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## **FORM 10-K405**

**Caladrius Biosciences, Inc. - CLBS**

**Filed: April 10, 2000 (period: December 31, 1999)**

Annual report filed under Regulation S-K Item 405 (Discontinued)

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the fiscal year ended December 31, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-10909

CORNICHE GROUP INCORPORATED  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

22-2343568  
(I.R.S. Employer Identification No.)

610 South Industrial Boulevard  
Suite 220  
Eules, Texas  
(Address of principal executive offices)

76040  
(Zip Code)

Registrant's telephone number, including area code: (817) 283-4250

Securities registered pursuant to Section 12(b) of the Act: None.  
Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$.001 par value

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 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

On March 31, 2000, the aggregate market price of the voting and nonvoting common equity held by nonaffiliates of the registrant was approximately \$31.8 million. (For purposes of determining this amount, only directors, executive officers, and 10% or greater stockholders have been deemed affiliates).

On March 31, 2000, 13,225,815 shares of common stock, par value \$0.001 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Part III of this report is incorporated by reference to the registrant's definitive proxy statement for its 2000 annual stockholders meeting.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

## FORWARD-LOOKING STATEMENTS

In addition to historical information, this Report on Form 10-K contains forward-looking statements, which can be identified by the use of forward-looking terminology, such as "may," "will," "expect," "could," "anticipate," "estimate," or "continue" or similar negative expressions or other variations or comparable terminology. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this report. Readers are also urged to carefully review and consider the various disclosures made by the Company in this report, as well as the Company's periodic reports on other filings with the Securities and Exchange Commission.

## PART I

### ITEM 1. BUSINESS

#### GENERAL

The principal executive offices of Corniche Group Incorporated (the "Company") are located at 610 South Industrial Boulevard, Suite 220, Euless, Texas 76040. Its telephone number is 817.283.4250.

#### BUSINESS STRATEGY

The Company is in the process of putting into place a strategic and operational business plan that involves the Company's entry into the service contract business and the insurance industry.

#### WarrantySuperstore.com Web Site

The Company has developed a web site on the Internet to market service contracts on automobiles and consumer products. The Company's web site is called WarrantySuperstore.com. Through this web site, the Company plans to sell its products and services directly to consumers.

The first product line offered through WarrantySuperstore.com was the Vehicle Service Contract Program, which includes automobile service contracts for new and used vehicles. The Company has added new product lines to the web site since the Vehicle Service Contract Program was introduced in June 1999. By October 1999, the Company completed development of and placed on-line a Home Warranty Program, and office equipment, consumer electronics, home appliances, lawn and garden equipment, and computer warranty programs.

The Company intends to advertise its web site through print, radio, and television advertising and links from other Internet sites. The Company does not currently intend to have distribution channels for its products and services other than the Internet.

The Company offers its products and services in states that permit program marketers to be the obligor on service contracts. Currently, this represents approximately 40 states for automobile service contracts and most states for other service contracts. The Company now anticipates that the obligor on service contracts sold on WarrantySuperstore.com will be a third party warranty company. The Company is responsible for marketing, booking sales, collecting payment for service contracts, reporting and paying premiums to the insurance carrier, and providing information to the insurance carrier's appointed claims administrator.

Although the Company will manage most functions for the service contracts, it will not administer the claim functions. The insurance carrier has appointed a claims administrator to administer the claims functions, including payment of claims. The Company is in the process of establishing an electronic data processing interface with the claims administrator and to report details regarding the contracts to the insurance carrier.

Reliance Insurance Company, through its subsidiary Reliance INTEGRAMARK ("Reliance"), is providing contractual liability insurance covering the obligations to repair or replace the products covered by the service contracts. The Company granted options to purchase common stock to Reliance for providing this insurance.

The Company intends to provide customer analysis reports to retailers on a fee basis. The Company believes that it will be able to develop market research questionnaires and produce market research reports based on database information collected through sales on WarrantySuperstore.com.

The Company expects to use WarrantySuperstore.com to generate advertising revenues. The Company plans to sell banner page advertisements on its web site and to sell advertisements on a preferred client list basis.

#### Reinsurance Activities

Stamford Insurance Company, Ltd. ("Stamford") is a wholly owned subsidiary of the Company chartered under the laws of the Cayman Islands. Stamford is licensed to conduct business as an insurance company in the Cayman Islands and as a reinsurance company throughout the U.S. Stamford began generating revenues in the fourth quarter of 1999.

When Stamford is sufficiently capitalized, the Company intends to request the insurance carriers providing contractual liability coverage on the Company's service contracts to share (via reinsurance) a portion of the risk with Stamford. The Company's ability to influence the insurance carriers to direct reinsurance business to Stamford will depend on the Company's negotiating strength, which, in turn, will depend on the success of WarrantySuperstore.com. Stamford's ability to reinsure the Company's Internet business will largely depend on the primary insurance carriers' willingness to cede reinsurance to Stamford.

The Company's long range plans for Stamford depend on Stamford's growth and development of greater financial stability. If Stamford's operations are successful, then the Company plans to cause Stamford to seek additional reinsurance opportunities that are not related to the Company. Stamford may use reinsurance brokers to identify other reinsurance opportunities.

#### Domestic Licensing

As an offshore insurance company, Stamford is permitted to function as a reinsurance company in the U.S. As such, it can reinsure U.S. insurance companies. The Company's long range strategy is to identify and acquire a property and casualty insurance carrier that holds state licenses. If the Company acquires a domestic insurance carrier, it plans to use the carrier to serve as a specialty insurer in niche commercial markets that are under served by standard insurance carriers.

#### Other Information

The Company is party to an investment advisory agreement AIG Global Investment Corporation under which AIG Global will function as investment advisor and manager of the Company's investment assets. AIG Global provides management services to all affiliated insurance companies of American International Group and other third party institutions worldwide.

#### EMPLOYEES

At March 31, 2000, the Company employed three full-time personnel.

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#### ITEM 2. PROPERTIES

The Company leases approximately 4,100 square feet of office space at 610 South Industrial Boulevard, Euless, Texas. Monthly rental under the lease is \$4,175. The lease expires in July 2001.

ITEM 3. LEGAL PROCEEDINGS

No material legal proceedings are pending to which the Company or any of its property is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's stockholders during the fourth quarter of 1999.

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PART II

ITEM 5. MARKET FOR REGISTRANTS COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the OTC Bulletin Board under the symbol "CNGI." The following table sets forth the high and low bid prices of the Company's common stock for each full quarterly period within the two most recent fiscal years and the most recent quarter, as reported by Nasdaq Trading and Market Services. On March 31, 2000, the closing bid price for the common stock was \$3.03. Information set forth in the table below represents prices between dealers in securities, does not include retail mark-ups, mark-downs, or commissions, and does not necessarily represent actual transactions.

1998	HIGH	LOW
	-----	-----
First Quarter .....	\$ 2.31	\$ .65
Second Quarter .....	2.31	1.16
Third Quarter .....	1.97	.63
Fourth Quarter .....	1.00	.69

1999	HIGH	LOW
	-----	-----
First Quarter .....	\$ 1.38	\$ .63
Second Quarter .....	\$ 1.50	\$ 1.13
Third Quarter .....	\$ 1.38	\$ .91
Fourth Quarter .....	\$ 3.06	\$ .91

2000	HIGH	LOW
	-----	-----
First Quarter .....	\$ 3.34	\$ 2.93

At March 31, 2000, there were approximately 1,150 record holders of the

Company's common stock. Holders of common stock are entitled to dividends when, as, and if declared by the Board of Directors out of legally available funds. The Company has not paid any cash dividends on its common stock and, for the foreseeable future, intends to retain earnings, if any, to finance the operations, development, and expansion of its business.

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ITEM 6. SELECTED FINANCIAL DATA

The selected statements of operations and balance sheet data set forth below are derived from the Company's financial statements which were examined by Weinick Sanders Leventhal & Co., LLP, independent certified public accountants, for the year ended December 31, 1999, and the nine months ended December 31, 1998, and by Simontacchi & Co. LLP, independent certified public accountants, for the year ended March 31, 1998. The information set forth below should be read in conjunction with the Company's audited financial statements and related notes appearing elsewhere in this report (See Item 8. Financial Statements and Supplemental Data).

	FOR THE YEAR	FOR THE NINE	FOR THE YEARS ENDED		
	ENDED DECEMBER 31, 1999	MONTHS ENDED DECEMBER 31, 1998	MARCH 31, ----- 1998                      1997                      1996 -----		
Statement of Operations:					
Earned Revenues .....	\$ 12,854	\$ --	\$ --	\$ --	\$ --
Cost of Sales .....	7,557	--	--	--	--
Gross Profit .....	5,297	--	--	--	--
Operating (Loss) Income .....	(1,055,371)	(428,157)	(221,602)	(251,583)	(257,037)
Net (Loss) Income .....	(1,179,508)	(447,493)	(263,865)	(332,604)	(323,510)
Net (Loss) Income per Common Share: ...	\$ (0.17)	\$ (0.07)	\$ (0.05)	\$ (0.14)	\$ (0.14)
Weighted Average Number of Shares					
Outstanding .....	6,905,073	6,365,015	5,166,272	2,412,278	2,300,289
Dividends per Common Share .....	--	--	--	--	--
			DECEMBER 31,	DECEMBER 31,	MARCH 31,
			1999	1998	1998
			-----	-----	-----
Balance Sheet Data:					
Working Capital (Deficiency) .....			\$ 3,751,548	\$ 458,917	\$ 869,567
Total Assets .....			5,670,664	905,791	1,129,601
Current Liabilities .....			872,866	375,571	259,676
(Accumulated Deficit) .....			(4,330,355)	(3,160,847)	(2,713,254)
Preferred Stock, Common Stock, Other Stockholders' Equity and Capital					
Deficiency .....			3,112,352	(307,807)	(23,982)

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the financial statements and notes contained elsewhere in this Form 10-K. Certain statements under this caption "Management's Discussion and Analysis of Financial Conditions and Results of Operations," constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995.

## PLAN OF OPERATION

In May 1998, the Company sold to certain individuals through a stock purchase agreement an aggregate of 765,000 shares of a newly created Series B Convertible Redeemable Preferred Stock, par value for 0.01 per share for \$76,500. In May 1999, the Company sold 688,335 common shares for \$558,000 after offering costs. These funds were principally used to acquire property assets and software to develop its insurance and service contract businesses, and to fund its operating losses. In December 1999, the Company sold 5,187,500 common shares for \$3,691,000 which will be used to expand its businesses.

On September 30, 1998, the Company acquired Stamford Insurance Company Ltd., which was then an inactive foreign corporation that is licensed in the Cayman Islands as a casualty and property insurer. In the fourth quarter of 1999, Stamford commenced underwriting as a reinsurer generating premiums written of \$300,000 of which \$12,000 was earned by December 31, 1999. Also in the fourth quarter, the Company commenced sales of its automotive vehicle and consumer products service contracts through its website. Such service contract revenues aggregated \$11,000 in 1999 of which \$400 was earned in 1999.

The Company's plan of operation for the next twelve months is principally to continue its endeavors to establish itself in the vehicle and consumer products service contract business through its Internet web site, [www.warrantysuperstore.com](http://www.warrantysuperstore.com), and to continue to seek additional property/casualty reinsurance opportunities for its wholly owned insurance company, Stamford Insurance Co. Ltd.

## RESULTS OF OPERATIONS

The Company did not generate any operating revenues for the period covered by this report until the fourth quarter of fiscal 1999, when its reinsurance subsidiary commenced generating premium revenues and the Company began the sale of its service contracts.

The Company recorded losses in the year ended March 31, 1998 of \$222,000, before interest expense and preferred stock dividend accrual (\$252,000 in 1997 and \$257,000 in 1996). Such losses arose from general and administrative expenses which principally comprise professional fees, travel expenses and general office costs.

During the period March 1996 through March 1998, the Company's primary activities have been to engage in three private securities offerings, and to settle and pay off certain of its outstanding liabilities. In May 1998, the stockholders approved the issuance of the Series B Preferred Stock, change in control and new business operations.

Stamford in the quarter ended December 1999 began reinsuring contractual liability insurance policies from one United States carrier that is rated "A-" Excellent by A.M. Best. This reinsurance generated approximately \$300,000 in premiums, of which \$288,000 was unearned at December 31, 1999. Policy acquisition costs were \$38,000 of which \$2,000 was expensed in the current period. Losses charged to operations in the current period were \$5,112 of which \$5,000 is management's estimate of incurred but not reported losses at December 31, 1999. Corniche commenced the sales of the extended service contracts for new and used automotive vehicles in the last quarter of 1999, generating \$11,000 in revenues of which \$400 was recognized with in the current period with the balance deferred over the life of the contract. Direct costs associated with the sale of the service contracts are being recognized pro rata over the length of the contract. Since neither the Company nor its subsidiary generated any revenues in 1998, no meaningful comparative analysis can be made.

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General and administrative costs for 1999 aggregating \$1,071,000 as compared to \$481,000 for the twelve months ended December 31, 1998. The increase of \$590,000 (122.7%) is attributable to increases in (i) advertising of \$253,000 in the current year (ii) payroll and related employment costs of \$173,000 to \$257,000 in the current year, (iii) website development of \$98,000 to \$140,000 and (iv) depreciation and amortization of \$78,000 to \$83,000 in the current year.

Interest income decreased \$30,000 (78.9%) from \$38,000 in the twelve months ended December 31, 1998, to \$8,000 in the current year. Interest expense increased from \$1,000 in the twelve months ended December 31, 1998 to \$65,000 in the current year. The reduction in interest income and increase in interest expense is the result of the cash, cash equivalents, and investments used to fund the Company's increased operating costs in the current year and the incurrence of debt of \$98,000 to fund property asset additions.

The preferred stock dividend of \$57,000 in 1999 is \$3,000 less than the \$60,000 accrued during the twelve months ended December 31, 1998 principally because of the reduction of the average number of Series A preferred shares outstanding in the current year.

Net loss for fiscal 1999 increased \$676,000 (133.9%) to \$1,180,000 from the comparable loss of \$504,000 incurred during the twelve months ended December 31, 1998 for the reasons cited above.

#### FINANCIAL CONDITION

The Company's cash condition increased \$1,433,000 to \$1,639,000 at December 31, 1999 from \$206,000 at December 31, 1998. The investments in marketable securities increased \$2,105,000 to \$2,733,000 from \$628,000 during the same time period. These increases are the result of proceeds from the sale of the Company's common stock in December 1999 for \$4,175,000 before certain offering costs of \$419,000 which were paid in January 2000. Additionally, the Company sold additional shares of its common stock in January and February 2000 for approximately \$1,200,000 after offering costs.

Even though the acquisition of Stamford may enable the Company to generate limited reinsurance revenues, management's business plan requires additional funding through future sales of the Company's securities and/or other financing alternatives. Management anticipates a continued deterioration in the Company's financial condition in the near term due to ongoing general and administrative costs which will exceed the Company's revenues. This situation will continue until the Company raises the sufficient financing to fully capitalize its service contract sales and reinsurance business.

There can be no assurance that the Company will be successful in its efforts to raise any funds from any of the options under evaluation or that it will be able to avail itself of other alternative sources of funds.

The Company's cash condition was reduced by \$942,000 from March 31, 1998 to December 31, 1998 due to an increase in investments in marketable securities of \$628,000, the acquisition of property of \$26,000, the acquisition of the Company's subsidiary for \$37,000, and cash used in operations of \$323,000. The purchased subsidiary had cash on the date of acquisition, September 30, 1998, of \$19,000.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company has relied solely on the proceeds from the sales of its securities in October 1997, May 1998, May 1999 and December 1999 for the primary source of its funds. In the fourth quarter of 1999, the Company generated its initial revenues from its businesses, both earned and unearned, of \$312,000. These funds were and will be utilized to fund the Company's operating expenses. Management anticipates it will require additional funds from future sales of its securities and/or other financing alternatives in order to fund its future operational costs and at the same time fully develop its insurance and service contract sales businesses.

At December 31, 1999 working capital was \$3,572,000 an increase of \$3,113,000 from working capital of \$459,000 at December 31, 1998. The increase in working capital is the result of the increase in capital through the

sale of the Company's securities of \$4,254,000 plus the issuance of its securities for payment of debt, interest and services rendered of \$311,000 less



the loss incurred before accrued dividends of \$1,112,000 and property asset additions of \$442,000.

The Company has committed to acquire computer hardware and software and to develop a website for approximately \$1,500,000 of which \$1,000,000 has been expended through December 31, 1999. Although the Company is not contractually obligated to fulfill the remaining \$500,000 of the project, it intends to do so over the next 1 to 2 years as and if funding permits. The project will enable the Company to fully utilize the Internet in the sales, advertising, marketing, collections and other functions of its extended service contract sales for automotive vehicles and other products such as brown and white consumer products. There can be no assurance that the Company will have the funds available to fund its hardware and/or software requirements required to successfully develop this project nor can there be assurance that if it is developed such project will aid in the intended results of additional revenues.

The Certificate of Designation for the Series A Preferred Stock states that at any time after December 1, 1999 any holder of Series A Preferred Stock may require the Company to redeem his shares of Series A Preferred Stock (if there are funds with which the Company may legally do so) at a price of \$1.00 per share. Notwithstanding the foregoing redemption provisions, if any dividends on the Series A Preferred Stock are past due, no shares of Series A Preferred Stock may be redeemed by the Company unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed. The holders of Series A Preferred Stock may convert their Series A Preferred Stock into shares of common stock of the Company at a price of \$5.20 per share. At December 31, 1999, 810,054 shares of Series A Preferred Stock were outstanding. If the preferred share holders do not convert their shares into common stock, and if the Company were required to redeem any significant number of shares of Series A Preferred Stock, the Company's financial condition would be materially affected.

#### INFLATION

Inflation has not had a significant effect on the Company's operations or financial position and management believes that the future effects of inflation on the Company's operations and financial position will be insignificant.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

The Company's financial statements, itemized in the subtopic, "Financial Statements" under Item 14 of this report, are set forth at the end of this report.

#### ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In February 1997, the Company appointed Simontacchi & Company, P.A. ("Simontacchi") as the Company's independent auditors. This action was approved by the Company's board of directors. The Company had not consulted Simontacchi regarding any accounting or financial reporting issues prior to that firm being retained by the Company.

Simontacchi audited the Company's financial statements for the fiscal years ended March 31, 1996, 1997 and 1998. Simontacchi's report on the Company's financial statements for the fiscal years ended March 31, 1996 and 1997 expressed an unqualified opinion on those financial statements based upon their audits, but included

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paragraphs noting a "substantial doubt about the Company's ability to continue as a going concern" based upon the several matters summarized in such reports.

On August 12, 1998, the Company and Simontacchi terminated their client-auditor relationship. The reports of Simontacchi on the financial

statements of the Company for the prior two fiscal years contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. The Company's Board of Directors participated in and approved the decision to change the independent accountants. In connection with its audits for the prior two fiscal years and through August 12, 1998, there were no disagreements with Simontacchi on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Simontacchi, would have caused Simontacchi to make reference thereto in its report on the financial statements for such years. No "reportable events" as describe under Item 304(a)(1)(v) of Regulation S-K occurred during the prior two fiscal years.

The Company simultaneously engaged Weinick Sanders Leventhal & Co., LLP ("Weinick") as its new independent accountants as of August 12, 1998. Such appointment was approved by the Company's Board of Directors. The Company had not consulted with Weinick regarding any matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

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### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Incorporated by reference to the Company's definitive proxy statement for its 2000 annual meeting of stockholders.

#### ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to the Company's definitive proxy statement for its 2000 annual meeting of stockholders.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference to the Company's definitive proxy statement for its 2000 annual meeting of stockholders.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference to the Company's definitive proxy statement for its 2000 annual meeting of stockholders.

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### PART IV

#### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

##### FINANCIAL STATEMENTS

The financial statements filed as a part of this report are as follows:

Report of independent certified public accountants

Consolidated Balance Sheets at December 31, 1999 and 1998

Statements of Operations

For the Year Ended December 31, 1999 (Consolidated) and

For the Nine Months Ended December 31, 1998 (Consolidated) and

For the Year Ended March 31, 1998

Statements of Convertible Redeemable Preferred Stock, Common Stock,

Other Stockholders' Equity and Accumulated Deficit For the Year Ended December 31, 1999 (Consolidated) and For the Nine Months Ended December 31, 1998 (Consolidated) and For the Year Ended March 31, 1998

Statements of Cash Flows

For the Year Ended December 31, 1999 (Consolidated) and For the Nine Months Ended December 31, 1998 (Consolidated) and For the Year Ended March 31,

Notes to Financial Statements

FINANCIAL STATEMENT SCHEDULES

The financial statement schedule filed as a part of this report is as follows:

Schedule II - Valuation of Qualifying Accounts For the Year Ended December 31, 1999 (Consolidated) and For the Nine Months Ended December 31, 1998 (Consolidated) and For the Year Ended March 31, 1998 (Consolidated)

Other financial statement schedules have been omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

EXHIBITS

The exhibits filed as a part of this report are as follows:

Exhibit No. of incorporated report specified below

3	(a)	Certificate of Incorporation filed September 18, 1980 (1)	3
	(b)	Amendment to Certificate filed September 29, 1980 (1)	3
	(c)	Amendment to Certificate of Incorporation filed July 28, 1983 (2)	3 (b)
	(d)	Amendment to Certificate of Incorporation filed February 10, 1984 (2)	3 (d)

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	(e)	Amendment to Certificate of Incorporation filed March 31, 1986 (3)	3 (e)
	(f)	Amendment to Certificate of Incorporation filed March 23, 1987 (4)	3 (g)
	(g)	Amendment to Certificate of Incorporation filed June 12, 1990 (5)	3.8
	(h)	Amendment to Certificate of Incorporation filed September 27, 1991 (6)	3.9
	(i)	Certificate of Designation filed November 12, 1994 (7)	3.8
	(j)	Amendment to Certificate of Incorporation filed September 28, 1995 (10)	3 (j)
	(k)	Certificate of Designation for the Series B Preferred Stock dated May 18, 1998 (12)	C 3 (f)
	(l)	By-laws of the Corporation, as amended on April 25, 1991 (6)	
	(m)	Amendment to Certificate of Incorporation dated May 18, 1998 (12)	A

4	(a)	Form of Underwriter's Warrant (6)	4.9.1
	(b)	Form of Promissory Note - 1996 Offering (10)	4 (b)
	(c)	Form of Promissory Note - 1997 Offering (10)	4 (c)
	(d)	Form of Common Stock Purchase Warrant - 1996 Offering (10)	4 (d)
	(e)	Form of Common Stock Purchase Warrant - 1997 Offering (10)	4 (e)
10	(a)	1986 Stock Option Plan, as amended (7)	10.6
	(b)	1992 Stock Option Plan (8)	B
	(c)	Stock Purchase Agreement dated as of January 30, 1997 by and among the Company, the Bank of Scotland and 12 buyers (10)	10 (m)
	(d)	Mutual Release dated as of January 30, 1997 by and among the Company, James Fyfe and the Bank of Scotland (10)	10 (n)
	(e)	Stock Purchase Agreement, dated as of March 4, 1998, between the Company and the Initial Purchasers named therein (12)	B
	(f)	1998 Employees Stock Option Plan (12)	D
27		Financial Data Schedule, filed herewith.	

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Notes:

- (1) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's registration statement on Form S-18, File No. 2-69627, which exhibit is incorporated here by reference.
- (2) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's registration statement on Form S-2, File No. 2-88712, which exhibit is incorporated here by reference.
- (3) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's registration statement on Form S-2, File No. 33-4458, which exhibit is incorporated here by reference.
- (4) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's annual report on Form 10-K for the year ended September 30, 1987, which exhibit is incorporated here by reference.
- (5) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's registration statement on Form S-3, File No. 33-42154, which exhibit is incorporated here by reference.
- (6) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's registration statement on Form S-1, File No. 33-42154, which exhibit is incorporated here by reference.

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- (7) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's annual report on Form 10-K for the year ended September 30, 1994, which exhibit is incorporated here by reference.
- (8) Filed with the Securities and Exchange Commission as an exhibit, as

indicated above, to the Company's proxy statement dated March 30, 1992, which exhibit is incorporated here by reference.

- (9) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the current report of the Company on Form 8-K, dated April 5, 1995, which exhibit is incorporated here by reference.
- (10) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's annual report on Form 10-K for the year ended March 31, 1996, which exhibit is incorporated here by reference.
- (11) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's annual report on Form 10K/A for the year ended March 31, 1996, which exhibit is incorporated here by reference.
- (12) Filed with the Securities and Exchange Commission as an exhibit, as indicated above, to the Company's proxy statement dated April 23, 1998, which exhibit is incorporated here by reference.

REPORTS ON FORM 8-K

The Company filed no reports on Form 8-K during the fourth quarter of fiscal 1999.

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SIGNATURES

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

CORNICHE GROUP INCORPORATED

By: /s/ Robert H. Hutchins

-----  
Robert H. Hutchins, President

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated:

Signatures -----	Title -----	Date ----
/s/ Robert Benoit ----- ROBERT BENOIT	Director and Chief Executive Officer (Principal executive officer)	March 31, 2000
/s/ Robert H. Hutchins ----- ROBERT H. HUTCHINS	Director and President (Principal financial officer)	March 31, 2000
/s/ Glenn Aber ----- GLENN ABER	Director	March 31, 2000
/s/ James J. Fyfe	Director	March 31, 2000

CORNICHE GROUP INCORPORATED AND SUBSIDIARY

DECEMBER 31, 1999

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[WEINICK SANDERS LEVENTHAL & CO., LLP LETTERHEAD]

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors  
Corniche Group Incorporated

We have audited the accompanying consolidated balance sheets of Corniche Group Incorporated and Subsidiary as at December 31, 1999 and 1998, and the related statements of operations, redeemable preferred stock, common stock, other stockholders' equity and accumulated deficit, and cash flows for the year ended December 31, 1999 and for the nine months ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Corniche Group Incorporated and Subsidiary as at December 31, 1999 and 1998, and the results of their operations and their cash flows for the year ended December 31, 1999 and for the nine months ended December 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statements schedules for the year ended December 31, 1999 and for the nine months ended December 31, 1998, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ WEINICK SANDERS LEVENTHAL & CO., LLP

New York, New York  
January 28, 2000 (Except as to a portion  
of Note 8 (b) to which the date is  
February 15, 2000)

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SIMONTACCHI & COMPANY, LLP  
170 EAST MAIN STREET  
ROCKAWAY, NEW JERSEY 07866

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors  
Corniche Group Incorporated

We have audited the accompanying statements of operations, redeemable preferred stock, common stock, other stockholders' equity and accumulated deficit, and cash flows of Corniche Group Incorporated for the year ended March 31, 1998. Our audit also included the financial statement schedule for the year ended March 31, 1998. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in

all material respects, the results of the operations and the cash flows of Corniche Group Incorporated for the year ended March 31, 1998 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule for the year ended March 31, 1998, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ SIMONTACCHI & COMPANY, LLP

Fairfield, New Jersey  
July 10, 1998

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CORNICHE GROUP INCORPORATED AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS

ASSETS

	DECEMBER 31,	
	1999	1998
Current assets:		
Cash and equivalents .....	\$ 1,639,473	\$ 206,313
Marketable securities .....	2,733,319	628,175
Prepaid expenses .....	71,622	--
	-----	-----
Total current assets: .....	4,444,414	834,488
Property and equipment, net .....	655,002	40,781
Deferred acquisition costs .....	41,946	--
License, net of accumulated amortization .....	16,777	17,997
Other assets .....	12,525	12,525
	-----	-----
	\$ 5,170,664	\$ 905,791
	=====	=====

LIABILITIES, STOCKHOLDERS' EQUITY AND (CAPITAL DEFICIENCY)

Current liabilities:		
Dividends payable - preferred stock .....	\$ 288,334	\$ 236,981
Accounts payable, accrued expenses and other current liabilities ....	561,870	133,941
Current portion of long-term debt .....	22,662	4,649
	-----	-----
Total current liabilities: .....	872,866	375,571
Unearned revenues .....	298,801	--
	-----	-----
Long-term debt .....	76,591	9,262
	-----	-----
Series A Convertible Preferred Stock:		
Series A \$0.07 cumulative convertible preferred stock		
- stated value - \$1.00 per share, authorized - 1,000,000		
shares, outstanding - 810,054 shares at December 31, 1999		
and 828,765 shares at December 31, 1998 .....	810,054	828,765



Convertible Redeemable Preferred Stock, Common Stock, Other Stockholders' Equity and (Accumulated Deficit):		
Preferred Stock - authorized - 5,000,000 shares, Series B convertible redeemable preferred stock, \$.01 par value, Authorized, issued and outstanding - 825,000 shares .....	8,250	8,250
Common Stock, \$.001 par value, authorized - 30,000,000 shares, Issued and outstanding- 12,513,127 at December 31, 1999 .....	12,513	
- 6,369,968 at December 31, 1998 .....	6,370	
Additional paid-in capital .....	7,421,944	2,838,420
Accumulated deficit .....	(4,330,355)	(3,160,847)
	-----	-----
Total convertible redeemable preferred stock, common stock, other stockholders' equity and (accumulated deficit) .....	3,112,352	(307,807)
	-----	-----
	\$ 5,170,664	\$ 905,791
	=====	=====

See accompanying notes to financial statements.

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CORNICHE GROUP INCORPORATED AND SUBSIDIARY  
STATEMENTS OF OPERATIONS

	FOR THE YEAR ENDED DECEMBER 31, ----- 1999 (Consolidated)	FOR THE NINE MONTHS ENDED DECEMBER 31, ----- 1998 (Consolidated)	FOR THE YEAR ENDED MARCH 31, ----- 1998
Earned revenues .....	\$ 12,854	\$ --	\$ --
Direct costs .....	7,557	--	--
Gross profit .....	5,297	--	--
General and administrative expenses .....	1,060,668	428,157	221,602
Operating loss .....	(1,055,371)	(428,157)	(221,602)
Interest income (expense), net .....	(56,965)	25,206	17,804
Net loss before preferred dividend .....	(1,112,336)	(402,951)	(203,798)
Preferred dividend .....	(57,172)	(44,642)	(60,067)
Net loss .....	\$ (1,169,508)	\$ (447,593)	\$ (263,865)
	=====	=====	=====
Net loss per share of common stock .....	\$ (0.17)	\$ (0.07)	\$ (0.05)
	=====	=====	=====
Weight average number of common shares outstanding .....	6,905,073	6,367,015	5,165,272
	=====	=====	=====

See accompanying notes to financial statements.

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CORNICHE GROUP INCORPORATED AND SUBSIDIARY

STATEMENTS OF CONVERTIBLE REDEEMABLE PREFERRED STOCK, COMMON STOCK,  
OTHER STOCKHOLDERS' EQUITY AND ACCUMULATED DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1999 AND  
FOR THE NINE MONTHS ENDED DECEMBER 31, 1998 AND  
FOR THE YEAR ENDED MARCH 31, 1998

	SERIES B CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL
	SHARES	AMOUNT	SHARES	AMOUNT	
Balance at April 1, 1997 .....	--	--	2,630,378	\$ 2,630	\$ 1,090,493
Issuance of common stock for cash, net of related costs of \$184,500 .....	--	--	3,940,000	3,940	1,781,560
Retirement of treasury stock .....	--	--	(218,100)	(218)	(204,492)
Conversion of Series A convertible preferred stock into common stock .....	--	--	2,953	3	15,356
Series A convertible preferred stock dividend .....	--	--	--	--	--
Net loss before preferred stock dividend .....	--	--	--	--	--
Balance at March 31, 1998 .....	--	--	6,355,231	6,355	2,682,917
Adjustments to common stock .....	--	--	2,212	2	(2)
Issuance of Series B convertible preferred stock for cash .....	765,000	7,650	--	--	68,850
Issuance of Series B convertible preferred stock for services rendered .....	60,000	600	--	--	5,400
Conversion of Series A convertible preferred stock into common stock .....	--	--	12,525	13	81,255
Series A convertible preferred stock dividend .....	--	--	--	--	--
Net loss before preferred stock dividend .....	--	--	--	--	--
Balance at December 31, 1998 .....	825,000	8,250	6,369,968	6,370	2,838,420
Issuance of common stock for interest and services rendered .....	--	--	55,000	55	57,664
Issuance of common stock for indebtedness .....	--	--	208,738	209	252,973
Issuance of common stock for cash, net of offering costs .....	--	--	5,875,835	5,876	4,248,360
Conversion of Series A convertible preferred stock into common stock .....	--	--	3,586	3	24,527
Series A convertible stock dividends .....	--	--	--	--	--
Net loss before preferred stock dividend .....	--	--	--	--	--
Balance at December 31, 1999 .....	825,000	\$ 8,250	12,513,127	\$ 12,513	\$ 7,421,944

	TREASURY STOCK		ACCUMULATED DEFICIT	TOTAL
	SHARES	AMOUNT		
Balance at April 1, 1997 .....	(218,100)	\$ (204,710)	\$ (2,449,389)	\$ (1,560,976)
Issuance of common stock for cash, net of related costs of \$184,500 .....	--	--	--	1,785,500
Retirement of treasury stock .....	218,100	204,710	--	--
Conversion of Series A convertible preferred stock into common stock .....	--	--	--	15,359
Series A convertible preferred stock dividend .....	--	--	(60,067)	(60,067)
Net loss before preferred stock dividend .....	--	--	(203,798)	(203,798)
Balance at March 31, 1998 .....	--	--	(2,713,254)	(23,982)
Adjustments to common stock .....	--	--	--	--
Issuance of Series B convertible preferred stock for cash .....	--	--	--	76,500
Issuance of Series B convertible preferred stock for services rendered .....	--	--	--	6,000
Conversion of Series A convertible preferred stock into common stock .....	--	--	--	81,268
Series A convertible preferred stock dividend .....	--	--	(44,642)	(44,642)
Net loss before preferred stock dividend .....	--	--	(402,951)	(402,951)
Balance at December 31, 1998 .....	--	--	(3,160,847)	(307,807)
Issuance of common stock for interest and services rendered .....	--	--	--	57,719
Issuance of common stock for indebtedness .....	--	--	--	253,182
Issuance of common stock for cash, net of offering costs .....	--	--	--	4,254,236
Conversion of Series A convertible preferred stock into common stock .....	--	--	--	24,530
Series A convertible stock dividends .....	--	--	(57,172)	(57,172)
Net loss before preferred stock dividend .....	--	--	(1,112,336)	(1,112,336)
Balance at December 31, 1999 .....	--	\$ --	\$ (4,330,355)	\$ 3,112,352

See accompanying notes to financial statements.

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CORNICHE GROUP INCORPORATED AND SUBSIDIARY  
STATEMENTS OF CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 31, ----- 1999 ----- (Consolidated)	FOR THE NINE MONTHS ENDED DECEMBER 31, ----- 1998 ----- (Consolidated)	FOR THE YEAR ENDED MARCH 31, ----- 1998 -----
Cash flows from operating activities:			
Net loss .....	\$ (1,169,508)	\$ (447,593)	\$ (263,865)
Adjustments to reconciled net loss to net cash used in operating activities:			
Common shares and Series B preferred shares issued for interest expense and for services rendered .....	57,719	6,000	--
Series A preferred stock dividends .....	57,172	44,642	60,067
Depreciation and amortization .....	82,338	3,435	388
Unearned revenues .....	298,801	--	--
Interest (decrease) in cash flows as a result of changes in asset and liability account balance net of effects from purchase of Stamford Insurance Company, Ltd.:			
Deferred acquisition costs .....	(41,946)	--	--
Prepaid expenses and other receivables .....	(71,622)	179	821
Other assets .....	--	(12,525)	--
Accounts payable, accrued expenses and other current liabilities .....	422,929	82,729	(67,014)
Total adjustments: .....	805,391	124,460	(5,738)
Net cash used in operating activities .....	(364,117)	(323,133)	(269,603)
Cash flow from investing activities:			
Investment in marketable securities .....	(2,105,444)	(628,175)	--
Acquisition of property assets .....	(442,157)	(25,745)	--
Acquisition of subsidiary .....	--	(37,000)	--
Net cash used in investment activities .....	(2,547,301)	(690,920)	--
Cash flows from financing activities:			
Net proceeds from issuance of capital stock .....	4,254,236	76,500	1,785,500
Net proceeds from long-term debt .....	89,264	--	--
Payments of capital lease obligations .....	(3,922)	(3,995)	--
Net repayments of notes payable .....	--	--	(400,000)
Net cash provided by financing activities .....	(4,339,578)	72,505	1,385,500
Net increase (decrease) in cash .....	1,428,160	(941,548)	1,115,897
Cash balance acquired with purchase of subsidiary .....	--	18,797	--
Cash and cash equivalents at beginning of period .....	206,313	1,129,064	13,167
Cash and cash equivalents at end of period .....	\$ 1,634,473	\$ 206,313	\$ 1,129,064

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CORNICHE GROUP INCORPORATED AND SUBSIDIARY  
STATEMENTS OF CASH FLOWS (continued)

FOR THE YEAR ENDED DECEMBER 31,      FOR THE NINE MONTHS ENDED DECEMBER 31,      FOR THE YEAR ENDED MARCH 31,

	----- 1999 ----- (Consolidated)	----- 1998 ----- (Consolidated)	----- 1998 -----
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the period:			
Income taxes .....	\$ --	\$ --	\$ --
Interest .....	\$ 35,193	\$ 886	\$ 4,181
Supplemental Schedules of Noncash Investing and Financing Activities:			
Issuance of common stock for interest .....	\$ 27,719	\$ --	\$ --
Issuance of preferred and common stock for services rendered .....	\$ 30,000	\$ 6,000	\$ --
Property assets acquired under capital lease obligations .....	\$ --	\$ 17,806	\$ --
Net accrual of dividends on Series A preferred stock .....	\$ 51,353	\$ 28,517	\$ 60,067
Series A preferred stock and dividends thereon converted to common stock and additional paid-in capital upon conversion .....	\$ 24,530	\$ 81,268	\$ 15,359
Issuance of common stock for indebtedness .....	\$ 253,182	\$ --	\$ --

See accompanying notes to financial statements.

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CORNICHE GROUP INCORPORATED AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1999 AND 1998 AND  
FOR THE YEARS ENDED DECEMBER 31, 1999,  
FOR THE NINE MONTHS ENDED DECEMBER 31, 1998 AND  
FOR THE YEAR ENDED MARCH 31, 1998

NOTE 1 - THE COMPANY.

Corniche Group Incorporated (hereinafter referred to as the "Company" or "CGI") as a result of a reverse acquisition with Corniche Distribution Limited and its Subsidiaries ("Corniche"), was engaged in the retail sale and wholesale distribution of stationery products and related office products, including office furniture, in the United Kingdom. In February 1996, the Company was placed in receivership by its creditors. Through March 1998, the Company had no activity.

On March 4, 1998, the Company entered into a Stock Purchase Agreement ("Agreement"), approved by the Company's stockholders on May 18, 1998, with certain individuals (the "Initial Purchasers") whereby the Initial Purchasers acquired an aggregate of 765,000 shares of a newly created Series B Convertible Redeemable Preferred Stock, par value \$0.01 per share. Thereafter the Initial Purchasers have been endeavoring to establish for the Company new business operations in the property and casualty specialty insurance and the service contract markets.

On September 30, 1998, the Company acquired all of the capital stock of Stamford Insurance Company, Ltd. ("Stamford") from Warrantech Corporation for \$37,000 in cash in a transaction accounted for as a purchase. Warrantech's chairman is the former chairman of the Company. Stamford was chartered under the

Laws of, and is licensed to conduct business as an insurance company by, the Cayman Islands. Although Stamford has incurred expenses since its inception, it first generated revenues in the fourth quarter of 1999.

The unaudited consolidated combined results of operations, on a pro forma basis as though Stamford has been acquired at the beginning of each period, is as follows:

	FOR THE NINE MONTHS ENDED DECEMBER 31, ----- 1998 -----	FOR THE YEARS ENDED MARCH 31, ----- 1998 -----
Revenues .....	\$ --	\$ --
Costs and expenses .....	511,335	232,824
Net loss .....	\$ (527,991)	\$ (268,321)
Net loss per share .....	\$ (0.08)	\$ (0.05)

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At December 31, 1999 and 1998, Stamford's total net assets consisted of the following:

	DECEMBER 31, ----- 1999      1998 -----	
<b>Assets:</b>		
Cash and equivalents .....	\$ 384,849	\$ 155,806
Deferred acquisition costs .....	35,568	--
Licenses, net of accumulated depreciation ...	16,777	17,997
	437,194	173,803
<b>Liabilities:</b>		
Current liabilities .....	\$ 5,021	\$ 879
Unearned premiums .....	288,086	--
	293,107	879

Net assets ..... \$ 144,087 \$ 172,924

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

(a) Basis of Presentation:

On February 4, 1999, the Board of Directors approved a resolution to change the Company's fiscal year-end from March 31, to December 31. The accompanying financial statements as at and for the year ended December 31, 1999 reflect the consolidated financial position and consolidated results of operations and cash flows of the Company and its wholly-owned subsidiary, Stamford, for the year ended December 31, 1999.

The financial statements as at and for the nine months ended December 31, 1999 reflect the consolidated financial position and consolidated results of operations and cash flows of the Company for the nine months ended December 31, 1998 and its wholly-owned subsidiary from its acquisition on September 30, 1998 to December 31, 1998. The financial statements for the year ended March 31, 1998 reflect the financial position and results of operations and cash flows of the Company for the year then ended. All material intercompany transactions have been eliminated in consolidation.

(b) Cash Equivalents:

Short-term cash investments which have a maturity of ninety days or less when purchased are considered cash equivalents in the statement of cash flows.

(c) Estimates:

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

(d) Concentrations of Credit-Risk:

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and marketable securities. The Company places its domestic operations cash accounts with high credit quality financial institutions which at times may be in excess of the FDIC insurance limit. The Company's subsidiary places its cash in the Cayman Island subsidiaries of domestic banks whose net worth exceeds \$100,000,000. The Company's marketable securities are primarily comprised of

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investments in municipal bank funds. The Company employs the services of an investment advisor to assist in monitoring its investments.

(e) Marketable Securities:

Marketable securities are classified as trading securities and are reported at market value at December 31, 1999 and 1998 which approximates cost.

(f) Property and Equipment:

The cost of property and equipment is depreciated over the estimated useful lives of the related assets of 5 to 7 years. The cost of computer software programs is amortized over their estimated useful lives of five years. Depreciation is computed on the straight-line method. Repairs and maintenance expenditures which do not extend original asset lives are charged to income as incurred.

(g) Intangibles:

The excess of the purchase price for the capital stock of Stamford over the net assets acquired has been attributed to the subsidiary's license to conduct business as an insurance carrier in the Cayman Islands. Amortization charged to operations in fiscal 1999 was \$1,220 and in the nine months ended December 31, 1998 was \$305.

(h) Income Taxes:

The Company adopted SFAS 109, "Accounting for Income Taxes", which recognizes (a) the amount of taxes payable or refundable for the current year and, (b) deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an enterprise's financial statement or tax returns. There is no difference as to financial and tax basis of assets and liabilities.

(i) Fair Value of Financial Statements:

The Company adopted Statement of Financial Accounting Standards No. 121 ("SFAS No. 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". The statement requires that the Company recognizes and measures impairment losses of long-lived assets, certain identifiable intangibles, value long-lived assets to be disposed of and long-term liabilities. At December 31, 1999 and 1998, the carrying values of the Company's other assets and liabilities approximate their estimated fair values.

(j) Advertising Costs:

The Company expenses advertising costs as incurred. Advertising costs amounted to \$252,983 in fiscal 1999 and none for the nine months ended December 31, 1998 and year ended March 31, 1998.

(k) Earnings Per Share:

The Company adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share," in the year ended March 31, 1998. Basic earnings per share is based on the weighted effect of all common shares issued and outstanding, and is calculated by dividing net income available to common stockholders by the weighted average shares outstanding during the period. Diluted earnings per share, which is calculated by dividing net income available to common stockholders by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive securities outstanding, is not presented as it is anti-dilutive in all periods.

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(l) Recently Issued Accounting Pronouncements:

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 - "Reporting Comprehensive Income", No. 131 - "Disclosures about Segments of an Enterprise and Related Information", No. 132 - "Employer's Disclosures about Pension and Other Postretirement Benefits" and No. 133 - "Accounting for Derivative Instruments and Hedging Activities". Management does not believe that the effect of implementing these new standards will be material to the Company's financial position, results of operations and cash flows.

(m) Revenue Recognition:

Stamford is a property and casualty reinsurance company writing reinsurance coverages for one domestic carrier's consumer products service contracts. The domestic carrier is rated "A-" Excellent by A.M. Best.

Premiums are recognized on a pro rata basis over the policy term. The deferred policy acquisition costs are the net cost of acquiring

new and renewal insurance contracts. These costs are charged to expense in proportion to net premium revenue recognized.

The provisions for losses and loss-adjustment expenses includes an amount determined from loss reports on individual cases and an amount, based on past experience for losses incurred but not reported. Such liabilities are necessarily based on estimates, and while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings currently.

The parent company sells via the Internet directly to consumers automotive vehicle services contracts. The Company recognizes revenue ratably over the length of the contract. The Company purchases insurance to fully cover any losses under the service contracts from the domestic carrier referred to above. The insurance premium and other costs related to the sale are amortized over the contract.

NOTE 3 - PROPERTY AND EQUIPMENT.

Property and equipment consists of the following:

	DECEMBER 31,	
	1999	1998
	-----	-----
Computer equipment .....	\$ 116,660	\$ 3,906
Furniture and fixtures .....	23,266	23,266
Computer software .....	582,585	--
	-----	-----
	722,511	27,172
Less: Accumulated depreciation .....	77,896	2,713
	-----	-----
	644,615	24,459
	-----	-----
Lease property under capital lease:		
Office equipment .....	17,806	17,806
Less: Accumulated depreciation .....	7,419	1,484
	-----	-----
	10,387	16,322
	-----	-----
	\$ 655,002	\$ 40,781
	=====	=====

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Depreciation and amortization charged to operations was \$81,118, \$3,130 and \$388, for the year ended December 31, 1999, for the nine months ended December 31, 1998 and for the year ended March 31, 1998, respectively.

The estimated present value of the capital lease obligations at December 31, 1999 reflects imputed calculated at 12.7% and 19.32%. The obligations are payable in equal monthly installments through January 2002 as follows:

YEARS ENDING



DECEMBER 31,  
-----

	2000	\$ 7,115
	2001	5,181
	2002	317
		-----
		12,613
Amount representing interest .....		2,630
		-----
Present value of minimum lease payments ...		9,983
Present value of minimum lease payments due within one year .....		5,392
		-----
Present value of minimum lease payments due after one year		\$ 4,591
		=====

The aggregate maturities of the present value of the minimum lease obligations is as follows:

YEARS ENDING  
DECEMBER 31,  
-----

	2000	\$5,392
	2001	4,294
	2002	297
		-----
		9,983
		=====

NOTE 4 - ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES.

Accounts payable, accrued expenses and other current liabilities consist of the following at:

	DECEMBER 31,	
	1999	1998
	-----	-----
Accrued offering costs .....	\$419,120	\$ --
Accrued professional fees .....	41,534	80,000
Advertising .....	69,427	--
Other .....	26,789	11,956
Due to related party (see Note 10) .....	--	41,985
Accrued claims losses .....	5,000	--
	-----	-----
	\$556,870	\$133,941
	=====	=====

NOTE 5 - NOTES PAYABLE.

During the period January 1997 through April 30, 1997, the Company engaged in a private offering of securities pursuant to Rule 506 of Regulation D of the Securities Act of 1993, as amended. The offering consists of

up to 19 units being sold at an offering price of \$25,000 per unit. Each unit consists of one \$25,000 face amount 90-day, 8% promissory note and one redeemable common stock purchase warrant to purchase 60,000 shares of the Company's common stock at a price of \$.50 per share during a period of three years from issuance. The offering of up to \$475,000 was conducted on a "best efforts" basis through Robert M. Cohen & Co. ("RMCC"). In connection with such offering, RMCC was paid sales commissions equal to 10% of the purchase price of each unit sold or \$2,500 per unit.

The notes payable relating to the above offering were paid in full and the warrants were simultaneously redeemed during the year ended March 31, 1998 with funds generated from the sale of stock (see Note 8).

In October 1999 the Company sold to accredited investors 10 units of its promissory notes and common stock for \$25,025 each. Each unit was comprised of a 5% interest bearing \$25,000 note and 25,000 shares. The variance between the fair market value of the 25,000 common shares issued in the aggregate of \$27,969 and the cash received of \$250 was deemed to be additional interest and was charged to operations over the life of the notes. The notes were repaid in full in December 31, 1999. At December 31, 1999, accrued interest on the notes of \$3,025 remained outstanding and was repaid in January, 2000. The effective weighted average interest rate of the notes during the period they were outstanding was 49.2%.

NOTE 6 - LONG-TERM DEBT.

Long-term debt consists of the following at December 31, 1999 and 1998:

	1999	1998
	-----	-----
Capital lease obligations (see Note 3) .....	\$ 9,983	\$13,911
Note Payable - bank - in equal monthly installments of \$2,043 including interest at 8 3/4%. The notes are collateralized by computer equipment having an undepreciated cost of \$78,927 ...	89,270	--
	-----	-----
	99,253	13,911
Portion payable within one year .....	22,662	4,649
	-----	-----
	\$76,591	\$ 9,262
	-----	-----

The aggregate maturities of the obligations is as follows:

YEARS ENDING DECEMBER 31, -----	
2000	\$22,662
2001	23,459
2002	20,616
2003	22,525
2004	9,991
	-----
	\$99,253
	=====

NOTE 7 - SERIES A CONVERTIBLE PREFERRED STOCK.

In connection with the settlement of a securities class action litigation in 1994, the Company issued 1,000,000 shares of Series A \$0.07 Convertible Preferred Stock (the "Series A Preferred Stock") with an aggregate value of \$1,000,000. The following summarizes the terms of Series A Preferred Stock as more fully set forth in the Certificate of Designation. The Series A Preferred Stock has a liquidation value of \$1 per share, is non-voting and

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convertible into common stock of the Company at a price of \$5.20 per share. Holders of Series A Preferred Stock are entitled to receive cumulative cash dividends of \$0.07 per share, per year, payable semi-annually. Until November 30, 1999 the Series A Preferred Stock was callable by the Company at a price of \$1.04 per share, plus accrued and unpaid dividends, and thereafter at a price of \$1.05 per share, plus accrued and unpaid dividends. In addition, if the closing price of the Company's common stock exceeds \$13.80 per share for a period of 20 consecutive trade days, the Series A Preferred Stock is callable by the Company at a price equal to \$0.01 per share, plus accrued and unpaid dividends. The Certificate of Designation for the Series A Preferred Stock also states that at any time after December 1, 1999 the holders of the Series A Preferred Stocks may require the Company to redeem their shares of Series A Preferred Stock (if there are funds with which the Company may do so) at a price of \$1.00 per share. Notwithstanding any of the foregoing redemption provisions, if any dividends on the Series A Preferred Stock are past due, no shares of Series A Preferred Stock may be redeemed by the Company unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed. During the year ended December 31, 1999, 18,711 shares of Series A Preferred Stock were converted into 3,586 shares of common stock. During the nine months ended December 31, 1998, 65,143 shares of the Series A Preferred Stock were converted into 12,525 shares of common stock. During the year ended March 31, 1998, holders of 15,359 shares of the Series A Preferred Stock converted such shares into 2,953 shares of the Company's common stock. At December 31, 1999, 810,054 shares of Series A Preferred Stock were outstanding, and accrued dividends on these outstanding shares are \$288,334.

#### NOTE 8 - STOCKHOLDER'S EQUITY.

##### (a) Series B Convertible Redeemable Preferred Stock:

On March 4, 1998, the Company entered into a Stock Purchase Agreement ("Agreement"), approved by the Company's stockholders on May 18, 1998, with certain individuals (the "Initial Purchasers") whereby the Initial Purchasers and two other persons acquired an aggregate of 825,000 shares of a newly created Series B Convertible Redeemable Preferred Stock ("Series B Stock"), par value \$0.01 per share.

Pursuant to the Agreement and subsequent transactions, the Initial Purchasers acquired 765,000 shares of Series B Stock for \$76,500 in cash. The Company incurred certain legal expenses of the Initial Purchasers equaling approximately \$50,000 in connection with the transaction. In addition, the Company issued 50,000 shares of Series B Stock to a consultant as compensation valued at \$5,000 for his assistance to the Company in the identification and review of business opportunities and this transaction and for his assistance in bringing the transaction to fruition. Additionally, the Company issued 10,000 shares of Series B Stock to James Fyfe as compensation valued at \$1,000 for his work in bringing this transaction to fruition. These issuances diluted the voting rights of the then existing stockholders by approximately 57%. The total authorized shares of Series B Convertible Redeemable Preferred Stock are 825,000.

The following summarizes the terms of the Series B Stock whose terms are more fully set forth in the Certificate of Designation. The Series B Stock carries a zero coupon and each share of the Series B Stock is convertible into ten shares of the Company's common stock. The holder of a share of the Series B Stock is entitled to ten times any dividends paid on the common stock and such stock has ten votes per share and vote as one class with the common stock. Accordingly, the Initial Purchasers have sufficient voting power to elect all of the Board of Directors. However, the Initial Purchasers are required to vote in favor of Mr. Fyfe or his

designee as a director of the Corporation through June 30, 2000.

The holder of any share of Series B Convertible Redeemable Preferred Stock has the right, at such holder's option (but not if such share is called for redemption), exercisable on or after September 30, 2000, to convert such share into ten (10) fully paid and non-assessable shares of common stock (the "Conversion Rate"). The Conversion Rate is subject to adjustment as stipulated in the Agreement. Upon liquidation, the Series B Stock would be junior to the Corporation's Series A Preferred Stock and would share ratably with the common stock with respect to liquidating distributions.

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Since, the Company raised in excess of \$2,500,000 in fiscal 1999 from the sale of its common shares and the Company's common shares maintained a minimum closing bid price in excess of \$2.00 per shares for 10 consecutive trading days, then the Company's right, pursuant to the terms of the Agreement and the Certificate of Designation to repurchase or redeem such shares of Series B Stock from the holders for total consideration of \$0.10 per share was eliminated.

(b) Common Stock:

On May 15, 1997, the Company commenced a private securities offering pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended, of up to 400 units, each unit consisting of 10,000 shares of common stock being offered at a price of \$5,000 per unit. The Company used a placement agent for such offering who received a sales commission equal to 10% of the offering price of each unit sold. In connection with the offering, 369 units were sold for gross receipts of \$1,845,000 from which the agent was paid a commission \$184,500 for net of \$1,660,500 to the Company.

In March 1998, the Company sold 250,000 shares of common stock at \$.50 per share realizing \$125,000.

The stockholders at the annual meeting held on May 18, 1998, approved the reduction of the par value of the common stock from \$0.10 per share to \$0.001 per share.

Commencing in May 1999 through July 1999, the Company sold 688,335 shares of its common stock to accredited investors for \$538,492 net of offering costs. In December 1999, accredited investors purchased 5,187,500 shares of the Company's common stock for \$3,715,744, net of offering costs. Through February 15, 2000, additional investors acquired 1,676,250 shares of the Company's common stock for approximately \$1,206,000, net of offering costs.

The Company in 1999 issued 5,000 shares of its common stock whose fair value was \$5,000 to its President as a signing bonus which was charged to operations at the time of issuance. The Company also issued in 1999, 25,000 shares of its common stock whose fair value was \$25,000 at the date of issuance to a public relations consultant for future services. The arrangement with the consultant was terminated in 1999 and the fair value of the shares was charged to operations in 1999.

(c) Warrants:

The Company has issued common stock purchase warrants from time to time to investors in private placements, certain vendors, underwriters, and directors and officers of the Company.

A total of 101,308 shares of common stock are reserved for issuance upon exercise of warrants as of December 31, 1998 and March 31, 1998. Of these outstanding warrants, warrants for 9,375 common shares at \$46.40 per share expired in April 1999. The remaining warrants to acquire 91,933 common shares at exercise prices ranging from \$3.20 to \$8.10 per share were granted in March 1995 to certain directors, officers and employees who converted previously outstanding stock options under the 1986 Plan into warrants on substantially the same terms as the previously held stock

options, except the warrants were immediately vested. During fiscal 1999, warrants to acquire 22,308 common shares at prices ranging from \$3.90 to \$46.40 per share expired. No warrants were exercised during any of the periods presented. A total of 79,000 shares of common stock are reserved for issuance upon exercise of outstanding warrants as of December 31, 1999 at prices ranging from \$3.20 to \$27.50 and expiring through October 2004.

(d) Stock Option Plans:

The Company has three stock option plans. The 1986 Stock Option Plan and the 1988 Employee Incentive Stock Option Plan provide for the grant of options to purchase shares of the Company's common stock to employees. The 1992 Stock Option Plan provides for the grant of options to directors.

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The 1986 Stock Option Plan allows for the grant of incentive stock options (ISO), non-qualified stock options (NQSO) and stock appreciation rights (SAR). The maximum number of shares of the Company's common stock that may be granted, as amended in April 1993, is 140,000 shares. The terms of the plan provide that options are exercisable for a period of up to ten years from the date of grant or a period of five years with respect to incentive stock options if the holder owns more than 10% of the Company's outstanding common stock. The exercise price and grantees of options are established by the Stock Option Committee. The exercise price of ISO's must be at least 100% of the fair market value of the common stock at the time of grant. For the holders of more than 10% of the Company's outstanding common stock, the exercise price must be at least 110% of the fair market value. The exercise price of NQSO's must be not less than 80% of the fair market value of the common stock at the time of grant. An option is exercisable not earlier than six months from the date of grant. During the year ended December 31, 1999, the nine months ended December 31, 1998 and the year ended March 31, 1998, no options were granted, expired, exercised or outstanding at any time under the 1986 Plan.

In April 1992, the Company adopted the 1992 Stock Option Plan to provide for the granting of options to directors. According to the terms of this plan, each director is granted options to purchase 1,500 shares each year. The maximum amount of the Company's common stock that may be granted under this plan is 20,000 shares. Options are exercisable at the fair market value of the common stock on the date of grant and have five year terms.

Under the 1998 Plan, the maximum aggregate number of shares which may be issued under options is 300,000 shares of common stock. The aggregate fair market value (determined at the time the option is granted) of the shares for which incentive stock options are exercisable for the first time under the terms of the 1998 Plan by any eligible employee during any calendar year cannot exceed \$100,000. The option exercise price of each option is 100% of the fair market value of the underlying stock on the date the options are granted, except that no option will be granted to any employee who, at the time the option is granted, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or any subsidiary unless (a) at the time the options are granted, the option exercise price is at least 110% of the fair market value of the shares of common stock subject to the options and (b) the option by its terms is not exercisable after the expiration of five years from the date such option is granted.

The 1998 Plan will be administered by a committee of disinterested directors of the Board of Directors of the Corporation ("Option Committee"). In 1999, options to acquire 100,000 common shares at \$1.00 per share were granted to an officer and an option to acquire 25,000 common shares at \$0.6875 per share was issued to a consultant were granted under the 1998 Plan. In May 1997, a director was granted an option to acquire 1,500 common shares at \$0.3125 per share were granted under the 1992 Plan.

Information with respect to options under the 1986, 1992 and 1998 Stock Option Plans is summarized as follows:

	FOR THE YEAR ENDED DECEMBER 31, 1999		FOR THE NINE MONTHS ENDED DECEMBER 31, 1998		FOR THE YEAR ENDED MARCH 31, 1998	
	SHARES	PRICES	SHARES	PRICES	SHARES	PRICES
Outstanding at beginning of period	3,000	\$0.31 to \$0.41	3,000	\$0.31 to \$0.41	1,500	\$0.41
Granted	125,000	\$0.69 to \$1.00	--	--	1,500	\$0.31
Converted	--	--	--	--	--	--
Expired	--	--	--	--	--	--
Exercised	--	--	--	--	--	--
Outstanding at end of period	128,000	\$0.31 to \$1.00	3,000	\$0.31 to \$0.41	3,000	\$0.31 to \$0.41

Outstanding options expire 90 days after termination of holder's status as employee or director. At December 31, 1999 and 1998, options to acquire 3,000 common shares were exercisable at prices ranging from \$0.31 to \$0.41 per share. The Company has 332,000 shares available for grant under all plans.

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All options were granted at an exercise price equal to the fair value of the common stock at the grant date. Therefore, in accordance with the provisions of APB Opinion No. 25 related to fixed stock options, no compensation expense is recognized with respect to options granted or exercised. Under the alternative fair-value based method defined in SFAS No. 123, the fair value of all fixed stock options on the grant date would be recognized as expense over the vesting period. Assuming the fair market value of the stock at the date of grant to be \$.3125 per share in May 1996, \$.40625 per share in May 1997, \$.6875 in January 1999 and \$1.00 per share in September 1999, the life of the options to be from three to ten years, the expected volatility at 200%, expected dividends are none, and the risk-free interest rate of 10%, the Company would have recorded compensation expense of \$7,750 for the year ended December 31, 1999 as calculated by the Black-Scholes option pricing model. As such, pro-forma net loss and loss per share would be as follows:

Net loss as reported .....	\$ (1,169,508)
Additional compensation .....	7,750
	-----
Adjusted net loss .....	\$ (1,177,258)
	=====
Loss per share as reported .....	\$ (0.17)
	=====
Adjusted loss per share .....	\$ (0.17)
	=====

As the number of options granted at December 31, 1998 and March 31, 1998 is immaterial, recognizing the expense would not have a material effect on the Company's financial statements for the nine months ended December 31, 1998 and the year ended March 31, 1998.

NOTE 9 - INCOME TAXES.

The Company has received permission from the Internal Revenue Service to change its taxable year-end from March 31, to December 31, effective with the December 31, 1998 period.

The differences between income taxes computed using the statutory federal income tax rate and that shown in the financial statements are summarized as follows:

	FOR THE YEAR ENDED DECEMBER 31, 1999		FOR THE NINE MONTHS ENDED DECEMBER 31, 1998		FOR THE YEAR ENDED MARCH 31, 1998	
	(Consolidated)		(Consolidated)			
Loss before income taxes and preferred dividend .....	\$ (1,112,336)	%	\$ (402,951)	%	\$ (203,798)	%
Computed tax benefit at statutory rate .....	\$ (378,000)	(34.0)	\$ (137,000)	(34.0)	\$ (69,300)	(34.0)
Compensatory element of common stock issuances .....	19,600	1.8	--	--	--	--
Foreign subsidiary loss not subject to U.S. taxes .....	9,800	0.9	300	--	--	--
Net operating loss valuation reserve ...	348,600	31.3	136,700	34.0	69,300	34.0
Total tax benefits .....	\$ --	--	\$ --	--	\$ --	--

There are no significant differences between the financial statement and tax basis of assets and liabilities and, accordingly, no deferred tax provision/benefit is required.

The Tax Reform Act of 1986 enacted a complex set of rules limiting the utilization of net operating loss carryforwards to offset future taxable income following a corporate ownership change. The Company's ability to utilize its NOL carryforwards is limited following a change in ownership in excess of fifty percentage points during any three year period. Upon receipt of the proceeds from the last purchasers of the Company's common stock in January 2000, common stock ownership changed in excess of 50% during the three year period then ended. The utilization of the Company's net operating loss carryforward at December 31, 1999 of \$2,063,000 was not

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negatively impacted by this ownership change. The future tax benefit of the net operating loss carryforward aggregated \$701,000 at December 31, 1999 has been fully reserved as it is not more likely than not that the Company will be able to use the operating loss in the future.

NOTE 10 - COMMITMENTS, CONTINGENCIES AND OTHER.

(a) Leases:

Commencing in August 1998, the Company entered into short-term operating leases for its general office space and certain office equipment. Prior to August 1998, the Company did not incur rent expense as it was inactive. Rent expense charged to operations for the year ended December 31, 1999 and for the nine months ended December 31, 1998 was \$63,162 and \$23,000 and none for the year ended March 31, 1998. Future minimum annual rent commitments under operating leases as of December 31, 1999 are as follows:

YEARS ENDING DECEMBER 31, -----	
2000	\$ 54,000
2001	33,000
2002	3,000

Total minimum annual rentals..... \$ 90,000

(b) Web Site:

At December 31, 1998, a liability in the amount of \$41,985 was owed to Warrantech Corporation, an affiliate, for expenses associated with a Web Site that were incurred by the Company. They are included in accounts payable, accrued expenses and other current liabilities in the accompanying financial statements. The affiliate had paid the vendors on the Company's behalf for their services.

(c) Investment Contract:

The Corporation has entered into an investment advisory agreement with AIG Global Investment Corporation ("AIG") under which AIG will function as investment advisor and manager of all the Corporation's investable assets. AIG provides management services to all affiliated insurance companies of American International Group and other third-party institutions on a world-wide basis.

(d) Year 2000:

Although the Company has had limited operations through December 31, 1999, it recognized the need to ensure that its operations will not be adversely effected by Year 2000 software or hardware failures. The Company in developing its software and hardware made certain that all its systems were compliant with Year 2000 requirements. The Company has not experienced any adverse computer hardware or software effect to date. If, despite the Company's effects under its Year 2000 related failures affecting the Company from outside sources, management at the present time does not believe the impact will be substantial.

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CORNICHE GROUP INCORPORATED AND SUBSIDIARY

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C	
-----	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	ACQUISITION OF SUBSIDIARIES
For the year ending March 31, 1998:			
Reserve against notes receivable in default.....	\$ 75,000	\$ --	\$ --
For the nine months ended December 31, 1998:			
Reserve against notes receivable in default.....	75,000	--	--
For the year ended December 31, 1999:			
Reserve against notes receivable in default.....	75,000	--	--

  

COL. A	COL. D	COL. E
-----	DEDUCTIONS DESCRIBE	BALANCE AT END OF PERIOD
-----	-----	-----
For the year ending March 31, 1998:		
Reserve against notes receivable in default.....	\$ --	\$ 75,000



For the nine months ended December 31, 1998:		
Reserve against notes receivable in default.....	--	75,000
For the year ended December 31, 1999:		
Reserve against notes receivable in default.....	--	75,000

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INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----	
3	(a) Certificate of Incorporation filed September 18, 1980 (1)	3
	(b) Amendment to Certificate filed September 29, 1980 (1)	3
	(c) Amendment to Certificate of Incorporation filed July 28, 1983 (2)	3 (b)
	(d) Amendment to Certificate of Incorporation filed February 10, 1984 (2)	3 (d)
	(e) Amendment to Certificate of Incorporation filed March 31, 1986 (3)	3 (e)
	(f) Amendment to Certificate of Incorporation filed March 23, 1987 (4)	3 (g)
	(g) Amendment to Certificate of Incorporation filed June 12, 1990 (5)	3.8
	(h) Amendment to Certificate of Incorporation filed September 27, 1991 (6)	3.9
	(i) Certificate of Designation filed November 12, 1994 (7)	3.8
	(j) Amendment to Certificate of Incorporation filed September 28, 1995 (10)	3 (j)
	(k) Certificate of Designation for the Series B Preferred Stock dated May 18, 1998 (12)	C 3 (f)
	(l) By-laws of the Corporation, as amended on April 25, 1991 (6)	
	(m) Amendment to Certificate of Incorporation dated May 18, 1998 (12)	A
4	(a) Form of Underwriter's Warrant (6)	4.9.1
	(b) Form of Promissory Note - 1996 Offering (10)	4 (b)
	(c) Form of Promissory Note - 1997 Offering (10)	4 (c)
	(d) Form of Common Stock Purchase Warrant - 1996 Offering (10)	4 (d)
	(e) Form of Common Stock Purchase Warrant - 1997 Offering (10)	4 (e)
10	(a) 1986 Stock Option Plan, as amended (7)	10.6
	(b) 1992 Stock Option Plan (8)	B
	(c) Stock Purchase Agreement dated as of January 30, 1997 by and among the Company, the Bank of Scotland and 12 buyers (10)	10 (m)
	(d) Mutual Release dated as of January 30, 1997 by and among the Company, James Fyfe and the Bank of Scotland (10)	10 (n)
	(e) Stock Purchase Agreement, dated as of March 4, 1998, between the Company and the Initial Purchasers named therein (12)	B
	(f) 1998 Employees Stock Option Plan (12)	D
27	Financial Data Schedule, filed herewith.	

Notes:

(1) Filed with the Securities and Exchange Commission as an exhibit,

numbered as indicated above, to the Company's registration statement on Form S-18, File No. 2-69627, which exhibit is incorporated here by reference.

- (2) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's registration statement on Form S-2, File No. 2-88712, which exhibit is incorporated here by reference.
- (7) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's annual report on Form 10-K for the year ended September 30, 1994, which exhibit is incorporated here by reference.
- (8) Filed with the Securities and Exchange Commission as an exhibit, as indicated above, to the Company's proxy statement dated March 30, 1992, which exhibit is incorporated here by reference.
- (9) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the current report of the Company on Form 8-K, dated April 5, 1995, which exhibit is incorporated here by reference.
- (10) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's annual report on Form 10-K for the year ended March 31, 1996, which exhibit is incorporated here by reference.
- (11) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's annual report on Form 10K/A for the year ended March 31, 1996, which exhibit is incorporated here by reference.
- (12) Filed with the Securities and Exchange Commission as an exhibit, as indicated above, to the Company's proxy statement dated April 23, 1998, which exhibit is incorporated here by reference.

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