' products to the commissaries.

Any supplier wishing to sell a product in the commissary system must complete and submit a product application to DeCA. DeCA analyzes each proposed product on the basis of price, quality, anticipated demand and other factors. If the proposed product meets DeCA's requirements, it will be assigned a Local Stock Number, a product identification number ("LSN"), and included on one or more RSLs. If the product is unique to the tastes of a particular region or regions, it will be placed on the RSL for those regions only. Depending on the type of product, it may also be included on the Key Item List of one or more regions.

COMPETITION

The military resale market is a highly competitive market that is served by several large distributors, most notably SuperValu, Inc. and Nash Finch

Company, but is otherwise highly fragmented with hundreds of small, privately-held firms operating in the various distribution layers. We face competition from local, regional and national distributors on the basis of price, quality and assortment, schedules and reliability of deliveries and the range and quality of services provided.

Because there are relatively low barriers to entry in the military resale market, we expect competition from a variety of established and emerging companies. Many of our competitors have longer operating histories, substantially greater financial, technical, marketing or other resources, or greater name recognition than we have. Our competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements. In addition, consolidation in the industry, heightened competition among our vendors, new entrants and trends toward vertical integration could create additional competitive pressures that reduce our margins and adversely affect our business. If we fail to successfully respond to these competitive pressures or to implement our strategies effectively, it could have a material adverse effect on our financial condition and prospects.

EMPLOYEES

At June 18, 2004, we employed 28 persons on a full-time basis, of which four were management personnel, four were office staff and 20 were warehouse and distribution personnel. None of our employees is a member of a trade union. All of our employees are employed at our corporate offices and distribution center located in Colorado Springs, Colorado.

DEVELOPMENT OF BUSINESS

MRG-Maryland, a Maryland corporation in which we acquired a 98.2% interest on November 15, 2001 (the "Reverse Acquisition"), was formed in October 1997 by Richard Tanenbaum, one of our directors. Prior to November 15, 2001, we were inactive and had nominal assets and liabilities. As MRG-Maryland was considered the acquirer in such acquisition for financial reporting purposes, our historical financial statements for any period prior to November 15, 2001, as well as the description of our business operations for such periods, are those of MRG-Maryland.

DESCRIPTION OF PROPERTY

Our corporate headquarters is located at our distribution center in Colorado Springs, Colorado. The lease for our distribution center and corporate headquarters includes approximately 32,748 square feet, of which approximately 1,000 square feet is used for our corporate headquarters. The lease expires in the year 2006. The annual rent for our distribution center is approximately $180,000 per annum, with annual rental increases of approximately $8,000 per year during the term of the lease.

LEGAL PROCEEDINGS

None.

MANAGEMENT

OFFICERS AND DIRECTORS

The following table sets forth certain information with respect to each of our officers or directors as of June 18, 2004

NAME	AGE	POSITION
Edward T. Whelan	53	Chairman of the Board and Chief Executive Officer
Ethan D. Hokit	65	President, Chief Operating Officer, Treasurer and Director
Richard H. Tanenbaum	56	Director and Secretary
Lee Brukman	55	Director

EDWARD T. WHELAN was a co-founder of MRG-Maryland in October 1997 and served as its Chairman and Chief Executive Officer until the consummation of the Reverse Acquisition in November 2001, at which time he became our Chairman of the Board and Chief Executive Officer. From April 1998 until October 2003, Mr. Whelan also served as the President and a principal stockholder of Xcel Associates, Inc., a company engaged in providing financial consulting to small and medium-sized companies and to high net worth individuals. From 1989 to December 2001, Mr. Whelan also served as President and a principal shareholder of Shannon Investments, Inc., a consulting firm to small and medium-sized companies. From 1968 to 1971, Mr. Whelan attended St. Peters College in Jersey City, New Jersey, where he majored in Economics.

ETHAN D. HOKIT was a co-founder of MRG-Maryland in October 1997 and served as its President and Chief Operating Officer, and was a director, until the consummation of the Reverse Acquisition in November 2001, at which time he became our President, Chief Operating Officer and Treasurer and one of our directors. From 1983 until February 1998, Mr. Hokit was the President of Front Range Distributors, Inc., a regional distributor of groceries and household goods to the military market serving the five military bases in and around Colorado Springs, Colorado. Mr. Hokit graduated from the University of Oklahoma with a Bachelor of Science degree in Chemistry in 1960 and a Master's Degree in Clinical Chemistry in 1962.

RICHARD H. TANENBAUM was the general counsel and a director of MRG-Maryland since its inception in October 1997 until the consummation of the Reverse Acquisition in November 2001, at which time he became our general counsel and one of our directors. Since 1984, Mr. Tanenbaum has practiced law in Bethesda, Maryland, with an emphasis on contract negotiations, the purchase and sale of businesses, loan and real estate acquisitions, and related tax matters. Mr. Tanenbaum received his Juris Doctorate degree at Columbia Law School of the Catholic University of America in 1974. He received a Bachelor of Science degree from Bradley University in 1967.

LEE BRUKMAN became a director of the Company in June 2004. Since 2003, Mr. Brukman has been President, Chief Executive Officer and Chairman of the Board of Data Recovery Continuum, Inc. From 2001 to 2002, Mr. Brukman served as President, Chief Executive Officer and Chairman of the Board of South Bend Renaissance Corporation. Prior to 2001, he served in management positions with various other companies. For the last 33 years, Mr. Brukman has been an investor in real estate and in public and private companies at all stages of development.

He has also served as an adjunct professor at Pepperdine University and National University. Mr. Brukman earned a Bachelor of Arts degree from New York University, a Master of Public Administration degree from San Diego State University, and a Master of Science in Systems Management from the University of Southern California.

TERMS OF OFFICERS AND DIRECTORS

Our Board of Directors currently consists of three directors. Pursuant to our By-laws, each of our directors serves until the next annual meeting of stockholders or until his or her successor is duly elected or appointed.

Our executive officers are appointed by the Board of Directors and serve at the pleasure of the Board. There are no family relationships among any of our executive officers or directors.

EXECUTIVE COMPENSATION

The table below sets forth the compensation earned for services rendered in all capacities for the fiscal years ended December 31, 2001, 2002 and 2003 by our executive officers in their capacities as officers and directors of MRG-Maryland.

		Annual Compensation			Long-Term Compensation	
					Awards	
Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Other Annual Compen- sation ($) (e)	Restricted Stock Award(s) ($) (f)	Securit Under- lying Options SARs (#) (g)
Edward T. Whelan, Chairman and Chief Executive Officer	2001	-	-	$63,800(1)	-	-
	2002	-	-	$109,857 (2)	-	-
	2003	-	-	$141,791(3)	-	-
Ethan D. Hokit, President and Chief Operating Officer	2001	$60,000	-	-	-	-
	2002	$60,000	-	$9,000(4)	-	-
	2003	$60,000	-	-	-	-

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(1) Represents the value of 220,000 shares of common stock valued at $63,800 ($0.29 per share) issued to Mr. Whelan in December 2001 as additional compensation for services rendered in 2001.

(2) Represents the value of 145,000 shares of common stock valued at $29,000

($0.20 per share) issued to Mr. Whelan in February 2002 for consulting services performed for us during 2001 and the value of an aggregate of 301,113 shares of common stock valued at $80,857 (an average of $0.27 per share) issued to Mr. Whelan in 2002 for consulting services performed for us from January 2002 through June 2002 and as compensation for services rendered as Chief Executive Officer from July 2002 through October 2002.

(3) Represents the value of 934,790 shares of our common stock