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LEADVILLE MINING & MILLING CORP
Form 10QSB
December 20, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 0-13078

LEADVILLE MINING & MILLING CORPORATION
(Exact name of small business issuer as specified in its charter)

NEVADA
(State or other jurisdiction of
incorporation or organization)

13-3180530
(I.R.S. Employer
Identification No.)

76 Beaver Street, New York, NY 10005
(Address of principal executive offices)

Issuer's telephone number, including area code: (212) 344-2785

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date.

| Class ----- | Outstanding at December 19, 2001 ----- |
|---|---|
| Common Stock, par value \$.001 per share | 35,175,548 Shares |

Transitional Small Business Format (check one); Yes No X

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying financial statements are unaudited for the interim periods, but include all adjustments (consisting only of normal recurring accruals), which we consider necessary for the fair presentation of results for

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the three months ended October 31, 2001.

Moreover, these financial statements do not purport to contain complete disclosure in conformity with generally accepted accounting principles and should be read in conjunction with our audited financial statements at, and for the fiscal year ended July 31, 2001.

The results reflected for the three months ended October 31, 2001 are not necessarily indicative of the results for the entire fiscal year.

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED BALANCE SHEET
OCTOBER 31, 2001
(Unaudited)

ASSETS

| | |
|--|--------------|
| Current Assets: | |
| Cash | \$ 31,847 |
| Loans Receivable - Related Party | 8,000 |
| Loans Receivable - Others | 42,800 |
| Other Current Assets | 9,778 |
| | ----- |
| Total Current Assets | 92,425 |
| | ----- |
| Property and Equipment (Net of Accumulated Depreciation of \$365,202) | 1,389,905 |
| | ----- |
| Other Assets: | |
| Mining Reclamation Bonds | 47,750 |
| Security Deposit | 3,667 |
| | ----- |
| Total Other Assets | 51,417 |
| | ----- |
| Total Assets | \$ 1,533,747 |
| | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---------------------------|------------|
| Current Liabilities: | |
| Accounts Payable | \$ 132,337 |
| Notes Payable | 4,022 |
| Option Payment Payable | 50,000 |
| | ----- |
| Total Current Liabilities | 186,359 |
| | ----- |

Commitments and Contingencies

Stockholders' Equity:

Common Stock, Par Value \$.001 Per Share;

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| | |
|--|------------------|
| Authorized 150,000,000 shares; Issued and | |
| Outstanding 34,905,981 Shares | 34,906 |
| Capital Paid In Excess of Par Value | 20,807,517 |
| Deficit Accumulated in the Development Stage | (19,494,917) |
| Accumulated Other Comprehensive Income (Loss) | (118) |
| | ----- |
| Total Stockholders' Equity | 1,347,388 |
| | ----- |
| Total Liabilities and Stockholders' Equity | \$ 1,533,747 |
| | ===== |

The accompany notes are an integral part of the financial statements.

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

| | For The Three Months Ended October 31, | | For The Pe September 1 (Incepti To October 31, |
|--|--|-----------|--|
| | 2001 | 2000 | October 31, |
| | (Unconsolidated) | | |
| Revenues: | | | |
| Interest Income | \$ 640 | \$ 653 | \$ 715, |
| Miscellaneous | -- | 4,577 | 26, |
| | ----- | ----- | ----- |
| Total Revenues | 640 | 5,230 | 741, |
| | ----- | ----- | ----- |
| Costs and Expenses: | | | |
| Mine Expenses | 152,575 | 323,684 | 4,553, |
| Selling, General and Administrative Expenses | 113,891 | 93,373 | 6,845, |
| Stock Based Compensation | -- | 426,550 | 8,332, |
| Depreciation | 581 | 956 | 365, |
| Loss on Write-Off of Investment | -- | -- | 10, |
| Loss on Joint Venture | -- | -- | 101, |
| | ----- | ----- | ----- |
| Total Costs and Expenses | 267,047 | 844,563 | 20,207, |
| | ----- | ----- | ----- |
| Loss Before Provision For Income Taxes | (266,407) | (839,333) | (19,465, |
| Provision For Income Taxes | 380 | 170 | 28, |
| | ----- | ----- | ----- |

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| | | | |
|-----------------------------------|--------------|--------------|-------------|
| Net Loss | \$ (266,787) | \$ (839,503) | \$ (19,494, |
| | ===== | ===== | ===== |
| Net Loss Per Share | \$ (. 01) | \$ (.03) | |
| | ===== | ===== | |
| Average Common Shares Outstanding | 34,401,366 | 26,150,013 | |
| | ===== | ===== | |

The accompanying notes are an integral part of the financial statements.

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

| | For the Three Months Ended October 31, | | For The September (Incep T October |
|--|--|--------------|--|
| | 2001 | 2000 | October |
| | (Unconsolidated) | | |
| Cash Flow From Operating Activities: | | | |
| Net Loss | \$ (266,787) | \$ (839,503) | \$ (19,4 |
| Adjustments to Reconcile Net Loss to Net Cash Used By Operating Activities: | | | |
| Depreciation | 581 | 956 | 3 |
| Loss on Write-Off of Investment | -- | -- | |
| Loss From Joint Venture | -- | -- | 1 |
| Value of Common Stock Issued For Services | -- | 15,170 | 2,7 |
| Stock Based Compensation | -- | 426,550 | 8,3 |
| Changes in Operating Assets and Liabilities: | | | |
| (Increase) Decrease in Other Current Assets | (3,462) | (6,474) | |
| Increase in Security Deposit | -- | -- | |
| Increase (Decrease) in Accounts Payable | 61,701 | 52,296 | 1 |
| Other | 363 | -- | |
| | ----- | ----- | ----- |
| Net Cash Used By Operating Activities | (207,604) | (351,005) | (7,8 |
| | ----- | ----- | ----- |
| Cash Flow From Investing Activities: | | | |
| Purchase of Property and Equipment | -- | -- | (1,7 |
| Investment in Joint Venture | -- | -- | (1 |
| Investment in Privately Held Company | -- | -- | (|
| Net Assets of Business Acquired (Net of Cash) | -- | -- | (|
| Increase in Option Payment Payable | -- | -- | |
| | ----- | ----- | ----- |

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| | | | |
|---------------------------------------|-------|-------|-------|
| Net Cash Used By Investing Activities | -- | -- | (1,8 |
| | ----- | ----- | ----- |

The accompanying notes are an integral part of the financial statements.

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(Continued)

| | For the Three Months Ended October 31, | | For The September (Incep To October |
|---|--|-----------|---|
| | 2001 | 2000 | October |
| | ----- (Unconsolidated) | | ----- |
| Cash Flow From Financing Activities: | | | |
| Increase in Loans Receivable - Related Party | \$ 3,000 | \$ -- | \$ |
| Increase in Loans Receivable - Others | (1,500) | (1,500) | (|
| Increase in Loans Payable - Officers | -- | -- | (|
| Repayment of Loans Payable - Officers | -- | -- | (|
| Increase in Note Payable | -- | -- | (|
| Payments of Note Payable | (1,179) | (1,228) | (|
| Proceeds From Sale of Common Stock | 175,210 | 383,570 | 10,1 |
| Commissions on Sale of Common Stock | -- | -- | (4 |
| Expenses of Initial Public Offering | -- | -- | (4 |
| Purchase of Certificate of Deposit - Restricted | -- | -- | (|
| Purchase of Mining Reclamation Bond | -- | (6,600) | (|
| | ----- | ----- | ----- |
| Net Cash Provided By Financing Activities | 175,531 | 374,242 | 9,6 |
| | ----- | ----- | ----- |
| Increase (Decrease) In Cash | (32,073) | 23,237 | (|
| Cash - Beginning | 63,920 | 49,422 | ----- |
| | ----- | ----- | ----- |
| Cash - Ending | \$ 31,847 | \$ 72,659 | \$ |
| | ===== | ===== | ===== |
| Supplemental Cash Flow Information: | | | |
| Cash Paid For Interest | \$ -- | \$ -- | ----- |
| | ===== | ===== | ===== |
| Cash Paid For Income Taxes | \$ -- | \$ 170 | \$ |
| | ===== | ===== | ===== |

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Non-Cash Financing Activities:

| | | | |
|--|----------------|--------------------|---------------|
| Issuances of Common Stock as Commissions on Sales of Common Stock | \$ -- ===== | \$ 58,530 ===== | \$ 4 ===== |
| Issuance of Common Stock as Payment for Expenses | \$ -- ===== | \$ -- ===== | \$ 1 ===== |
| Issuance of Common Stock as Payment for Property and Equipment | \$ -- ===== | \$ -- ===== | \$ ===== |

The accompanying notes are an integral part of the financial statements.

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LEADVILLE MINING AND MILLING CORP.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001
(Unaudited)

NOTE 1 - Basis of Presentation

The consolidated financial statements include the accounts of Leadville Mining & Milling Corp. and its subsidiaries, all of which are wholly-owned. All significant inter-company accounts and transactions have been eliminated in consolidation.

In the opinion of the Company's management, the accompanying consolidated financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the consolidated financial position and results of operations and cash flows for the periods presented. These financial statements are unaudited and have not been reported on by independent public accountants.

Results of operations for interim periods are not necessarily indicative of the results of operations for a full year.

Effective December 15, 2000, Leadville obtained an option from AngloGold North America Inc. to purchase from AngloGold North America Inc., and AngloGold (Jerritt Canyon) Corp. 100% of the issued and outstanding stock of Minera Chanate, S.A. de C.V., ("Minera") a subsidiary of those two companies. Minera's assets consist of certain exploitation and exploration concessions of the States of Sonora, Chihuahua and Guerrero, Mexico.

Pursuant to the option, during fiscal 2001, Leadville provided AngloGold funds needed of approximately \$145,000 to cover all rental and maintenance payments required to hold Minera's concessions.

On June 29, 2001 Leadville exercised its option to purchase all of the stock of Minera. In addition, although it exercised such option, Leadville must make a payment of \$50,000 to AngloGold pursuant to the option agreement. If such \$50,000 payment is not made by December 15, 2001, Leadville must sell back to

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AngloGold the Minera shares for nominal consideration. During December 2001 Leadville made the required option payment.

Under the terms of the option, Leadville has granted AngloGold the right to designate one of its wholly-owned Mexican subsidiaries to receive a one-time option to purchase 51% of Minera Chanate. That option is exercisable over a 180 day period commencing at such time as Leadville notifies AngloGold that it has made a good faith determination that it has gold-bearing ore deposits on any one of the identified group of Minera Chanate properties, when aggregated with any ore that Leadville has mined, produced and sold from such properties, of in excess of 2,000,000 troy ounces of contained gold. The exercise price would equal twice Leadville's project costs on the properties during the period commencing on December 15, 2000 and ending on the date of such notice.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Statement on Forward-Looking Statements

Some information contained in or incorporated by reference into this report on Form 10-QSB may contain "forward-looking statements," as defined in Section 21E of the Securities and Exchange Act of 1934. These statements include comments regarding exploration and mine development and construction plans, costs, grade, production and recovery rates, permitting, financing needs, the availability of financing on acceptable terms or other sources of funding, and the timing of additional tests, feasibility studies and environmental permitting. The use of any of the words "anticipate," "continue," "estimate," "expect," "may," "will," "project," "should," "believe" and similar expressions are intended to identify uncertainties. We believe the expectations reflected in those forward-looking statements are reasonable. However, we cannot assure you that these expectations will prove to be correct. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and other factors set forth in, or incorporated by reference into, this report:

- o worldwide economic and political events affecting the supply of and demand for gold;
- o volatility in market prices for gold and other metals;
- o financial market conditions, and the availability of debt or equity financing on terms acceptable to our company;
- o uncertainties as to whether additional drilling, testing and feasibility studies will establish reserves at any of our properties;
- o uncertainties associated with developing a new mine, including potential cost overruns and the unreliability of estimates in early states of mine development;
- o uncertainties as to title to our properties and the availability of sufficient properties to allow for planned activities in the Leadville District;
- o variations in ore grade and other characteristics affecting mining, crushing, milling and smelting operations and mineral recoveries;

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- o geological, metallurgical, technical, permitting, mining and processing problems;
- o the availability and timing of acceptable arrangements for power, transportation, mine construction, contract mining, water and smelting; the availability, terms conditions and timing of required government approvals;
- o uncertainties regarding future changes in tax and foreign-investment legislation or implementation of existing tax and foreign-investment legislation;

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- o the availability of experienced employees; and
- o political instability, violence and other risks associated with operating in a country like Mexico with a developing economy.

Many of those factors are beyond our ability to control or predict. You should not unduly rely on these forward-looking statements. These statements speak only as of the date of this report on Form 10-QSB. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect future events or developments. All subsequent written and oral forward-looking statements attributable to our Company and persons acting on our behalf are qualified in their entirety by the cautionary statements contained in this section and elsewhere in this report on Form 10-QSB.

Three Months Ended October 31, 2001 compared to Three Months Ended October 31, 2000

Results of Operation

On December 14, 2001 we finalized the stock purchase to acquire all the outstanding shares of Minera Chanate S.A. de C.V. the holding company of all of AngloGold/North America's mineral concessions in Mexico by making the final requisite \$50,000 payment.

During the fiscal quarter ended October 31, 2001, due diligence continued with regards to these mineral concessions located in Northwest Mexico owned by Minera Chanate. Based upon the results of our due diligence studies, we dropped 62 of the 106 concessions, leaving 44 concessions. These concessions represent in excess of 44 square miles of terrain.

During the quarter, we also conducted geological evaluation of several specific areas within the concessions to determine whether open pit potential existed. The result of these studies were negative and no further work is planned.

The El Chanate mine, one of the primary targets within the Minera Chanate concessions, was also further evaluated. Scott Hazlitt, consultant, conducted field studies and computer simulations. Metallurgical testing also continued. Results of grinding studies indicated that the gold recovery increased significantly as grinding reduced the ore particle size. Studies by Resource Development Inc., of Wheat Ridge, Colorado indicated encouraging gold recoveries using heap leach cyanide technology on minus 2 inch material. Further testing is planned.

Our evaluation of the Minera Chanate properties remains an on-going project. Upon completion of the pre-feasibility and feasibility studies and assuming that

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the results are satisfactory, we hope to be ready in mid 2002 for mine development followed by production. The feasibility studies indicated, will consist of primarily drilling, metallurgy, pit and plant design. The ability to conduct this operation is determined by the availability of capital. As a result, we will be seeking capital through bank bridge financing, joint venture, or private placement of our securities. We cannot assure that we will be able to secure adequate financing from any of these or other sources.

During the first fiscal quarter ended October 31, 2001 exploration continued at the Hopemore mine, in Colorado, both underground and on the surface in search of mineable gold.

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At the Hopemore mine, 7th level the exploratory drift on vein #69, 7L-428 continued in a southeasterly direction encountering gold and silver mineralization on an average 4-foot width, the length of the structure. Long hole drilling was also carried out at the terminus of the drift to test the walls and the vein ahead of the drift. The #69 vein is considered to be the feeder system to the overlying Silica Stope, ore body. The grades to date reveal a series of small gold shoots along a generally, lower grade mineral trend. The site is presently undergoing evaluation pursuant to possible further exploration.

Long hole drilling has also been performed on the Hopemore 6th level at a location where intense mining occurred at the turn of the last century. No assay results have yet been received.

R.C. drilling including Phase I and Phase II have been completed and the results are being evaluated. Phase III R.C. drilling will be guided by information gained from the evaluation. General observations to date revealed a large envelope of gold/silver mineralization associated with near surface carbonate rock units, overlain by approximately 100 feet of porphyry sill material. The mineral trend appears to trend to the north-northeast and east. We continue to seek an expanded land position in that direction.

R.C. Drilling also took place on ground acquired to the west of the Hopemore Mine, in the areas of the great magnetic anomaly. Three R.C. holes were drilled within the anomaly and encountered disseminated gold/silver mineralizations at depths of 150 to 200 feet. The results were encouraging and will serve as the catalyst for further exploration.

We generated no revenues from operations during the three months ended October 31, 2001 and 2000. There were de minimis non-operating revenues during the three months ended October 31, 2001 and 2000 of \$640 and \$5230, respectively.

Over all, costs and expense decreased by \$577,516 (approximately 68.4%) from October 31, 2000 (\$844,563) to October 31, 2001 (\$267,047).

Mine expenses decreased by \$171,109 (approximately 52.9%) from October 31, 2000 (\$323,684) to October 31, 2001 (\$152,575). The decrease in mine expenses resulted primarily from a limited amount of capital available to us for these purposes.

Selling, general and administrative expenses increased by \$20,518 approximately (22.0%) from October 31, 2000 (\$93,373) to October 31, 2001 (\$113,891) primarily due to increased administrative activities.

Stock based compensation decreased 426,550 approximately (100%) from October 31,

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2000 (426,550) to October 31, 2001 (0) due to a decrease in option grants.

As a result, our net loss for the three months ended October 31, 2001 was \$266,787, which was \$572,716 (approximately 68.2%) less than our October 31, 2000 loss of \$839,503.

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Liquidity and Capital Resources

As of October 31, 2001, we had a working capital deficit of (\$93,934). We anticipate that we will need approximately \$750,000 in order to carry out our plans for the remainder of the fiscal year ending July 31, 2002. Our plans include the costs of administration, and exploration related activities in both Colorado and Mexico. As was explained in our annual report on form 10-KSB, we are in a precarious financial condition. No assurance whatsoever can be given that we will be able to continue as a going concern or that any of our plans with respect to our gold properties will, to a material degree, come to fruition. In order to continue our program, we must obtain substantial financing. While we are seeking such financing through bank bridge financing, private placement of our shares, joint venture partners and other arrangements, there is no assurance that we will be successful.

In this regard, during the three months ended October 31, 2001, we raised approximately \$175,210 through the sale of common stock.

Environmental Issues

Management does not expect that environmental issues will have an adverse material effect on our liquidity or earnings. Before any mining development or mining exploration or construction of milling facilities could begin at our Leadville properties, it was necessary to meet all environmental requirements and to satisfy the regulatory agencies in Colorado that our proposed procedures fell within the boundaries of sound environmental practice. We are bonded to insure procedures and reclamation of any areas disturbed by our activities. In 1997, the Colorado Mined Land Reclamation Board reviewed our permit and bond and determined that an increase in the bond was necessary. At that time, we placed an additional \$6,000 in escrow against any future indemnity. We again increased the bond by an additional \$24,550 and \$6,600, respectively on March 14, 2000 and July 25, 2000. The current amount of this bond is \$37,150. In Mexico, we are not aware of any significant environmental concerns or existing reclamation requirements at the Minera Chanate properties. However, we will be required to obtain various environmental and related permits in order to engage in our planned activities at El Chanate. The costs and any delays associated with obtaining these required permits could have an impact on our ability to timely complete our planned activities at El Chanate and ultimately on the feasibility of opening a mine.

Part of the Leadville Mining District was declared a Superfund site. Several mining companies and one individual were declared defendants in a possible lawsuit. We were not named a defendant or Possible Responsible Party. We did respond in full detail to a lengthy questionnaire prepared by the Environmental Protection Agency ("EPA") regarding our proposed procedures and past activities in November 1990. To our knowledge, the EPA has initiated no further comments or questions.

We do include in all our internal revenue and cost projections a certain amount for environmental and reclamation costs on an ongoing basis. This amount is determined at a fixed amount of \$1.50 per ton of material to be milled on a

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continual, ongoing basis to provide for further tailing disposal sites and to reclaim the tailings disposal sites in use. At this time, there does not appear to be any environmental costs to be incurred by us beyond those already addressed above. No assurance can be given that environmental regulations will not be changed in a manner that would adversely affect our planned operations.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities and Use of Proceeds

During the quarter ended October 31, 2001, we issued the following shares of our common stock pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933: In August 2001, we sold an aggregate of 621,667 shares to 6 individuals for an aggregate of \$86,500. In September 2001, we sold an aggregate of 272,985 shares to 4 individuals for an aggregate of \$33,660. In October 2001, we sold an aggregate of 471,730 shares to 6 individuals for an aggregate of \$55,050.

Item 3. Defaults Upon Senior Securities

None.

Item 4 Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

None

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

LEADVILLE MINING & MILLING CORPORATION
Registrant

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By: /s/ Gifford A. Dieterle

Gifford A Dieterle
President/Treasurer

Date: December 20, 2001