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NORSTAR GROUP INC  
Form 10KSB  
April 15, 2003

FORM 10-KSB

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NORSTAR GROUP, INC.

(EXACT NAME OF SMALL BUSINESS ISSUER AS SPECIFIED IN ITS CHARTER)

UTAH

59-1643698

-----  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

-----  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

4101 RAVENSWOOD ROAD, SUITE 128, FORT LAUDERDALE, FLORIDA 33312  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICE) (ZIP CODE)

ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE: (954) 772-0240

SECURITIES REGISTERED UNDER SECTION 12 (B) OF THE EXCHANGE ACT: NONE

SECURITIES REGISTERED UNDER SECTION 12 (G) OF THE EXCHANGE ACT:

COMMON STOCK \$ .01 PAR VALUE  
(TITLE OF CLASS)

CHECK WHETHER THE ISSUER (1) FILED ALL REPORTS  
REQUIRED TO BE FILED BY SECTION 13 OR 15 (D) OF THE  
SECURITIES EXCHANGE ACT DURING THE PAST 12 MONTHS  
(OR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED  
TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH  
FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES [X] NO [ ]

CHECK IS THERE IS NO DISCLOSURE OF DELINQUENT FILERS IN RESPONSE TO ITEM 405 OF  
REGULATION S-B IS NOT CONTAINED IN THIS FORM, AND NO DISCLOSURE WILL BE  
CONTAINED TO THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR  
INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-KSB  
OR ANY AMENDMENT TO THIS FORM 10-KSB [X]

STATE ISSUER'S REVENUES FOR ITS MOST RECENT FISCAL YEAR:  
NONE

AT, MARCH 15, 2003 THERE WERE ISSUED AND OUTSTANDING  
25,793,825 SHARES OF COMMON STOCK. THE APPROXIMATE  
AGGREGATE MARKET VALUE OF THE VOTING AND  
NON-VOTING COMMON EQUITY HELD BY NON-AFFILIATES OF THE  
REGISTRANT, BASED UPON THE LAST SALE PRICE OF THE  
COMMON STOCK REPORTED ON THE OVER-THE-COUNTER  
BULLETIN BOARD WAS \$1,029,593 AS OF MARCH 15, 2002

INCLUDED IN THIS COMPUTATION ARE SHARES HELD BY DIRECTORS AND EXECUTIVE  
OFFICERS OF THE COMPANY AND THEIR ASSOCIATES AS A GROUP. SUCH INCLUSION DOES  
SIGNIFY THAT MEMBERS OF THIS GROUP ARE "AFFILIATES" OF OR CONTROLLED BY THE  
COMPANY.

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TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT  
YES\_\_ NO X

TABLE OF CONTENTS

PART I .....	3
Item 1. Business .....	3
Item 2. Properties .....	4
Item 102 (a) 1. Small Business Issuer engaged in significant mining operations: .....	4
Item 3. Legal Proceedings .....	4
Item 4. Submission of Matters to a Vote of Security Holders .....	4
 PART II .....	 5
Item 5. Market for Registrant's Common Equity and Related Stockholder Matters .....	 5
Item 6. Management's Discussion and Analysis or Plan of Operations.....	5
Item 7. Financial Statements .....	8
Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure .....	21
 PART III.....	 21
Item 9. Directors and Executive Officers of the Registrant .....	21
Item 10. Executive Compensation .....	21
Item 11. Security Ownership of Certain Beneficial Owners and Management .....	21
Item 12. Certain Relationships and Related Transactions .....	21
Item 13. Exhibits and Financial Statements .....	22
Item 14. Controls and Procedures .....	22
SIGNATURES .....	23

PART I

Item 1. Business

We were originally incorporated in the State of Utah in March 1961 as Florist Accounting Services, Inc., a finance company that was primarily engaged in factoring accounts receivables for florists in Utah. The name Florist Accounting Services, Inc. was changed to Luxor Group N.S. during 1971 and to Norstar Group, Inc. during 1992. The Company was unable to develop a profitable operation and became inactive until April 1992. During the period from April 1992 through December 31, 1999, the Company acquired and/or began to develop and dispose of, several businesses and certain other investments. In 1998, the Company began the development of its Internet business which involves the creation of a portal to a cyber-city, an on-line community of "One Stop Shopping" for products, entertainment, education and business services. The on-line community is being developed through its two subsidiaries VeeAreCity.com, Inc. and VeeAre City the Burbs.com, Inc. The portal is designed to provide subscriber/member with access to several web browsers, a directory to thousands of stores, three dimensional virtual reality ("VR") chat rooms, forums and game rooms, a VR dating service, VR business conference room, specialty advertising rooms with VR activities and global e-mails that can be accessed through the web anywhere in the world. The Company also holds mineral rights attributable to 17 claims that were acquired for gold mines located in the Gold Mountain mining district of Esmeralda County Nevada. However, management does not expect mining operations to become one of

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the Company's core businesses. Management is attempting to find a joint venture partner to assist the Company in developing these claims. Presently management is also evaluating an alternative where it would suspend the operations of the company's Internet technology, at least temporarily, and shall look for another company that has had ongoing commercial operations, that would merge with the company and continue its business operation.

### Item 2. Description of Property

NorStar's place of business is located at 4101 Ravenswood Road, Suite 128, Ft. Lauderdale, Florida 33312. The premises is described as a CBS and steel class A building/shared executive suite.

Item 102 (a) 1. Small Business Issuer engaged in significant mining operations: NorStar acquired 680 acres (17 gold mining claims) in Nevada and is seeking a joint venture partner to work the claims.\* Description of Property pursuant to Guide 7, Section 229.801(g) and Section 229.802(g) The seventeen (17) lode claims are located in the Gold Mountain Mining District of Esmeralda County, Nevada. Esmeralda County is noted only for its mining industry. The mines located on the edge of Goldfield, Nevada have continued to operate on a limited basis until the end of March 1992 when the Black Hawk mine closed its underground operations. There continues to be several leach operations in full swing.

### Claim Location

The seventeen (17) unpatented claims are located 180 miles north of Las Vegas, Nevada on state Highway 95 to Lida Junction, south to Gold Point then south by southeast approximately 8 miles. The claims are situated in Township 8S, Range 41, Sections 11, 14, and 22. The Eastern Group (7 claims) is located at the elevation of 6,500 to 7,000 feet and is the most mountainous area. The Western Group (10 claims) is located on a gentle rolling terrain for the most part. In either case walking is the only way to gain access to the greatest portion of the claims.

### Geology

The rock is primarily Tertiary age quartz monzonite. There are several visible fault zones and you find that they contain quartz veins and stringers. Mineralization is easily located on most of the claims and there appear to be several areas that should be excellent prospects for geologic exploration. There exists on the claims one (1) 250 foot adit with mineralization showing and four (4) shafts. The deepest shaft is located on the Western Group of claims and has been plumbed to 185 feet. Some of the underground workings have been mapped prior to it filling with water.

### Climate

The climate is arid, dry and hot in summertime and windy and cold in November through January. However, snowfall is limited and in most cases would not interfere with mining operations.

### Ore Dumps

There is a 2500 ton dump located near the main shaft. Sampling of this dump shows that the ore lends itself to the leaching process for recovery of gold and silver. The gold in this area runs .997 fine. There are also several other smaller ore dumps scattered among the claims. Since ore is not complex it can be easily extracted by the leaching method or can be transported to a mill for crushing and processing. Conclusions

Over the years estimates of ore reserves have been made by several geologists and mining engineers. Donald R. McGregor stated in his report that by just stripping the mountain on which the main shaft is located would open up approximately three and one-half million (3,500,000) tons of ore with an average grade of .116 ounces gold per ton and .23 ounces of silver per ton. The gross

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value of this area alone

3

calculates out to over \$146,000,000. Using \$350.00/oz. gold and \$5.00/oz silver. This does not take into account the eastern group of claims. The assays from this area range from .43 ounces gold and 2.26 ounces silver per ton to .83 ounces gold and 14.06 ounces silver per ton. An extensive core drilling program in this area could easily produce triple the values calculated for the western group of claims. The recovery cost for strip mining and heap leach is about \$180 per ounce. Custom milling would run approximately \$220 per ounce. A mining operation is deemed feasible particularly since the ore is not complex.

\*The aforementioned investments in gold mining are for investment purposes only and should not be construed as the core business or core business activity of NorStar.

### Item 3. Legal Proceedings

NorStar is not involved in any legal proceedings.

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

No matters were submitted to a vote of security holders of NorStar Group, Inc. during the fiscal year ended December 31, 2002.

## PART II

### Item 5. Market for Registrants Common Equity and Related Stockholder Matters:

Our common stock is currently trades on the Over-The-Counter Bulletin Board("OTCBB") under the symbol "NSTG." The following table indicates the high and low bid sales prices for the equity for each full quarterly period within the two most recent fiscal years and any subsequent interim period for which financial statements are included are as follows:

Year Quarter High Bid Low Bid

2002	1st	0.240	0.095
2002	2nd	0.200	0.060
2002	3rd	0.125	0.042
2002	4th	0.060	0.031

-----  
2001 1st 0.85 0.43  
2001 2nd 13/16 0.20  
2001 3rd 7/16 0.24  
2001 4th 0.85 0.85

#### (b) Holders

As of December 31,2002, the approximate number of shareholders of record of NorStar Common Stock is 269. This information was obtained from the Company's transfer agent.

#### (c) Dividend

NorStar has not paid dividends on its capital stock and does not anticipate that it will do so in the foreseeable future. NorStar intends to retain any future earnings for reinvestment in its business. Payments of dividends in the future will depend upon NorStar's growth, profitability, financial condition and other

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factors that NorStar's Board of Directors may deem relevant.

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

The following discussion regarding NorStar and its business and operations contains "forward-looking statements" within the meaning of Private Securities Litigation Reform Act of 1995. Such statements consists of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof of other variations thereon or comparable terminology. The reader is cautioned that all forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. NorStar does not have a policy of updating or revising forward-looking statements and thus it should not be assumed that silence by management of NorStar over time means that actual events are bearing out as estimated in such forward-looking statements.

4

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES:

Our consolidated financial statements have been prepared in accordance with accounting principals generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates. We base our estimates on historical experience and on other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results could differ from these estimates under different assumptions or conditions. This section summarizes the critical accounting policies and the related judgments involved in their application.

#### Web site and development costs:

We account for costs incurred in connection with the development of a web site in accordance with Statement of Position 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use" and Emerging Issues Task Force Issue No. 00-2, "Accounting for Web Site Development Costs." Accordingly, all costs incurred in planning the development of a web site are expensed as incurred. Costs, other than general and administrative and overhead costs, incurred in the web site application and infrastructure development stage, which involves acquiring or developing hardware and software to operate the web site, are capitalized. Fees paid to an Internet service provider for hosting a web site on its server(s) connected to the Internet are expensed over the estimated period of benefit. Other costs incurred during the operating stage, such as training, administration and maintenance costs, are expensed as incurred. Costs incurred during the operating stage for upgrades and enhancements of a web site are capitalized if it is probable that they will result in added functionality. Capitalized web site and development costs are amortized on a straight-line basis over their estimated useful life.

We previously capitalized costs of approximately \$238,000 that were incurred prior to 2001 in connection with the acquisition and development of software in the application and infrastructure development stage and the enhancement of our web site. As of December 31, 2002, we had not been able to generate any revenues from our web site and management was uncertain as to whether we would be able to obtain sufficient resources to sustain its operations and fully develop our web services as initially planned. Accordingly, management reviewed the carrying value of our capitalized web site and development costs for impairment as of December 31, 2002 and determined the entire remaining carrying value was impaired. Accordingly, the accompanying 2002 consolidated statement of

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operations includes a noncash charge of \$238,391 for the write-off of the carrying value of the impaired web site and development costs.

### Impairment of long-lived assets:

Impairment losses on long-lived assets, such as capitalized web site and development costs, are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses are then measured by comparing the fair value of assets to their carrying amounts.

### Stock-based compensation:

In accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), we will recognize compensation costs as a result of the issuance of stock options granted to employees based on the excess, if any, of the fair value of the underlying stock at the date of grant or award (or at an appropriate measurement date) over the amount the employee must pay to acquire the stock. Therefore, we will not be required to recognize compensation expense as a result of any grants of stock options to employees at an exercise price that is equivalent to or greater than fair value. We will also make pro forma disclosures, as required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), of net income or loss as if a fair value based method of accounting for stock options granted to employees had been applied instead if such amounts differ materially from the historical amounts.

In accordance with SFAS 123, we will also recognize the cost of shares, options, warrants and other equity instruments issued to non-employees as consideration for services as expense over the periods in which the related services are rendered by a charge to compensation cost or another appropriate expense or prepaid expense, and a corresponding credit to additional paid-in capital. Generally, cost will be determined based on the fair value of the equity instruments at the date of issuance. The fair value of options, warrants and similar equity instruments will be estimated based on the Black-Scholes option-pricing model, which meets the criteria set forth in SFAS 123, and the assumption that all of the options or other equity instruments will ultimately vest. The effect of actual forfeitures will be recognized as they occur. As a result, depending on how the market perceives any news regarding us or our earnings, as well as market conditions in general, it could have a material impact on the volatility we use in computing the value we place on these instruments.

### Valuation of deferred tax assets:

We regularly evaluate our ability to recover the reported amount of our deferred income taxes considering several factors, including our estimate of the likelihood that we will generate sufficient taxable income

5

in future years in which temporary differences reverse. Due to the uncertainties related to, among other things, the extent and timing of future taxable income, we offset net deferred tax assets by an equivalent valuation allowance as of December 31, 2002.

### RESULTS OF OPERATIONS:

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

The Company did not have any revenues during either year ended December 31, 2001 or 2002. Management estimates that the Company will not begin to generate revenues from sales of memberships to subscribers for the near future.

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During the year ended December 31, 2002, our operating expenses decreased by approximately \$35,000 to approximately \$348,000 from approximately \$383,000 for 2001. The primary cause of the decrease was non-cash charges of approximately \$98,000 relating to (i) amortization of unearned compensation which resulted from the issuance of stock options to consultants relating to the agreements described below and (ii) services, compensation and other expenses paid through the issuance of common stock.

On April 17, 2000, we entered into agreements with three consultants. Under these agreements, the consultants will, among other things, assist us in finding businesses located primarily in England, other European countries and the Northeastern section of the United States of America that will advertise in and/or link to the Company's on-line community. The three consultants received options to purchase a total of 1,300,000 shares of the Company's common stock that will be exercisable at \$.40 per share at any time during the term of the consulting agreements as consideration for their services.

The aggregate fair value of the options granted to the consultants of \$377,000 as of the date of grant, as determined based on the Black-Scholes option-pricing model, was recorded as unearned compensation, which will be amortized to expense over the periods in which the related services are rendered, as required by generally accepted accounting principles in the United States of America.

On July 25, 2002, we entered into new agreements with certain of these consultants as well as additional agreements with other consultants. Under these agreements, the consultants will be required to, among things, assist the Company in finding businesses located primarily in Europe that would advertise in and/or link to the Company's online community in addition to performing web site development services. These agreements will expire on July 25, 2003. As consideration for their services, the consultants received a total of 5,050,000 shares of common stock with an aggregate fair market value of \$101,000. We recorded the aggregate fair market value as unearned compensation, which will amortize to expense over the period from July 25, 2002 to July 25, 2003.

In addition, during 2001, we issued 2,000,000 shares of our common stock for professional and other services having a fair value of \$80,000. The decrease in the aforementioned non-cash charges was offset by us writing off approximately \$238,000 of previously capitalized web site and development costs.

In addition to the aforementioned non-cash items, our operating expenses also were impacted by a reduction in corporate overhead and research and development costs of approximately \$28,000 and \$67,000, respectively, due to our cash position.

### LIQUIDITY AND CAPITAL RESOURCES:

Our consolidated financial statements have been prepared assuming that we will continue as a going concern. However, we have not generated any significant revenues on a sustained basis from its current operations. As shown in the consolidated financial statements, we have continued to incur net losses, although a substantial portion of the losses was attributable to noncash charges for the fair value of shares and stock options issued for services, compensation and other expenses. As of December 31, 2002, we had a cash balance of only \$200, a working capital deficiency of approximately \$273,000 and an accumulated deficit of \$6,745,000. Management believes that we will continue to incur net losses through at least December 31, 2003 and that the Company will need additional equity and/or debt financing of at least \$2,000,000 to enable it to fully develop its web services and development of its proprietary virtual reality products as initially planned and sustain its operations until it can achieve profitability and generate cash flows from its operating activities on a recurring basis. These matters raise substantial doubt about our ability to continue as a going concern. Management is also evaluating an alternative where

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it would suspend the operations of the Company's Internet technology, at least temporarily, and shall look for another Company that has had ongoing commercial operations, that would merge with the Company and continue its business operation.

Management is attempting to obtain additional financing for us through the issuance of equity securities, loans from financial institutions and/or agreements with strategic partners. Management is also

6

evaluating an alternative where it would suspend the operations of our Internet technology, at least temporarily, and shall look for another company that has had ongoing commercial operations, that would merge with us and continue its business operation.

However, management cannot assure that we will be able to sell equity securities, obtain loans from financial institutions and/or form strategic alliances that will generate financing for the further development of our Internet technology or enter into a merger agreement with an operating company on acceptable terms. If we are not able to obtain adequate financing, it may have to curtail or terminate some or all of its operations. During 2002, we financed our operations from its existing cash reserves and/or the proceeds generated from the sale of notes to its stockholders of approximately \$64,500.

We do not believe that our business is subject to seasonal trends or inflation. On an ongoing basis we will attempt to minimize any effect of inflation on our operating results by controlling operating costs and whenever possible, seeking to insure that subscription rates and usage fees reflect increases in costs due to inflation

### Item 7. Financial Statements

#### NorStar Group, Inc. and Subsidiaries

#### Index to Financial Statements

	PAGE
	----
Report of Independent Public Accountants	F-2
Consolidated Balance Sheet December 31, 2002	F-3
Consolidated Statements of Operations Years Ended December 31, 2002 and 2001	F-4
Consolidated Statements of Stockholders' Equity (Deficiency) Years Ended December 2002 and 2001	F-5
Consolidated Statements of Cash Flows Years Ended December 31, 2002 and 2001	F-6
Notes to Consolidated Financial Statements	F-7/14

\* \* \*

F-1



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS  
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To the Board of Directors and Stockholders  
NorStar Group, Inc.

We have audited the accompanying consolidated balance sheet of NorStar Group, Inc. and Subsidiaries as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity (deficiency) and cash flows for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NorStar Group, Inc. and Subsidiaries as of December 31, 2002, and their results of operations and cash flows for the years ended December 31, 2002 and 2001, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As further discussed in Note 2 to the consolidated financial statements, the Company's operations have generated recurring losses and negative net cash flows from operating activities, and it had a working capital deficiency and an accumulated deficit as of December 31, 2002. Such matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

J.H. Cohn LLP

Roseland, New Jersey  
April 7, 2003

F-2

NorStar Group, Inc. and Subsidiaries

Consolidated Balance Sheet  
December 31, 2002

Assets  
-----

Current assets - cash	\$	222
Equipment, net of accumulated depreciation of \$3,495		699
Capitalized web site and development costs, at estimated		

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net realizable value		--
Mineral rights, at estimated net realizable value		--
		-----
Total	\$	921
		=====
Liabilities and Stockholders' Deficiency		
-----		
Current liabilities:		
Noninterest bearing demand notes payable to stockholders	\$	228,444
Accounts payable and accrued expenses		44,932
		-----
Total		273,376
		-----
Commitments and contingencies		
Stockholders' deficiency:		
Class A convertible preferred stock, par value \$10 per share; 1,000,000 shares authorized; none issued		--
Class B preferred stock, par value \$10 per share; 1,000,000 shares authorized; none issued		--
Common stock, par value \$.01 per share; 150,000,000 shares authorized; 25,793,825 shares issued and outstanding		257,938
Additional paid-in capital		6,273,090
Accumulated deficit		(6,745,355)
Unearned compensation		(58,128)
		-----
Total stockholders' deficiency		(272,455)
		-----
Total	\$	921
		=====

See Notes to Consolidated Financial Statements.

F-3

NorStar Group, Inc. and Subsidiaries

Consolidated Statements of Operations  
Years Ended December 31, 2002 and 2001

	2002	2001
	-----	-----
Revenues	\$ --	\$ --
	-----	-----
Operating expenses:		
Selling	42,872	142,375
General and administrative	61,960	168,404
Research and development	4,641	71,799
Write-off of capitalized web site and development costs	238,391	
	-----	-----
Totals	347,864	382,578

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Net loss	\$ (347,864)	\$ (382,578)
Basic net loss per common share	\$ (.02)	\$ (.02)
Basic weighted average common shares outstanding	22,099,715	18,924,647

See Notes to Consolidated Financial Statements.

F-4

NorStar Group, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (Deficiency)  
Years Ended December 31, 2002 and 2001

	Common Stock		Additional	Accumulated
	Number of	Amount	Paid-in	Deficit
	Shares		Capital	
	-----	-----	-----	-----
Balance, January 1, 2001	18,743,825	\$ 187,438	\$ 6,162,590	\$ (6,014,913)
Issuance of shares for payment of professional and other services	2,000,000	20,000	60,000	
Amortization of unearned com- pensation				
Net loss				(382,578)
Balance, December 31, 2001	20,743,825	207,438	6,222,590	(6,397,491)
Issuance of shares for payment of consultants	5,050,000	50,500	50,500	
Amortization of unearned com- pensation				
Net loss				(347,864)
Balance, December 31, 2002	25,793,825	\$ 257,938	\$ 6,273,090	\$ (6,745,355)

See Notes to Consolidated Financial Statements.

F-5

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NorStar Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows  
Years Ended December 31, 2002 and 2001

	2002	2001
	-----	-----
Operating activities:		
Net loss	\$ (347,864)	\$ (382,578)
Adjustments to reconcile net loss to net cash used in operating activities:		
Services, compensation and other expenses paid through the issuance of common stock		80,000
Amortization of unearned compensation	42,872	141,375
Depreciation	1,398	1,398
Write-off of capitalized web site and development costs	238,391	
Changes in operating liabilities - accounts payable and accrued expenses	(1,561)	(19,136)
	-----	-----
Net cash used in operating activities	(66,764)	(178,941)
Financing activities - proceeds from notes payable to stockholders	64,500	163,944
	-----	-----
Net decrease in cash	(2,264)	(14,997)
Cash, beginning of year	2,486	17,483
	-----	-----
Cash, end of year	\$ 222	\$ 2,486
	=====	=====
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ --	\$ --
	=====	=====
Interest paid	\$ --	\$ --
	=====	=====

See Notes to Consolidated Financial Statements.

F-6

NorStar Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 - Business:

NorStar Group, Inc. ("NorStar") was originally incorporated in the State of Utah during March 1961 as Florist Accounting Services, Inc. (the name Florist Accounting Services, Inc. was changed to Luxor Group N.S. Inc. during 1971 and to NorStar Group, Inc. during 1992). As of December 31, 2002, NorStar had two subsidiaries, VeeAreCity.com, Inc. ("VeeAreCity") and VeeAreCity The Burbs.com, Inc. ("The Burbs"), both of which were wholly-owned. As used herein, the "Company" refers to NorStar or

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NorStar together with VeeAreCity, The Burbs and/or certain other subsidiaries that had been acquired and disposed of by NorStar prior to December 31, 2002.

The Company was originally organized as a finance company that was primarily engaged in factoring accounts receivable for florists in Utah. However, the Company was unable to develop profitable financing operations, and it became substantially inactive until April 1992. During the period from April 1992 through December 31, 1999, the Company acquired and/or began to develop, and disposed of, several businesses and certain other investments.

As of December 31, 2002 and during the years ended December 31, 2002 and 2001, the Company was primarily engaged, through VeeAreCity and The Burbs, in an attempt to develop an Internet business that it started in 1998. The Internet business involves the creation of a portal to a cyber-city, online community of "One Stop Shopping" for products, entertainment, education and business services. The portal is intended to provide the subscriber/member with access to several web browsers, a directory of thousands of stores, three dimensional virtual reality ("VR") chat rooms, forums and game rooms, a VR dating service, VR business conference rooms, specialty advertising rooms with VR activities and global e-mail services that can be accessed through the web anywhere in the world. The Company intends to generate revenues from this business primarily through usage fees from certain of its activities and the sale of annual memberships to consumers who will be offered discounts on products and services through a provider network to be developed by the Company.

As of December 31, 2002, the Company also held the mineral rights attributable to 17 claims that were acquired on April 29, 1992 for gold mines located in the Gold Mountain mining district of Esmeralda County, Nevada (see Note 3). However, management does not expect mining operations to become one of the Company's core businesses. Management is attempting to find a joint venture partner to assist the Company in developing these claims. If a joint venture partner cannot be found, management expects that the Company will continue to hold the claims as an investment.

F-7

NorStar Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 - Summary of significant accounting policies:

Basis of presentation:

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. However, the Company has not generated any significant revenues on a sustained basis from its current operations. As shown in the accompanying consolidated financial statements, the Company incurred net losses of approximately \$348,000 and \$383,000 and negative net cash flows from operating activities of \$67,000 and \$179,000 in 2002 and 2001, respectively, although a substantial portion of the losses and negative net cash flows were attributable to noncash charges for the write-off of

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previously capitalized web site and development costs and the fair value of shares and stock options issued for services, compensation and other expenses. As of December 31, 2002, the Company had a cash balance of only \$200, a working capital deficiency of approximately \$273,000 and an accumulated deficit of \$6,745,000. Management believes that the Company will continue to incur net losses through at least December 31, 2003 and that it will need additional equity and/or debt financing of at least \$2,000,000 to enable it to fully develop its web services as initially planned and sustain its operations until it can achieve profitability and generate cash flows from its operating activities on a recurring basis. These matters raise substantial doubt about the Company's ability to continue as a going concern.

Management is attempting to obtain additional financing for the Company through the issuance of equity securities, loans from financial institutions and/or agreements with strategic partners. However, management cannot assure that the Company will be able to sell equity securities, obtain loans from financial institutions and/or form strategic alliances that will generate financing on acceptable terms. Management is also evaluating an alternative whereby it would suspend the development of the Company's internet technology, at least temporarily, and search for another company that has had ongoing commercial operations that would merge with the Company and continue its business operations. However, management cannot assure that the Company will be able to sell equity securities, obtain loans from financial institutions and/or form strategic alliances that will generate financing for the further development of the Company's internet technology or enter into a merger agreement with an operating company on acceptable terms. If the Company is not able to obtain adequate financing or consummate a merger, it may have to curtail or terminate some or all of its operations.

The accompanying consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue its operations as a going concern.

F-8

NorStar Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 - Summary of significant accounting policies (continued):

Principles of consolidation:

The accompanying consolidated financial statements include the accounts of NorStar and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates:

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

Equipment:

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Equipment is stated at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets and amounted to \$1,398 in both 2002 and 2001.

### Web site and development costs:

The Company accounts for costs incurred in connection with the development of a web site in accordance with Statement of Position 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use" and Emerging Issues Task Force Issue No. 00-2, "Accounting for Web Site Development Costs." Accordingly, all costs incurred in planning the development of a web site are expensed as incurred. Costs, other than general and administrative and overhead costs, incurred in the web site application and infrastructure development stage, which involves acquiring or developing hardware and software to operate the web site, are capitalized. Fees paid to an Internet service provider for hosting a web site on its server(s) connected to the Internet are expensed over the estimated period of benefit. Other costs incurred during the operating stage, such as training, administration and maintenance costs, are expensed as incurred. Costs incurred during the operating stage for upgrades and enhancements of a web site are capitalized if it is probable that they will result in added functionality. Capitalized web site and development costs are amortized on a straight-line basis over their estimated useful life.

The Company capitalized costs of approximately \$238,000 that were incurred prior to 2001 in connection with the acquisition and development of software in the application and infrastructure development stage and the enhancement of its web sites. As of December 31, 2002, the Company had not been able to generate any revenues from its web site and management was uncertain as to whether the Company would be able to obtain sufficient resources to sustain its operations and fully develop its web services as initially planned. Accordingly, management reviewed the carrying value of the Company's capitalized web site and development costs for impairment as of December 31, 2002 and determined the entire remaining carrying value was impaired. Accordingly, the accompanying 2002 consolidated statement of operations includes a noncash charge of \$238,391 for the write-off of the carrying value of the impaired web site and development costs.

F-9

NorStar Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

### Note 2 - Summary of significant accounting policies (continued):

#### Impairment of long-lived assets:

Impairment losses on long-lived assets, such as capitalized web site and development costs, are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses are then measured by comparing the fair value of assets to their carrying amounts.

### Advertising:

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The Company expenses the cost of advertising and promotions as incurred. Advertising costs, which are included in selling expenses and charged to operations, were immaterial during 2002 and 2001.

### Income taxes:

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed annually for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The income tax provision or credit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

### Net earnings (loss) per share:

The Company presents "basic" earnings (loss) per share and, if applicable, "diluted" earnings per share pursuant to the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). Basic earnings (loss) per share is calculated by dividing net income or loss by the weighted average number of shares outstanding during each period. The calculation of diluted earnings per share is similar to that of basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if all potentially dilutive common shares, such as those issuable upon the exercise of stock options, were issued during the period. Diluted per share amounts have not been presented in the accompanying consolidated statements of operations because the Company had a net loss in 2002 and 2001 and, accordingly, the assumed effects of the exercise of options that were granted to consultants in April 2000 and expired in April 2001 (see Note 8) would have been anti-dilutive.

F-10

NorStar Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

### Note 2 - Summary of significant accounting policies (continued):

#### Stock-based compensation:

In accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), the Company will recognize compensation costs as a result of the issuance of stock options to employees based on the excess, if any, of the fair value of the underlying stock at the date of grant or award (or at an appropriate subsequent measurement date) over the amount the employee must pay to acquire the stock. Therefore, the Company will not be required to recognize compensation expense as a result of any grants of stock options to employees at an exercise price that is equivalent to or greater than fair value. The Company will also make pro forma disclosures, as required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), of net income or loss as if a fair value based



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method of accounting for stock options granted to employees had been applied instead if such amounts differ materially from the historical amounts.

In accordance with SFAS 123, the Company will also recognize the cost of shares, options, warrants and other equity instruments issued to nonemployees as consideration for services as expense over the periods in which the related services are rendered by a charge to compensation cost (or another appropriate expense or prepaid expense account) and a corresponding credit to additional paid-in capital. Generally, cost will be determined based on the fair value of the equity instruments at the date of issuance. The fair value of options, warrants and similar equity instruments will be estimated based on the Black-Scholes option-pricing model, which meets the criteria set forth in SFAS 123, and the assumption that all of the options or other equity instruments will ultimately vest. The effect of actual forfeitures will be recognized as they occur.

### Recent accounting pronouncements:

In August 2001, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. Among other things, SFAS 144 provides guidance on the implementation of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" and other previous pronouncements related to when and how to measure impairment losses and how to account for discontinued operations. The adoption of SFAS 144 by the Company as of January 1, 2002 did not have a material impact on the Company's consolidated financial position or results of operations.

F-11

NorStar Group, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 2 - Summary of significant accounting policies (concluded):

##### Recent accounting pronouncements (concluded):

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 addresses accounting and reporting costs associated with exit or disposal activities. This statement requires that a liability for a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the period in which the liability is incurred. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not believe that the adoption of SFAS 146 will have a significant impact on its consolidated financial statements.

The Financial Accounting Standards Board and the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants had issued certain other accounting pronouncements as of December 31, 2002 that will become effective in subsequent periods; however, management of the Company does not believe that any of those pronouncements would have

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significantly affected the Company's financial accounting measurements or disclosures had they been in effect during 2002 and 2001, and it does not believe that any of those pronouncements will have a significant impact on the Company's consolidated financial statements at the time they become effective.

### Note 3 - Investment in mineral rights:

The Company acquired the mineral rights attributable to its gold mining claims (see Note 1) on April 29, 1992 for shares of common stock with a fair value of \$400,000. Subsequently, the Company also paid total fees of \$200,000 to the former owner for consulting services related to the development of the claims. Although, as explained in Note 1, management is still attempting to find a joint venture partner to assist the Company in developing these claims, it has not been able to find one. Based on the inability to find a joint venture partner and the uncertainties related to the Company's ability to generate profitable mining operations, the Company wrote off the carrying value of the investment prior to January 1, 2001.

### Note 4 - Income taxes:

As of December 31, 2002, the Company had net operating loss carryforwards of approximately \$6,745,000 available to reduce future Federal taxable income which will expire at various dates through 2022. The Company had no other material temporary differences as of that date. Due to the uncertainties related to, among other things, the changes in the ownership of the Company, which could subject those loss carryforwards to substantial annual limitations, and the extent and timing of its future taxable income, the Company offset the deferred tax assets attributable to the potential benefits of approximately \$2,698,000 from the utilization of those net operating loss carryforwards by an equivalent valuation allowance as of December 31, 2002.

F-12

NorStar Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

### Note 4 - Income taxes (concluded):

The Company had also offset the potential benefits of approximately \$2,559,000 and \$2,406,000 from net operating loss carryforwards by equivalent valuation allowances as of December 31, 2001 and 2000, respectively. As a result of the increases in the valuation allowance of \$139,000 and \$153,000 in 2002 and 2001, respectively, the Company did not recognize any credits for income taxes in the accompanying consolidated statements of operations to offset its pre-tax losses in those years.

### Note 5 - Concentrations of credit risk:

Financial instruments which subject the Company to concentrations of credit risk consist primarily of cash. The Company maintains cash in bank deposit and other accounts the balances of which, at times, may exceed Federal insurance limits. At December 31, 2002, such cash balances did not exceed Federal insurance limits. Exposure to credit risk is reduced by placing such deposits in major financial institutions and monitoring their credit ratings.

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### Note 6 - Preferred stock:

The Company's Articles of Incorporation authorize the issuance of up to 1,000,000 shares of Class A preferred stock and 1,000,000 shares of Class B preferred stock. No shares of preferred stock had been issued as of December 31, 2002. Each share of Class A and Class B preferred stock is nonvoting; is entitled to an annual dividend, as may be declared by the Company's board of directors, of 10% that is cumulative; has a par value of \$10 per share; and has a preference in liquidation equal to its par value plus all declared but unpaid dividends. Each share of Class A preferred stock is convertible at any time into five shares of the Company's common stock.

### Note 7 - Stock option plan:

On April 17, 2000, the Board of Directors approved a Stock Option Plan (the "Plan"), subject to ratification by the Company's stockholders, whereby up to 2,000,000 shares of the Company's common stock may be granted to key personnel in the form of incentive stock options and nonstatutory stock options, as defined under the Internal Revenue Code. Key personnel eligible for these awards may include all present and future employees of the Company and individuals who are consultants to the Company as well as nonemployee directors of the Company. Under the Plan, the exercise price of options must be at least 100% of the fair market value of the common stock on the date of grant (the exercise price of an incentive stock option for an optionee that holds more than 10% of the combined voting power of all classes of stock of the Company must be at least 110% of the fair market value on the date of grant). The maximum term of any stock option granted may not exceed ten years (or five years of an optionee that holds 10% or more of the Company stock) from the date of grant.

As of April 7, 2003, no stock options had been awarded under the Plan.

F-13

NorStar Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

### Note 8 - Consulting agreements:

On April 17, 2000, the Company entered into agreements with three consultants that expired on April 17, 2001. Under these agreements, the consultants were, among other things, assisting the Company in finding businesses located primarily in England, other European countries and the Northeastern section of the United States that would advertise in and/or link to the Company's online community.

As consideration for their services, the three consultants received options to purchase a total of 1,300,000 shares of the Company's common stock that were exercisable at \$.40 per share at any time during the terms of the consulting agreements. The options expired on April 17, 2001. The aggregate fair value of the options granted to the consultants of \$377,000 as of the date of grant, as determined based on the Black-Scholes option-pricing model, which was recorded as unearned compensation and amortized to expense over the period from April 17, 2000 to April 17, 2001, as required by SFAS 123.

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On July 25, 2002, the Company entered into new agreements with certain of these consultants as well as additional agreements with other consultants. Under these agreements, the consultants will be required to, among other things, assist the Company in finding businesses located primarily in Europe that would advertise in and/or link to the Company's online community in addition to performing web site development services. These agreements will expire on July 25, 2003. As consideration for their services, the consultants received a total of 5,050,000 shares of common stock with an aggregate fair market value of \$101,000. The Company recorded the aggregate fair value as unearned compensation which it is amortizing to expense over the period from July 25, 2002 to July 25, 2003.

Note 9 - Fair value of financial instruments:

The Company's material financial instruments at December 31, 2002 for which disclosure of estimated fair value is required by certain accounting standards consisted of cash, accounts payable and notes payable to stockholders. In the opinion of management, cash and accounts payable were carried at fair values because of their liquidity and/or short-term maturities. Because of the relationship of the Company and its stockholders, there is no practical method that can be used to determine the fair value of the notes payable to stockholders.

\* \* \*

F-14

Item 8. Changes in and disagreements with accountants on accounting and financial disclosure

None

Part III

Item 9. Directors and Executive Officers of the Registrant  
DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

NAME	AGE	TITLE DIRECTORSHIP	FIVE YEARS BUSI
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Harry F. DiFrancesco	76	President Chairman of Bd	*In 1965 Mr. DiFrancesco was DiFrancesco Construction Comp Mr.DiFrancesco established an company in Brazil. From 1979 Chairman of the Board of Inte Corp. an importer and wholesa has more than 40 years of bus development, importing and je
Andrew S. Peck	57	V.P. of Finance Dir. & Secretary	*Since 1990, Mr. Peck has ser Financial Specialist for Fina Mr. Peck has more than 20 yea finance, planning, project an

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Jay Sanet	53	CEO & Director	*Mr. Sanet has served as a Director. From 1996 to 1998, Mr. Sanet was a member of the National Equity Group. In 1999, he was a manager for Vision Investment Group. Sanet was a registered representative of Robin. He actively assists the Company in exploring merger candidates.
Maynard Neil Aboguv	58	VP of Sales Mgmt Director*	*Mr. Aboguv has over 15 years of experience as a representative and manager for the Company representing several industries.

\* Each Director shall hold office until the next annual meeting of stockholders and until his successor shall have been elected and qualified. The directors of NorStar hold no other directorship in any other reporting company. There are no family relationships among the directors, executive officers or persons nominated or chosen by the Company to become directors or executive officers.

Item 10. Executive Compensation.

The following table sets forth certain information concerning the annual and long-term compensation for services as officers to the Company for the fiscal year ended December 31, 2002.

Fiscal Year	Name of Individual	Capacity in which served	Salaries, Fees & Commissions	Bonuses	Deferred Compensation
-----	-----	-----	-----	-----	-----
2001					
	Harry DiFrancesco*	Pres. & Dir	\$0.00		
	Jay Sanet*	V.P. & Dir.	\$0.00		
	Andrew S. Peck*	Sect, Treas. & Dir	\$0.00		
	Maynard N. Abguv*	V.P. & Dir.	\$0.00		
2002					
	Harry DiFrancesco*	Pres. & Dir	\$0.00		
	Jay Sanet*	V.P. & Dir.	\$0.00		
	Andrew S. Peck*	Sect, Treas. & Dir	\$0.00		
	Maynard N. Abguv*	V.P. & Dir.	\$0.00		

\* The Company has paid no compensation to any of its named executive officers and directors. In lieu of compensation the officers and directors received shares of NorStar Common Stock.

\*\* The level of compensation for the Company's named executive officers and directors will be determined following the next shareholders meeting of the Company.

Item 11. Security Ownership of Certain Beneficial Owners and Management  
(b) Security Ownership of Management

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8

Title of class	Name and address of beneficial owners	Amount and nature of beneficial ownership	Percentage of cla
Common Stock	Harry F. DiFrancesco 4101 Ravenswood Road, Suite 128 Fort Lauderdale, Fl 33312	1,500,000 shares	0.05%
Common Stock	Andrew Peck 4101 Ravenswood Road, Suite 128 Fort Lauderdale, Fl 33312	200,000 shares	0.01%
Common Stock	Jay Sanet 4101 Ravenswood Road, Suite 128 Fort Lauderdale, Fl 33312	125,000 shares	0.00%
Common Stock	Maynard Neil Aboguv 4101 Ravenswood Road, Suite 128 Fort Lauderdale, Fl 33312	50,000 shares	0.00%

(c) Change in Control

There are no arrangements, including any pledge by any person of securities of NorStar or any of its parents, the operation of which may at a subsequent date result in a change in control of the registrant.

Item 12. Certain Relationships and Related Transactions

None

Item 13. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The exhibits listed below are incorporated by reference as previously filed with the Form 10-SB:

Exhibit No.	Description
3.1	Articles of Incorporation as filed with the Utah Secretary of State
3.1(i)	By-laws
3.1 (ii)	Specimen Stock Certificate
4(a)	Certificate of Existence and Good Standing Status
4(b)	Certificate to do business as a Foreign Corporation in the State of Florida

Item 14. Control and Procedures

(a) Evaluation of disclosure controls and procedures. We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in the reports filed with the SEC is

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recorded, processed, summarized and reported within the time periods specified in the rules of the SEC. Within 90 days prior to the filing of this Annual Report on form 10-KSB, we carried out an evaluation, under the supervision and the participation of our management including our Chief Executive Officer of the design and operation of these disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, our Chief Executive Officer concluded that our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company required to be in our periodic SEC filings.

- (b) Changes in internal controls. There were no significant changes in internal controls or other factors that could significantly affect our internal controls subsequent to the date of our evaluation.

9

EXHIBIT 99.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

### CERTIFICATIONS

I, Jay Sanet, certify that:

1. I have reviewed this annual report on Form 10-KSB of Norstar Group, Inc.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements made in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report.
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report ("Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal codes which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 15, 2003

/s/ Jay Sanet

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CEO

10

EXHIBIT 99.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATIONS

I, Andrew S. Peck, certify that:

1. I have reviewed this annual report on Form 10-KSB of Norstar Group, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements made in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:



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- a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report ("Evaluation Date"); and
  - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a. all significant deficiencies in the design or operation of internal codes which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 15, 2003

/s/ Andrew S. Peck

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CFO

11

SIGNATURES

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

NORSTAR GROUP, INC.

(Registrant) By:

Harry DiFrancesco, President and  
Chairman of the Board

Date

Pursuant to the requirements of the Securities Exchange Act of 1934,

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this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the 15 day of April 2003.

Signature	Title
/s/ Harry DiFrancesco ----- Harry DiFrancesco Board	President and Chairman of the
/s/ Andrew S. Peck ----- Andrew S. Peck and Secretary	Vice President of Finance, Director
/s/ Jay Sanet ----- Jay Sanet	CEO, Director
/s/ Maynard Neil Aboguv -----	Vice President Sales Management,