

CARMINA TECHNOLOGIES INC  
Form 10QSB  
July 22, 2004

**UNITED STATES 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 PERIOD ENDED March 31, 2004**

Commission File number 0-30685

CARMINA TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Utah

870305395

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

810, 540 5<sup>th</sup> Avenue SW, Calgary, Alberta, Canada

(Address of principal executive officers)

T2P-0M2

(Zip Code)

(403) 269-5369

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

ISSUER HAS NOT BEEN INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

ISSUER IS A CORPORATION

Common stock, No par value - 25,056,000 shares issued and outstanding as of May 26, 2004.

Transitional Small Business Disclosure Format (Check One):

Yes  No

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**Part I**

**Item 1. Interim Financial Statements**

**CARMINA TECHNOLOGIES, INC.**

**AND SUBSIDIARIES**

**(in US Dollars)**

**(Unaudited)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2004**

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**CARMINA TECHNOLOGIES, INC. AND SUBSIDIARIES**

## Consolidated Balance Sheets

(in US Dollars)

As at	March 31, 2004 (unaudited)	December 31, 2003
<b>CURRENT ASSETS</b>		
Cash	\$ 10,123	\$ 27,611
Accounts receivable (net of allowance of \$4,815)	2,775	93,193
Other receivables	35,264	15,387
Prepaid expenses	24,778	83,958
Inventory	18,106	17,032
Marketable securities (Note 1(a))	225	6,750
Current assets held for sale (Note 5)	132,667	--
<b>Total Current Assets</b>	<b>223,938</b>	<b>243,931</b>
<b>PROPERTY AND EQUIPMENT</b>		
(net of accumulated depreciation)	53,129	127,074
Property and equipment held for sale (Note 5)	62,413	--
Goodwill (Note 5)	20,900	575,565

TOTAL ASSETS	\$	360,380 \$	946,570
<u>LIABILITIES AND CAPITAL DEFICIT</u>			
CURRENT LIABILITIES			
Accounts payable	\$	333,606 \$	817,352
Due to related party (Note 1(b))		1,275,016	1,011,319
Accrued expenses		38,305	29,855
Current portion of capital lease		7,634	25,014
Deferred revenues		--	33,226
Redeemable preferred shares of a subsidiary		250,675	250,675
Current liabilities held for sale (Note 5)		496,658	--
Total Current Liabilities		2,401,894	2,167,441
Capital lease		846	17,331
Total Liabilities		2,402,740	2,184,772
CAPITAL DEFICIT			
Common stock: 40,000,000 shares authorized no par value,			
25,056,000 shares (December 31, 2003 - 24,606,000)		2,606,332	2,510,832
Additional paid-in capital		2,630,408	2,580,760
Shares to be issued (Note 6)		--	80,500
Accumulated other comprehensive loss			
-foreign exchange losses		(127,066)	(199,068)
Accumulated deficit		(7,152,034)	(6,211,226)
Total Capital Deficit		(2,042,360)	(1,238,202)
TOTAL LIABILITIES & CAPITAL DEFICIT	\$	360,380 \$	946,570

*See accompanying notes to the interim consolidated financial statements*

**CARMINA TECHNOLOGIES, INC. AND SUBSIDIARIES**

Interim Consolidated Statements of Operations

(in US Dollars)

(unaudited)

	For the three months ended March 31 <sup>st</sup>	
	2004	2003
<b>REVENUES</b>		
Consulting	\$ 9,448	\$ --
	9,448	--
<b>COST OF REVENUES</b>		
Consulting	873	--
	873	--
<b>GROSS PROFIT</b>	8,575	--
<b>EXPENSES</b>		
General and administrative	378,058	1,084,478
Selling and marketing	530	40,867
Depreciation	5,120	4,175
Research and development	--	24,870
Total Expenses	383,708	1,154,390
<b>LOSS FROM OPERATIONS</b>	( 375,133 )	(1,154,390)
<b>OTHER INCOME (EXPENSES)</b>		
Unrealized loss on investments	(6,525)	--
Interest and other income	--	--
Interest expense	(634)	--
Total Other Expenses	(7,159)	--
Loss from continued operations	( 382,292 )	(1,154,390)
Loss from discontinued operations (Note 5)	( 558,516 )	(53,908)
<b>NET LOSS FOR THE PERIOD</b>	\$ (940,808)	\$ (1,208,298)
<b>BASIC AND DILUTED LOSS PER SHARE</b>		
from continued operations	\$ (0.0 2 )	\$ (0.05)
from discontinued operations	(0.0 2 )	(0.00)
after discontinued operations	\$ (0.04)	\$ (0.05)
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>	24,645,560	24,126,018

See accompanying notes to the interim consolidated financial statements.

**CARMINA TECHNOLOGIES, INC. AND SUBSIDIARIES**

Interim Consolidated Statements of Comprehensive Loss

(in US Dollars)

(unaudited)

For the three months ended March 31<sup>st</sup>

	2004	2003
NET LOSS FOR THE PERIOD	\$ (940,808)	\$ (1,208,298)
Foreign exchange translation gains (losses)	72,002	(31,202)
COMPREHENSIVE LOSS	\$ (868,806)	\$ (1,239,500)

*See accompanying notes to the interim consolidated financial statements.*

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**CARMINA TECHNOLOGIES, INC. AND SUBSIDIARIES**

Interim Consolidated Statements of Capital Deficit

(in US Dollars)

(unaudited)

<u>Common Stock</u>	Additional Paid in Capital	Shares to be issued	Accumulated Other Comprehensive Losses	Accumulated Deficit	Total
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	No. of Shares		Amount					
Balance, Jan 1, 2004	24,606,000	\$ 2,510,832	\$ 2,580,760	\$ 80,500	(199,068)	\$ (6,211,226)	\$ (1,238,202)	
Common stock issued for purchase agreement (Note 6)	350,000	80,500	--	(80,500)	--	--	--	--
Common stock issued in settlement on termination of employment (Note 6)	100,000	15,000	--	--	--	--	15,000	
Compensation expense on options issued to consultants and employees (Note 3 (b))		--	19,648		--	--	19,648	
Services contributed by officers of the Company (Note 4)		--	30,000		--	--	30,000	
Other comprehensive losses			--	--	72,002	--	72,002	
Net loss for the period			--	--	--	(940,808)	(940,808)	
Balance, March 31, 2004	25,056,000	\$ 2,606,332	\$ 2,630,408	\$ --	(127,066)	\$ (7,152,034)	\$ (2,042,360)	

*See accompanying notes to the interim consolidated financial statements.*

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**CARMINA TECHNOLOGIES, INC. AND SUBSIDIARIES**

Interim Consolidated Statements of Cash Flows

(in US Dollars)



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(unaudited)

For the three months ended March 31<sup>st</sup>

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss from continued operations	\$ (382,292)	\$ (1,154,390)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation	5,120	4,175
Services contributed by officers (Note 4)	30,000	30,000
Stock and warrants issued for services	59,332	--
Unrealized loss on securities	6,525	--
Compensation expense through issuance of options		
(Note 3 (b))	19,648	630,805
Compensation expense on cashless exercise of options	--	348,000
Changes in operating assets & liabilities:		
Decrease in receivables	51	21,642
(Increase) decrease in prepaid expenses	(16,814)	421
(Increase) decrease in inventory	(429)	2,086
Increase (decrease) in accounts payable & accrued expenses	32,932	(14,688)
Cash flows used in continued operations	(245,927)	(131,949)
Cash flows provided by (used in ) discontinued operations	31,181	(51,015)
Net Cash Used in Operating Activities	(214,746)	(182,964)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	--	(12,391)
Net Cash Used in Investing Activities	--	(12,391)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from related parties (Note 1 (b))	203,324	140,328
Capital lease payments	(1,954)	--
Net Cash Provided by Financing Activities	201,370	140,328
NET DECREASE IN CASH	(13,376)	(55,027)
Effect of currency fluctuation on cash	(4,112)	743
CASH AT BEGINNING OF PERIOD	27,611	42,930

CASH AT END OF PERIOD	\$	10,123	\$	(11,354)
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\*See Note 6 for Statement of Cash Flows supplementary information.

*See accompanying notes to the interim consolidated financial statements*

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## CARMINA TECHNOLOGIES, INC. AND SUBSIDIARIES

### Notes to the Interim Consolidated Financial Statements

March 31, 2004

(In US Dollars)

(unaudited)

#### NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

As a result of the Company's decision to sell its operations of Worldwide Online Corp. (WVO), the interim consolidated financial statements presented for the three-month period ended March 31, 2004 include those of Carmina Technologies, Inc., its wholly owned subsidiaries Carmina Canada Inc. (CCI) and Assured Performance Monitoring, Inc. (APM). Collectively, they are referred to herein as the Company. The Consolidated Balance Sheet as at December 31, 2003 include the financial position of the Company and that of WVO.

In February 2004, the Company decided to sell the assets of WVO. Accordingly the assets and liabilities of WVO have been segregated as Net liabilities of operations held for sale in the Balance Sheet and the results of operations and cash flows of WVO have been segregated in the Statement of Operations (Note 5).

Carmina Technologies, Inc. (Carmina) was incorporated under the laws of the State of Utah on March 5, 1973. The Company develops and markets technological services in the performance monitoring sector.

On February 9, 2000, the Company completed an Agreement and Plan of Reorganization whereby Carmina issued 16,000,000 shares of its common stock in exchange for all of the outstanding common stock of Carmina Canada Inc. The reorganization was accounted for as a recapitalization of CCI because the shareholders of CCI control the

Company after the acquisition. Therefore, the financial statements are presented as a continuation of CCI.

APM

APM develops and markets the ASSUR family of monitoring services. Using proprietary software, the ASSUR products facilitate planning and scheduling and monitor the execution of critical services and confirm proof of delivery and execution.

The interim consolidated financial statements included herein have been prepared by the Company, without audit, in accordance with accounting principles generally accepted in the United States and pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these interim consolidated financial statements be read in conjunction with the consolidated financial statements for the year ended December 31, 2003 and notes thereto included in the Company's Annual Report on Form 10-KSB. The Company follows the same accounting principles in the preparation of interim reports.

Results of operations for the interim periods may not be indicative of annual results.

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**CARMINA TECHNOLOGIES, INC. AND SUBSIDIARIES**

Notes to the Interim Consolidated Financial Statements

March 31, 2004

(In US Dollars)

(unaudited)

Information summarizing certain of the Company's significant accounting policies are set out below:

a. Marketable Securities

The Company held 225,000 (December 31, 2003 - 225,000) shares of Power Interactive Media Inc. (formerly Power Kiosk, Inc.) as trading securities at March 31, 2004. The fair value of Power Interactive Inc. marketable securities based on the last market priced sale of shares at March 31, 2004 was \$225 (December 31, 2003 - \$6,750).

Because the Company's marketable securities are classified as trading and reported at fair value, there is no need to evaluate the securities for impairment.

b. Related Party Transactions

Amounts Due to a Related Party consist of \$1,237,411 (December 31, 2003 - \$973,260) due to Rhonda Corporation, a party related by virtue of being a significant shareholder of the Company, and \$37,605 (December 31, 2003 - \$38,059) due to certain officers and directors of the Company. These amounts are unsecured, non-interest bearing and with no specific terms of repayment. Such related party transactions are recorded at the exchange amount, being the amount of consideration established and agreed to by the related parties.

c. Stock-based Compensation

The Company applies Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for all stock option plans. Under APB Opinion No. 25, compensation cost is recognized for stock options granted to employees when the option price is less than the market price of the underlying common stock on the date of grant. Such compensation is amortized on a straight-line basis over the respective vesting periods.

SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123"), requires the Company to provide proforma information regarding net income and net income per share as if compensation costs for the Company's stock option plans and other stock awards had been determined in accordance with the fair value based method prescribed in SFAS No. 123.

Stock options granted to non-employees are accounted for in accordance with the fair value based method prescribed in SFAS No. 123 using the Black-Scholes option pricing model. Stock compensation for non-employees is re-measured quarterly until such options vest.

The Company does not plan to adopt the fair value based method of accounting for stock-based compensation to employees. Had full compensation cost for the Company's stock options issued to employees, directors and officers been recorded using the fair value based method related pro-forma information required under SFAS No. 123 would have been as follows:

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**CARMINA TECHNOLOGIES, INC. AND SUBSIDIARIES**

Notes to the Interim Consolidated Financial Statements

March 31, 2004

(In US Dollars)

(unaudited)

For the three months ended:	March 31, 2004	March 31, 2003
Reported net loss for the period	\$ (940,808)	\$ (1,208,298)
Add: stock option compensation expense for employee options included in reported net loss	23,758	791,050
Deduct: total stock option compensation expense determined under the fair value based method	(66,168)	(192,366)
Proforma net loss	\$ (983,218)	\$ (609,614)
Reported loss per share, basic and diluted	\$ (0.04)	\$ (0.05)
Proforma loss per share, basic and diluted	\$ (0.04)	\$ (0.03)

For the proforma disclosures, the fair value of the options was determined using the Black-Scholes option pricing model using the following assumptions: No dividends have been issued. The expected holding period for the options was between 2 and 5 years (2003 3 and 9 years). The US treasury rate for the period equal to the expected life of the options (3.0%) (2003 5%) was used as the risk-free rate. The volatility used was 181% (2003 110%) based on historical price per share of shares sold. The value is also recognized over the vesting terms of the options.

NOTE 2 - GOING CONCERN

The Company's interim consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the liquidation of assets and satisfaction of liabilities and commitments in the normal course of business. The Company incurred a net loss of \$ 940,808 for the three months ended March 31, 2004, has an accumulated deficit of \$7, 152,034 has negative working capital of \$2, 177,956 (including \$1,275,016 due to related parties) and has insufficient revenues to cover its operating costs. Management's plans to continue as a going concern for the next twelve months include (1) the acquisition of Advanced Integrated Management Services, Inc. (AIMS) and the divestiture of CCI and its affiliates, (2) raising \$3,000,000 of additional capital through sales of common stock. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary if the Company is unable to continue as a going concern.

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**CARMINA TECHNOLOGIES, INC. AND SUBSIDIARIES**

Notes to the Interim Consolidated Financial Statements

March 31, 2004

(In US Dollars)

(unaudited)

**NOTE 3 - WARRANTS AND OPTIONS**

a. Warrants

A summary of the status of the Company's warrants as of January 1, 2004 and changes during the three months ending March 31, 2004 are presented below:

	Warrants	Weighted Average Exercise Price
Outstanding and exercisable, January 1, 2004	775,000	\$ 1.21
Cancelled	(700,000)	1.00
Outstanding, March 31, 2004	75,000	\$ 3.18
Exercisable, March 31, 2004	75,000	\$ 3.18

The warrants that are vested at March 31, 2004 are summarized as follows:

Exercise Price Range - \$3.18	Outstanding		Weighted Average Remaining Contractual Life	Exercisable	
	Number Outstanding	Weighted Average Exercise Price		Number Exercisable	Weighted Average Exercise Price
	75,000	\$ 3.18	2.12 years	75,000	\$ 3.18

During 2003, the Company issued 75,000 restricted warrants to a non-employee for financial consulting services. Each warrant entitles the holder to purchase one common share of the Company at \$3.18 for a three-year period. The fair value of each warrant was \$0.76 and was calculated using the following assumptions: No dividends. The expected life of the warrants is 3 years. The US treasury rate for the period equal to the expected life of the warrants (1.86%) was used as the risk-free rate. The volatility used was 110% based on historical price per share of shares sold. The fair value of the warrants was \$57,327, determined using the Black Scholes option pricing model using the assumptions above. Compensation expenses relating to the issuance totaling \$177,327 was recognized and is being amortized over the service period. Amortization of this amount for the three months ended March 31, 2004 totaled \$44,332, which was charged as consulting fees in the Consolidated Statements of Operations.

#### b. Stock Options

On September 16, 2003 the Company's Board of Directors cancelled its previously approved Stock Option Plan from February 12, 2000 (as amended on August, 26, 2002) (the 2002 Plan ) and options previously granted thereunder and approved its new 2003 Stock Option Plan (the 2003 Plan ). Options previously outstanding under the old Plan were reissued under the 2003 Plan with the same terms and conditions as previously existed under the old Plan, except the removal of certain provisions as to cashless exercise. The 2003 Plan provides for the granting of stock options to key employees, directors and consultants to purchase up to 4,000,000 common shares of the Company. Under the 2003 Plan, the granting of incentive and non-qualified stock options, exercise prices and terms are determined by the Company's Board of Directors. For incentive options, the exercise price shall not be less than the fair market value of the Company's common stock on the grant date. (In the case of options issued to an employee who owns stock possessing more than 10% of the voting power of all classes of the

**CARMINA TECHNOLOGIES, INC. AND SUBSIDIARIES**

## Notes to the Interim Consolidated Financial Statements

March 31, 2004

(In US Dollars)

(unaudited)

Company's stock on the date of grant, the option price must not be less than 110% of the fair market value of common stock on the grant date.). Options granted are not to exceed terms beyond ten years (5 years in the case of an incentive stock option granted to a holder of 10 percent of the Company's common stock). Unless otherwise specified by the Board of Directors, stock options shall vest at the rate of 25% per year starting one year following the granting of options. All options outstanding as of March 31, 2004 were granted under the 2003 Plan.

Employees

The Company applies Accounting Principles Board ( APB ) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for all stock option plans. Under APB Opinion No. 25, compensation cost is recognized for stock options granted to employees when the option price is less than the market price of the underlying common stock on the date of grant. Such compensation is recognized on a straight-line basis over the vesting periods of the respective options. By virtue of the exercise of options previously granted under the original Plan on a cashless basis on March 3, 2003, the options previously granted to employees were being accounted for prospectively as variable (Note 1 (c)).

A summary of the status of the Company's options accounted for under APB No. 25 as at January 1, 2004 and changes during the three months ending March 31, 2004:

	Options	Weighted Average Exercise Price
Outstanding, January 1, 2004	1,385,000	\$ 0.56
Cancelled	(375,000)	\$ 0.60
Outstanding, March 31, 2004	1,010,000	\$ 0.55
Exercisable, March 31, 2004	386,250	\$ 0.55
Exercisable, December 31, 2003	480,000	\$ 0.56

Options accounted for in accordance with APB No. 25 as at March 31, 2004 are summarized as follows:



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Exercise Price	Outstanding		Weighted Average	Exercisable	
	Outstanding	Weighted Average Exercise Price	Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
Range - \$0.55	985,000	\$ 0.55	3.23 years	380,000	\$ 0.55
Range - \$0.60	25,000	\$ 0.60	4.46 years	6,250	\$ 0.60
	1,010,000	\$ 0.55		386,250	\$ 0.55

For the three months ended March 31, 2004, compensation expense of \$23,758 (2003 - \$791,050 under the Old Plan, calculated using variable accounting under the 2002 Plan) was recognized in respect of options granted to employees. Of this amount, \$nil (2003 - \$361,750) was recognized in respect of options exercised by employees on a cashless basis.

Non-employees

FASB Statement 123, Accounting for Stock-Based Compensation (SFAS No. 123"), requires the Company to record compensation costs for the Company's stock option plans and other stock awards to consultants determined in accordance with the fair value based method prescribed in SFAS No. 123. Unvested stock options are measured quarterly for the purpose of determining stock option compensation.

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**CARMINA TECHNOLOGIES, INC. AND SUBSIDIARIES**

Notes to the Interim Consolidated Financial Statements

March 31, 2004

(In US Dollars)

(unaudited)

A summary of the status of the Company's options accounted for under SFAS No. 123 as at January 1, 2004 and changes during the three months ending March 31, 2004 is as follows :

	Options	Weighted Average Exercise Price
Outstanding, January 1, 2004 and March 31, 2004	100,000	\$ 0.60
Exercisable, March 31, 2004 and December 31, 2003	25,000	\$ 0.60

Options accounted for under SFAS No. 123 as at March 31, 2004 are summarized as follows:

Exercise Price Range - \$0.60	Outstanding		Weighted Average Remaining Contractual Life	Exercisable	
	Number Outstanding	Weighted Average Exercise Price		Number Exercisable	Weighted Average Exercise Price
	100,000	\$ 0.60	4.46 years	25,000	\$ 0.60

Compensation recovery of \$4,110 (2003 expense of \$187,755) has been recognized for the three months ended March 31, 2004 in respect of options granted in the current and prior periods, under SFAS 123 based on the value attributable to these options as described above. The fair value of the options was determined using the Black-Scholes option pricing model using the following assumptions for options vesting in the period and those still unvested at March 31, 2004: No dividends. The US treasury rate for the period equal to the expected life of the options (2.36%) (2003 5.00%) was used as the risk-free rate. The volatility used was 181% (2003 110%) The value is being recognized over the vesting terms of the options.

#### NOTE 4- MANAGEMENT FEES

The Company has three officers who contribute about one half of their time to the Company (2003 three officers). Although no cash was paid for their services, the value of their services is estimated at \$40,000 per year for each officer. For the three-month period ended March 31, 2004 the Company expensed \$30,000 (2003 - \$30,000) as management fees and showed the amount as services contributed to the Company on the Interim Consolidated Statements of Capital Deficit.

#### NOTE 5- DISCONTINUED OPERATIONS

In February 2004, the Company decided to sell the assets of WWO. The Company followed SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets ( SFAS No. 144 ) in accounting for this transaction. Consequently, the results of operations and cash flows of the subsidiary WWO is reported as discontinued operations for all periods presented. In accordance with SFAS No. 144, the Company measured the long-lived assets classified as held for sale at the lower of its carrying value or fair value less cost to sell. No write-down of long-lived assets is recorded for the three-month period ended March 31, 2004. The Company also evaluated goodwill of the reporting unit for impairment in accordance with SFAS 142 and recorded an impairment write-down of \$554,665 which has been included in the Loss from Discontinued Operations. Financial information for WWO is as follows:

**CARMINA TECHNOLOGIES, INC. AND SUBSIDIARIES**

## Notes to the Interim Consolidated Financial Statements

March 31, 2004

(In US Dollars)

(unaudited)

<u>For the three months ended:</u>	<b>March 31, 2004</b>	<b>March 31, 2003</b>
Revenues	\$ 177,683	\$ 157,192
Net loss	558,516	53,908

  

<u>As at:</u>	March 31, 2004	December 31, 2003
Current assets	\$ 132,667	\$ 117,774
Property and equipment	62,413	68,826
Current liabilities	496,658	509,073

## NOTE 6 - COMMON STOCK

On March 23, 2004, the Company issued 100,000 shares in settlement of the termination of an employee of the Company valued at \$0.15 per share for a total of \$15,000, based on the market price of the Company's common stock on the date of settlement ..

Additionally, on March 23, 2004, pursuant to the acquisition agreement, the Company issued 350,000 shares when WWO achieved the specific targets. The shares were accrued for in 2003 at a value of \$80,500 based on the market value of the Company's common stock on the date that the specific targets of WWO were achieved.

## NOTE 7 - STATEMENT OF CASH FLOWS

<b>For the three months March 31st,</b>	<b>2004</b>		2003	
<b><u>CASH PAID FOR:</u></b>				
Interest	\$	--	\$	1,764
Income taxes	\$	--	\$	--
<b><u>NON-CASH OPERATING ACTIVITIES</u></b>				
Compensation expense	\$	19,648	\$	630,805
<b><u>NON-CASH FINANCING ACTIVITIES</u></b>				
Common stock issued for services	\$	59,332	\$	--
Services contributed by officers of the Company	\$	30,000	\$	30,000
Capital leases	\$	1,954	\$	--
<b><u>NON-CASH INVESTING ACTIVITIES</u></b>				
Unrealized loss on securities	\$	6,525	\$	--

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**CARMINA TECHNOLOGIES, INC. AND SUBSIDIARIES**

## Notes to the Interim Consolidated Financial Statements

March 31, 2004

(In US Dollars)

(unaudited)

**NOTE 8 - SEGMENTED INFORMATION****Operating Segment:**

The Company has 1 operating segment.

<b>March 31, 2004</b>		<b>APM</b>		<b>Corporate</b>		<b>Total</b>
Revenues	\$	9,448	\$	--	\$	9,448
Depreciation		4,251		869		5,120
Interest expense		--		634		634
Segment loss		18,351		363,941		382,292

Segment assets	80,902	87,398	165,300
<b>March 31, 2003</b>	<b>APM</b>	<b>Corporate</b>	<b>Total</b>
Revenues	\$ --	\$ --	\$ --
Depreciation	4,109	67	4,175
Segment loss	417,887	736,503	1,154,390
Capital expenditures	12,391	--	12,391
Segment assets	78,058	495,670	523,728

Substantially all of the Company's sales are to customers based in Canada. All of the Company's fixed assets are located in Canada.

#### Major Customers

62% of sales in 2004 (2003 65%) were made up of sales to two customers, individually representing 38% (2003 54%) and 24% (2003 11%) of sales for 2004.

#### NOTE 9 - SUBSEQUENT EVENTS

In early April 2004 management received a proposal from Advanced Integrated Management Services, Inc. (AIMS) which resulted in the Share Exchange and Acquisition Agreement being reached in May 2004 providing for the Company's acquisition of AIMS in exchange for restricted shares of the Company. AIMS is a minority owned Tennessee Corporation founded in 1994 with Corporate Headquarters in Oakridge Tennessee, a Western Regional Office in Denver Colorado and Project Offices in New Orleans, Louisiana and Paducah, Kentucky. AIMS provides nuclear and environmental services, engineering and construction services, and information technology and media services.

In May 2004 the Board of Directors approved the aforementioned Share Exchange and Acquisition Agreement. As a requirement of the agreement the Company must divest itself of its existing business. The Company will therefore transfer all its assets and liabilities, except for \$130,000 in notes payable, to CT Holdings Inc. (CT Holdings), a newly incorporated company in Utah, in exchange for 25,056,000 common shares of CT Holdings. The existing stockholders of the Company will then receive, as a partial liquidating dividend, one common share of CT Holdings for each common share they hold in the Company. The Company will then reverse split its stock 1 share for 200 shares and change the name of the Company to Advanced Integrated Management Services, Inc. As a result of the reverse stock split, the Company will have 125,280 post-split common shares issued and

Notes to the Interim Consolidated Financial Statements

March 31, 2004

(In US Dollars)

(unaudited)

outstanding. The Company has also agreed to issue 500,000 post split shares on conversion of \$50,000 of the \$130,000 notes payable remaining in the Company after the transfer of the Company's assets and liabilities to CT Holdings, 1,800,000 shares as settlement of debt owed by the Company to Rhonda Corporation and 100,000 shares to a consultant for services. The shares issued to Rhonda Corporation are unrestricted and may not be transferred to more than 5 individuals. Finally, the Company will issue 8,640,000 post-split common shares to the stockholders of AIMS in exchange for a 100% interest in AIMS. The acquisition will be accounted for using the purchase method of accounting as applicable to reverse acquisitions because the former stockholders of AIMS will control 80% of the Company's common stock immediately upon conclusion of the transaction.

Subsequent to March 31, 2004, the Board of Directors has approved to amend the Articles of Incorporation and increase the authorized share capital of the Company from 40,000,000 shares to 100,000,000 shares.

Stockholders' written consent to the necessary amendments to the Articles of Incorporation has been obtained from Stockholders owning 62% of the currently issued shares.

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**Item 2. Management's Discussion, Analysis and Plan of Operations.**

FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-QSB constitute forward-looking statements within the meaning of *The Private Securities Litigation Reform Act of 1995* (the Reform Act). Such forward-looking statements involve known and

unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of our company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: force major events, competition, financial and commercial viability, lack of patents, licenses, franchises and concessions, and uncertain demand for our products.

The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this quarterly report.

Our interim consolidated financial statements are stated in United States Dollars and are prepared in accordance with United States Generally Accepted Accounting Principles.

#### *General Explanation of Comparative Periods*

Our interim consolidated financial statements include Carmina Technologies, Inc., as well as our wholly owned subsidiaries Carmina Canada Inc. (CCI) and Assured Performance Monitoring Inc.(APM), for the period ended March 31, 2004. During February 2004, the Company made the decision to sell the assets of Worldwide Online.

Accordingly the assets and liabilities of WWO have been segregated as Net liabilities of operations held for sale in the Balance Sheet and WWO's loss has been segregated as Loss from operations held for sale in the Statement of Operations.

#### *Results of Operations*

We recognized a net loss of \$940,808 ( including a compensation expense of \$19,648) during the three - month period ended March 31, 2004 compared with a loss of \$1,208,298 during the three month period ended March 31, 2003 ..

WWO's net loss recorded as Loss from discontinued operations was \$ 558,516 (including a write-down of goodwill of \$554,665) ..

#### *Revenues*

Consolidated gross revenues for the three months ended March 31, 2004 increased to \$9,448 from \$nil compared to the three months ended March 31, 2003. The 2004 increase in consolidated revenue was mainly a result of consulting services provided by APM regarding the implementation of the Assur product. WWO's revenues for the three months ended March 31, 2004 were \$177,683 (March 31, 2003 \$ 157,192)

*Gross Profit*

Total costs of revenue were \$873, leaving a gross profit of \$8,575 for the three months ended March 31, 2004, compared to a gross profit of \$nil for the three months ended March 31, 2003.

*General and administrative expenses*

For the three months ended March 31, 2004, general and administrative expenses were \$378,058 compared to \$1,084,478 for the three months ended March 31, 2003. In the three months ended March 31, 2004, general and administrative expenses include \$19,648 in respect of compensation related to stock options. In 2003, the

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Company used variable accounting to calculate compensation expense resulting from the exercise of options on a cashless basis in the first quarter of 2003. Under variable accounting, compensation expense is first recognized for the difference between quoted market price of our underlying common shares and the exercise price (plus any intrinsic value calculated on the initial grant of the options) of the options on the date variable accounting first applies. After that date, compensation expense on remaining employee options outstanding is recalculated on a quarterly basis until the options are exercised, forfeited or expire unexercised. Total compensation expense incurred for all stock options granted and outstanding in the three-month period ended March 31, 2003 was \$978,805.

*Selling and marketing expenses*

Selling and marketing expenses were \$530 for the three months ending March 31, 2004 compared to \$40,867 for the three months ended March 31, 2003. Decrease is due mainly to reduced sales staff.

*Research and development*

The Company incurred no research and development expenses during the first quarter of 2004 and \$24,870 in 2003 in relation to the development of the Assur products.



*Other income/expenses*

Net other expenses for the three months ended March 31, 2004 was \$7,159 compared to net other expenses of \$nil in 2003. The change relates to the unrealized loss on marketable securities of \$6,525.

*Liquidity and Capital Resources*

We have continued to finance our activities primarily through advances from related parties. We have incurred recurring losses since inception and our current liabilities exceed our current assets. As of March 31, 2004 we had an accumulated deficit of \$7,152,034 and a working capital deficiency of \$2,177,956 (including \$1,275,016 due on a non-interest bearing basis from shareholders of the Company).

Our cash position at March 31, 2004 was \$10,123 compared to \$27,611 at December 31, 2003. This decrease was due to the following:

Cash used in continuing operating activities was \$245,927 for the three months ended March 31, 2004. Our net loss from continuing operations includes non-cash charges of \$5,120 for depreciation, \$30,000 for services contributed by officers, \$15,000 for common stock issued on settlement of termination of an employee, \$44,332 of compensation expense for stocks and warrants issued for consulting services, resulting in a total of \$59,332 of stock and warrants issued for services, \$6,525 in unrealized loss on securities, and \$19,648 for compensation expense on outstanding options and warrants. Cash used in operating activities for the three months ended March 31, 2003 was \$131,949.

Our cash flows from continuing operations in 2003 included non-cash charges of \$4,175 for depreciation, \$30,000 for services contributed by officers, and \$978,805 for compensation expense on exercise and outstanding options and warrants. Our cash flows provided by discontinued operations was \$31,181 for the three-month period ended March 31, 2004 compared to cash used in discontinued operations for the three-month period ended March 31, 2003 of \$51,015.

Financing activities consisted of advances from shareholders of \$203,324 and capital lease payments of \$1,954. During the three months ended March 31, 2003, we received advances of \$140,328 from shareholders.

*Continuing Operations*

In January 2004 management retained IN<sup>3</sup> Consulting to identify the reasons for the delays and to assess what steps could be implemented to strengthen our marketing and sales efforts. IN<sup>3</sup> Consulting is a Calgary-based

independent Management Consulting firm focused on providing solutions using an intelligent blend of technology and business with expertise in managing projects extending across large corporations, government bodies, and small companies. IN<sup>3</sup> completed its review of our Toronto based operation in January 2004, identifying underlying weaknesses in management, marketing and sales.

Based on IN<sup>3</sup>'s findings, management implemented the following changes Mr. Kohalmi resigned as Director of Technology of the Company and as an Officer and Director of CCI and its related subsidiaries and Robert d Artois was appointed Executive Vice-President of The Company, John Parent was appointed interim President of Carmina Canada Inc., to handle all matters related to finance, product offerings, and related technologies; Larry Henderson was appointed Chief Operating Officer of CCI, to provide the tactical focus required to run the day to day operations of the operating companies; and Mike Comessotti was appointed Chief Sales & Marketing Officer of CCI, to handle all matters related to Sales and Marketing initiatives.

By mid March the team had cut expenses and refocused sales initiatives in the Food and Health verticals and had identified and rectified significant defects in the software delivered by Multi Level Solutions, the true nature of which had not been disclosed to Calgary management. While it appears that a significant potential for sales of our business risk management/mitigation tool remains, because of the delays, it was clear it would be sometime at best before any significant revenue might be realized, and in the interim, due to the increased costs of auditor and attorney fees resulting from recent legislation, it did not seem possible to maintain the Corporation as a reporting company. For the past 2 years the Company's operations have been funded by Rhonda Corporation, Glen Alston and Waltraud Alston against notes payable totaling US\$ 1,586,784. In light of the delays in the implementation of the Company's business plan, in February 2004, the Company decided to sell the assets of WWO and in March 2004 management commenced negotiation with potential purchaser and search for an alternate business.

In early April 2004 management received a proposal from Advanced Integrated Management Services, Inc. (AIMS) which resulted in an agreement being reached in May 2004 providing for the Company's acquisition of AIMS in exchange for restricted shares of the Company. AIMS is a minority owned Tennessee Corporation founded in 1994 with Corporate Headquarters in Oakridge Tennessee, a Western Regional Office in Denver Colorado and Project Offices in New Orleans, Louisiana and Paducah, Kentucky. AIMS provides nuclear and environmental services, engineering and construction services, and information technology and media services.

In May 2004 the Board of Directors approved the aforementioned Share Exchange and Acquisition Agreement. As a requirement of the agreement the Company must divest itself of its existing business. The Company will therefore transfer all its assets and liabilities, except for \$130,000 in notes payable, to CT Holdings Inc. (CT Holdings), a newly incorporated company in Utah, in exchange for 25,056,000 common shares of CT Holdings. The existing stockholders of the Company will then receive, as a partial liquidating dividend, one common share of CT Holdings for each common share they hold in the Company. The Company will then reverse split its stock 1 share for 200 shares and change the name of the Company to Advanced Integrated Management Services, Inc. As a result of the reverse stock split, the Company will have 125,280 post-split common shares issued and outstanding. The Company

has also agreed to issue 500,000 post split shares on conversion of \$50,000 of the \$130,000 notes payable remaining in the Company after the transfer of the Company's assets and liabilities to CT Holdings, 1,800,000 shares as settlement of debt owed by the Company to Rhonda Corporation and 100,000 shares to a consultant for services. The shares issued to Rhonda Corporation are unrestricted and may not be transferred to more than 5 individuals. Finally, the Company will issue 8,640,000 post-split common shares to the stockholders of AIMS in exchange for a 100% interest in AIMS. The acquisition will be accounted for using the purchase method of accounting as applicable to reverse acquisitions because the former stockholders of AIMS will control 80% of the Company's common stock immediately upon conclusion of the transaction.

Stockholders' written consent to the necessary amendments to the Articles of Incorporation has been obtained from Stockholders owning 62% of the currently issued shares.

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Management's plans to continue as a going concern for the next twelve months include (1) the acquisition of Advanced Integrated Management Services, Inc. (AIMS) and the divestiture of CCI and its affiliates and, (2) raising \$3,000,000 of additional capital through sales of common stock. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

There are no assurances that we will be able to obtain further funds required for our continued operations. We are pursuing various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will not be able to meet our other obligations as they become due.

The new management of the Company plans to continue as a going concern with continued growth of its sales revenues and the raising of additional capital through sales of common stock. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans

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### ***Critical Accounting Policies***

Our interim consolidated financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing interim financial statements requires management to

make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our interim consolidated financial statements is critical to an understanding of our financials.

Information summarizing certain of our company's significant accounting policies follows.

#### *Revenue Recognition*

We recognize revenue from hosting and access services as the services are performed, generally on a straight-line basis over the hosting contracts. Deferred revenue results from amounts received for co-location and bandwidth services as well as web hosting services prior to the revenue being earned. Consulting revenue is recognized as the services are performed. Sales of hardware are recognized as revenue on the date the products are delivered to the customer's premises, at which time title to the hardware transfers to the purchaser.

#### *Software Development Costs*

We follow the provisions of SFAS No. 2 in recording research and development expenses related to their online services. Under SFAS No. 2, all such expenses are charged to the Statement of Operations as incurred. In accordance with SFAS No. 86, Accounting for the Cost of Computer Software to be Sold, Leased, or Otherwise Marketed, development costs incurred in the research and development of products containing our software development costs incurred in the development of software are expensed as incurred until technological feasibility in the form of a working model has been established and after the product is available for general release to the customer.

#### *Stock-based Compensation*

We apply Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for all stock option plans. Under APB Opinion No. 25, compensation cost is recognized for stock options granted to employees when the option price is less than the market price of the underlying common stock on the date of grant. Such compensation is amortized on a straight-line basis over the respective vesting periods.

SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123"), requires us to provide proforma information regarding net income and net income per share as if compensation costs for our stock option plans

and other stock awards had been determined in accordance with the fair value based method prescribed in SFAS No. 123. Stock options granted to non-employees are accounted for in accordance with the fair value based method prescribed in SFAS No. 123 using the Black-Scholes option pricing model. Stock compensation for non-employees is re-measured quarterly until such options vest.

During the period from January 1, 2003 to September 16, 2003, we permitted certain individuals holding stock options to exercise their options on a cashless basis pursuant to terms and conditions of the Stock Option Plan (the Plan). By virtue of accepting the exercise on a cashless basis, stock options granted to employees pursuant to the Plan were accounted for following variable accounting provisions. Under variable accounting, compensation expense was first recognized for the difference between the quoted market price of the Company's underlying common shares and the exercise price (plus any intrinsic value calculated on the initial grant of the options) of the options on the date variable accounting first applies. After that date, compensation expense on remaining employee options outstanding was recalculated on a quarterly basis until the options were exercised or were forfeited or expired unexercised.

#### *Going Concern*

Our interim consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the liquidation of assets and satisfaction of liabilities and commitments in the normal course of business. The ability of our company to continue as a going concern is dependent upon its ability to successfully accomplish its plans, secure sources of financing and attain profitable operations which raises substantial doubt about our ability to continue as a going concern. The accompanying interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary if the Company is unable to continue as a going concern.

#### *Discontinued Operations*

In February 2004, the Company decided to sell the assets of WWO. Accordingly the assets and liabilities of WWO have been segregated and presented on the Balance Sheet and the results of operations and cash flows of WWO have been segregated in the Statements of Operations and Cash Flows (Note 5). As a result of the decision to discontinue WWO, the Company evaluated goodwill of the reporting unit for impairment in accordance with SFAS 142 and recorded an impairment write-down of \$554,665 which has been included in the Loss from Discontinued Operations.

#### *Risk Factors*

Much of the information included in this quarterly report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any

assumptions upon which they are based, are made in good faith and reflect our current judgement regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. We caution readers of this quarterly report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

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*We have a history of net losses and a lack of established revenues and as a result we expect to incur net losses in the future.* Although we have had a history of losses it will dependant upon the management of Advanced Integrated Management Services, Inc. to realize profits as they take over management of the Company with the new business direction.

*Need for Outside Financing; Business and Product Development.* As the Company moves into a new direction the new management plans on raising the required capital through equity financing. There is no assurance that the required financing can be obtained on terms favorable to the existing shareholders, or that financing can be obtained at all. Absent such additional financing, the successful operation of our Company, as well as development and marketing of our products, may not be viable.

*Competition.* Because of the nature of our business and the lack of barriers preventing competitors from entering the market, competition may become intense from suppliers of similar products. Competitors may have longer operating histories, greater name recognition and greater financial, technical and marketing resources and thus, may be able to adopt more aggressive pricing policies, respond to new technologies, industry standards and customer demands, expand globally and make more attractive offers to potential employees and consultants.

*Uncertainty as to Future Profitability.* There is no assurance that we will be able to sell our products and services at a profit, given the competitive nature of the business sector in which it will be involved.

*Quality of Marketing and Service.* Should we not provide the quality of marketing and service which clients expect, our business will lack the competitiveness required to allow us to be viable.

*Loss of Services of Key Employees.* As the new management replaces the outgoing officers and directors the loss of the services of any of the new management may have a materially adverse effect on our prospects. There can be no assurance that we would be able to find a suitable replacement in the event that the services of any of these key employees, or of a future key employee, is lost. Furthermore, we do not presently maintain "key man" life insurance on the lives of our key personnel. We rely upon the continued service and performance of a relatively small number of key senior management personnel, and our future success depends on our retention of these key employees whose knowledge of our business and technical expertise would be difficult to replace. At this time, none of our key personnel are bound by employment agreements, and as a result, any of these employees could leave with little or no prior notice. If we lose any of our key personnel, our business may be adversely affected.

*Lack of Minority Shareholder Voting Control.* The new management will own a majority of the shares of our company's outstanding common stock they will have the ability to elect all of our directors, who in turn elect all executive officers, without regard to the votes of other stockholders.

*Infringement by our services on other intellectual property.* Our services may inadvertently infringe upon the intellectual property rights of others, and resulting claims against us could be costly and require that we enter into disadvantageous license or royalty arrangements. The software industry is characterized by the existence of a large number of patents and frequent litigation based on allegations of patent infringement and the violation of intellectual property rights. Although we attempt to avoid infringing known proprietary rights of third parties, we may be subject to legal proceedings and claims for alleged infringement of third-party proprietary rights, such as patents, trade secrets, trademarks or copyrights, from time to time in the ordinary course of business. Any claims relating to the infringement of third-party proprietary rights, even if not successful or meritorious, could result in costly litigation, divert resources and management's attention or require that we enter into royalty or license agreements which are not advantageous to us. In addition, parties making these claims may be able to obtain injunctions, which could prevent us from selling our services.

*Market for Common Stock.* Our common stock is quoted on the Bulletin Board of the National Association of Securities Dealers, Inc. (the "OTCBB"). Any market price for shares of our common stock is likely to be very volatile, and numerous factors beyond our control may have a significant effect. In addition, the stock markets

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generally have experienced and continue to experience, extreme price and volume fluctuations which have affected the market price of many small capital companies and which have often been unrelated to the operating performance of these companies. These broad market fluctuations, as well as general economic and political conditions, may adversely affect the market price of our common stock in any market that may develop.

*Risks of "Penny Stock".* Our common stock may be deemed to be "penny stock" as that term is defined in Reg. Section 240.3a51-1 of the Securities and Exchange Commission. Penny stocks are stocks: (i) with a price of less than five dollars per share; (ii) that are not traded on a "recognized" national exchange; (iii) whose prices are not quoted on the NASDAQ automated quotation system (NASDAQ-listed stocks must still meet requirement (i) above); or (iv) in companies with net tangible assets less than \$2,000,000 (if our company has been in continuous operation for at least three years) or \$5,000,000 (if in continuous operation for less than three years), or with average revenues of less than

\$6,000,000 for the last three years.

Section 15(g) of the Securities Exchange Act of 1934, as amended, and Reg. Section 240.15g-2 of the Securities and Exchange Commission require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account. Potential investors in the our common stock are urged to obtain and read such disclosure carefully before purchasing any shares that are deemed to be "penny stock."

Moreover, Reg. Section 240.15g-9 of the Securities and Exchange Commission requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to (i) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult for investors in our common stock to resell their shares to third parties or to otherwise dispose of them.

*Possible Future Compensation Arrangements.* If we are successful in developing and marketing our products and services, it may be necessary, in order to retain qualified management and directors, to enter into arrangements and agreements which will allow officers and directors to participate in retirement, deferred compensation and other financial plans, although such arrangements and agreements are not determined at this time.

*Inability to protect any proprietary technology and intellectual property rights against infringement and any related litigation could be time-consuming and costly.* Our success and ability to compete depend to a significant degree on the proprietary technology. If any of our competitors copies or otherwise gains access to the proprietary technology or develops similar technology independently, we would not be able to compete as effectively. We also consider our service marks invaluable to our ability to continue to develop and maintain the goodwill and recognition associated with our brand. The measures we take to protect the proprietary technology and other intellectual property rights, which presently are based upon a combination of copyright, trade secret and trademark laws, may not be adequate to prevent their unauthorized use. Further, the laws of foreign countries may provide inadequate protection of such intellectual property rights. We may need to bring legal claims to enforce or protect such intellectual property rights. Any litigation, whether successful or unsuccessful, could result in substantial costs and diversions of resources. In addition, notwithstanding the rights we have secured in our intellectual property, other persons may bring claims against us that we have infringed on their intellectual property rights, including claims based upon the content we license from third parties or claims that our intellectual property right interests are not valid. Any claims against us, with or without merit, could be time consuming and costly to defend or litigate, divert our attention and resources, result in the loss of goodwill



associated with our service marks or require us to make changes to our websites or other of our technologies.

### **Item 3 Controls and Procedures.**

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this quarterly report, being March 31, 2004, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. This evaluation was carried out under the supervision, and with the participation of management, including the President. Based upon that evaluation, the President concluded that our disclosure controls and procedures are effective as at the end of the period covered by this report. There have been no significant changes in our internal controls or in other factors, which could significantly affect internal controls during the three-month period ended March 31, 2004 ..

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including the President and Chief Executive Officer as appropriate, to allow timely decisions regarding the required disclosure.

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## **Part II**

### **Item 1. Legal Proceedings.**

On April 2, 2004, Multi Level Solutions Inc. served Carmina Canada Inc. ( CCI ) and Carmina Technologies Inc. (the Company ) with a statement of claim in the Court of Queen's Bench of Alberta. Judicial District of Calgary, Alberta, Canada, with respect to the Company's contractual obligation to redeem the Class A retractable convertible preferred shares of CCI which was issued to Multi Level Solutions Inc. in exchange for the acquisition of Carmina Development Corporation, whose only asset was a software development license. The plaintiff is claiming CDN\$141,250 plus interest and costs of the action. The Company has filed a statement of defense and counterclaim with respect to this action.

On April 2, 2004, Multi Level Solutions Inc. served Carmina Development Corporation (a wholly owned subsidiary of Carmina Canada Inc.) a statement of claim in the Ontario Superior Court of Justice with respect to collection of fees for the provision of basic support services in accordance with certain license agreements entered into between

Multi Level Solutions Inc. and the Company. The plaintiff is claiming CDN\$23,000 plus interest and costs of the action. The Company has filed a statement of defense and counterclaim with respect to this action.

On March 5, 2004, Amin Ramji (a former employee of WorldWide Online Corp.) served WorldWide Online Corp. and Carmina Technologies Inc. with a statement of claim in the Ontario Superior Court of Justice with respect to severance pay. A settlement agreement has been reached whereby the plaintiff will be paid CDN\$28,208 as full settlement of the claim.

The amount and likelihood of loss for the above noted legal claims, if any, is not presently determinable.

## **Item 2. Changes in securities**

### **Recent Sales of Unregistered Securities**

There have been no sales of unregistered securities during the period covered by this quarterly report.

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

No matter was submitted to a vote of our shareholders, through the solicitation of proxies or otherwise, during the three-month period ended March 31, 2004.

## **Item 6 Exhibits and Reports on Form 8-K.**

Exhibits

Exhibit Number and Exhibit Title

**(3)**

**Articles of Incorporation and By-laws**

3.1

Restated Articles of Incorporation of the Registrant (incorporated herein by reference to Exhibit 3 of the report on Form 10-SB12G/A of file No. 1.000-30685. (Note no By-Laws created)

**(10)**

**Material Contracts**

10.1

Agreement of Exchange (incorporated herein by reference to Exhibit 2 of the report on Form 10-SB12G/A

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filed 23 March 2001, file No. 1.000-30685)

10.2

2003 Stock Option Plan adopted September 16, 2003 (incorporated herein by reference to Exhibit 10 of the registration statement on Form S-8 file No. 1.333-109356 filed on September 29, 2003).

**[NTD: Any other material contracts?]**

**(14)**

**Code of Ethics**

14.1

Code of Business Conduct and Ethics (incorporated by reference to our Annual Report on Form 10-KSB filed on July 19, 2004.

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**(21)**

**Subsidiaries of Carmina Technologies Inc.**

Carmina Canada Inc. (Alberta)

Assured Performance Monitoring Inc. (CBCA)

World Wide Online Corporation (Alberta)

**(31)**

**Section 302 Certifications**

31.1

Section 302 Certification of John M. Alston

31.2

Section 302 Certification of Glen R. Alston

**(32)**

**Section 906 Certifications**

32.1

Section 906 Certification

Reports on Form 8-K

None.

## **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.

### **CARMINA TECHNOLOGIES, INC.**

By:     /s/ John M. Alston    

Date: May 26, 2004

John M. Alston, President,

Chief Executive Officer and Director

Date: May 26, 2004

/s/ GLEN R. ALSTON

Glen R. Alston,

Chief Financial Officer  
(Principal Accounting Officer and  
Principal Financial Officer)