BAUER PARTNERSHIP INC
Form 10QSB
August 28, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2003

OR

[ ]TRANSITION REPORT UNDER SECTION 13 OF 15(D) OF THE EXCHANGE ACT OF 1934

From the transition period from ___________ to ____________.

Commission File Number 0-27323

HARBOUR FRONT HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Nevada 88-0429812

(State or other jurisdiction of incorporation or organization)(IRS Employer Identification No.)

300 Park Avenue, Suite 1700, New York, New York 10022

(Address of principal executive offices)

(212) 572-6276

(Issuer's telephone number)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Yes [X]   No [ ]

As of August 28, 2003, 196,533,894 shares of Common Stock of the issuer were outstanding.

HARBOUR FRONT HOLDINGS, INC.
(FORMERLY THE BAUER PARTNERSHIP, INC.)
CONSOLIDATED BALANCE SHEET
JUNE 30, 2003

ASSETS	
Assets	$ -
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Accounts payable	$ 242,234
Accrued expenses	118,120
Convertible note payable	60,000
Notes payable - related parties	216,500
Total current liabilities	636,854
Commitments and contingencies	
STOCKHOLDERS' DEFICIT:	
Preferred stock, $.001 par value, 25,000,000 shares authorized, no shares issued and outstanding	-
Common stock, $.001 par value, 200,000,000 shares authorized, 143,533,894 shares issued and outstanding	143,534
Additional paid in capital	7,537,492
Accumulated deficit	(8,317,880)
Total Stockholders' Deficit	(636,854)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ -

HARBOUR FRONT HOLDINGS, INC.
(FORMERLY THE BAUER PARTNERSHIP, INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
				As restated
Revenues	$ -	$ -	$ -	$ -
Cost and Expenses:				

Salaries and benefits	-	48,000	39,600	121,000
Other general and Administrative	6,820	113,250	675,683	228,789
	6,820	161,250	715,283	349,789
Loss from operations	(6,820)	(161,250)	(715,283)	(349,789)
Interest expense	(4,981)	(24,918)	(9,908)	(68,006)
Net loss	$ (11,781)	$ (186,168)	$ (725,191)	$ (417,795)
Net loss per share:				
Net loss basic and diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average shares outstanding:				
Basic and diluted	143,533,894	42,282,713	117,309,491	41,252,407

HARBOUR FRONT HOLDINGS, INC.
(FORMERLY THE BAUER PARTNERSHIP, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2003	2002
		As restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (725,191)	$(417,795)
Adjustments to reconcile net deficit to cash used by operating activities:		
Expenses paid by shareholder	9,400	-
Common stock for services	441,083	-
Net change in:		
Accounts receivable	-	5,845
Investments	-	(13,444)
Accounts payable and accrued expenses	74,708	(542,488)
CASH FLOWS USED IN OPERATING ACTIVITIES	(200,000)	(967,882)
CASH FLOWS FROM FINANCING ACTIVITIES		
Sale of common stock	200,000	180,000
Proceeds from notes payable	-	784,000
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	-	964,000

NET DECREASE IN CASH	-	(3,882)
Cash, beginning of period	-	3,882
Cash, end of period	$ -	$ -
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
NONCASH TRANSACTIONS:		
Common stock issued for debt	$ 442,500	$ 522,500
Debt forgiven by shareholder recorded as contributed capital	$ 350,052	$ -

HARBOUR FRONT HOLDINGS, INC.
(FORMERLY THE BAUER PARTNERSHIP, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: PRESENTATION

The consolidated balance sheet of the Company as of June 30, 2003, the related consolidated statements of operations for the three and six months ended June 30, 2003 and 2002 and the statements of cash flows for the six months ended June 30, 2003 and 2002 included in the condensed financial statements have been prepared by the Company without audit. In the opinion of management, the accompanying condensed financial statements include all adjustments (consisting of normal, recurring adjustments) necessary to summarize fairly the Company's financial position and results of operations. The results of operations for the six months ended June 30, 2002 are not necessarily indicative of the results of operations for the full year or any other interim period. The information included in this Form 10-QSB should be read in conjunction with Management's Discussion and Analysis and Financial Statements and notes thereto included in the Harbour Front Holdings, Inc. December 31, 2002 Form 10-KSB.

NOTE 2 - RESTATEMENT

In December 2002, management determined it had erroneously recorded a gain on the sale of its subsidiary. The gain was reversed and the net loss for the six months ended June 30, 2002 was restated to $417,795 from $257,871.

NOTE 3 - COMMON STOCK

In March 2003, Harbour converted $442,500 of notes payable to a director and $57,500 of advances to a director or $500,000 into 27,500,000 shares of common stock.

In 2003 to date, Harbour issued 33,456,933 shares of common stock under various agreements for consulting services.

In February 2003, Harbour sold 10,000,000 shares of common stock for $200,000.

In March 2003, Harbour issued 3,300,000 shares of its common stock to Ronald J. Bauer, its former chief executive office for services performed.

The common shares outstanding after the above transactions are 143,533,894, not including the 53,000,000 shares held in escrow securing the convertible note payable.

During 2003, both the directors and the shareholders ratified the "2003 Stock Option Plan". This plan has 18,000,000 shares of Harbour common stock reserved for issuance. At June 30, 2003, no options have been granted pursuant to the plan.

During 2003, a shareholder converted advances of $350,052 into a note payable bearing interest at 8% due in March 2004. In March 2003, the shareholder has forgiven the note payable which has been recorded as a contribution to capital.

During 2003, all directors have resigned except for Ron Bauer. Harbour has closed all of its bank accounts and is currently being funded by Mr. Ron Bauer.

NOTE 4 - JUDGMENT

On March 5, 2003, a default judgment was entered against The Bauer Partnership, Inc. in a Lawsuit styled as Wilkerson Consulting, Inc. vs. The Bauer Partnership, Inc. in the District Court of Dallas County, Texas in the 192nd Judicial District. In plaintiff's original petition, Wilkerson Consulting alleged that it had assigned contracts to The Bauer Partnership, Inc. in November 2001 relating to the purchase of properties in France and was entitled to $31,000 and 571,429 shares of The Bauer Partnership, Inc. Wilkerson Consulting received a default judgment in the amount of $1,745,287 plus $5,000,000 in punitive damages. The Company only recently became aware of the default judgment and the original petition that had been filed and is currently consulting with counsel regarding the steps it will take. The Company does not believe it was properly served and is contemplating filing a counter- claim against Wilkerson Consulting and believes that the lawsuit was filed fraudulently. The Company has engaged counsel in efforts to reverse this judgment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH ON THE FORWARD LOOKING STATEMENTS AS A RESULT OF THE RISKS SET FORTH IN THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, GENERAL ECONOMIC CONDITIONS, AND CHANGES IN THE ASSUMPTIONS USED IN MAKING SUCH FORWARD LOOKING STATEMENTS.

Overview

The Company's business strategy was to utilize its common stock to acquire existing hotel and commercial real estate assets. The Company did not implement this business strategy until December 31, 2001. The Company has been unsuccessful in implementing this strategy. Prior thereto, the Company was engaged in providing investment banking services to United States publicly traded companies seeking financing in the range of $5 million to $20 million.

Until the first quarter of 2003, the Company sought development and acquisition opportunities in promising industries where it would utilize its securities to acquire emerging businesses and/or companies with growth potential.

The Company is currently in discussions with several merger/acquisition candidates.

Revenues

The Company had no revenues for the three and six months ended June 30, 2003 and had no revenues for the three and six months ended June 30, 2002.

Costs and Expenses

For the six months ended June 30, 2003, the Company had costs and expenses of $715,283 consisting of salaries and benefits of $39,600 and other general and administrative expenses of $675,683 which included payment of professional fees, rent, travel and entertainment. Costs and expenses were $349,789 for the six months ended June 30, 2002 consisting of salaries and benefits of $121,000 and other general and administrative expenses of $228,789.

For the three months ended June 30, 2003, the Company had costs and expenses of $6,820 consisting of general and administrative expenses of $6,820 which included payment of professional fees. Costs and expenses were $161,250 for the three months ended June 30, 2002 consisting of salaries and benefits of $48,000 and other general and administrative expenses of $113,250.

Loss from Operations

The Company had a loss from operations of $715,283 for the six months ended June 30, 2003, an increase of $365,494 or 104% compared to a loss from operations of $349,789 for the six months ended June 30, 2002. The increase in loss from operations is due to the increase in other general and administrative expenses.

The Company had a loss from operations of $6,820, a decrease of $154,430 or 958% compared to a loss from operations of $161,250 for the six months ended June 30, 2002. The decrease in loss from operations is due to the decrease in other general and administrative expenses.

Interest Expense

Interest expense decreased from $68,006 for the six months ended June 30, 2002 to $9,908 for the six months ended June 30, 2003.

Net Loss

Net loss increased $307,396, or 74% from $417,795 for the six months ended June 30, 2002 to $725,191 for the six months ended June 30, 2003.

Net loss was $11,781 for the three months ended June 30, 2003 compared to $186,168 for the three months ended June 30, 2002.

Net Loss Per Share

The Company had a net loss of $0.01 per share for the six months ended June 30, 2003 and the six months ended June 30, 2002.

The Company had a net loss of $0.00 per share for the three months ended June 30, 2003 and the three months ended June 30, 2002.

Liquidity and Capital Resources

For the six months ended June 30, 2003, the Company did not generate cash flow from its operations. As a result, the Company requires additional working capital to develop its business until the Company either achieves a level of revenues adequate to generate sufficient cash flows from operations or obtains additional financing necessary to support its working capital requirements.

As of June 30, 2003, the Company had accounts payable of $242,234, accrued expenses of $118,120, a convertible note payable of $60,000, and notes payable to related parties of $216,500.

As of June 30, 2003, the Company had no cash and a working capital deficit of $636,854.

The Company is taking steps to raise equity capital or to borrow additional funds. There can be no assurance that any new capital will be available to the Company or that adequate funds will be sufficient for Company operations, whether from the Company's financial markets, or other arrangements will be available when needed or on terms satisfactory to the Company. The Company has no further commitments from officers, directors or affiliates to provide funding. The failure of the Company to obtain adequate additional financing may require the Company to delay, curtail or scale back some or all of its operations. Any additional financing may involve dilution to the Company's then-existing shareholders. The Company's bank accounts have been closed and all Company expenses that have been paid have been paid by Ronald J. Bauer, the Company's Chief Executive Officer.

The Company is currently seeking a merger, acquisition or stock sale. There is no assurance that a merger, acquisition or stock sale will take place. In the event that an agreement is reached, this will likely have a significant impact on shareholders and they are likely to have their ownership significantly diluted.

ITEM 3. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Based on the evaluation by Mr. Ronald J. Bauer, both the chief executive officer and chief accounting officer of the Company, of the effectiveness of the Company's disclosure controls and procedures conducted as of June 30, 2003 the filing date of this quarterly report, Mr. Bauer concluded that, as of the evaluation date, (i) there were no significant deficiencies or material weaknesses of the Company's disclosure controls and procedures, (ii) there were no significant changes in the internal controls or in other factors that could significantly affect internal controls subsequent to the evaluation date, and (iii) no corrective actions were required to be taken.

PART II - OTHER INFORMATION

ITEM 1: Legal Proceedings

In January 2003, Zaven Yaralian filed suit against the Company, Ronald J. Bauer and Jacques Fischer in the State of South Carolina, County of Beaufort, in the Circuit Court, Case No. 03-CP-7-81. Zaven Yaralian entered into a consulting agreement with the Company to serve as its President and executed a subscription agreement for the purchase of 2,000,000 shares of common stock in installments of $50,000 for 400,000 shares of common stock. Pursuant to the consulting agreement, Mr. Yaralian was to receive $10,000 per month for the first three months of the agreement and then receive $20,000 per month. The Company issued Mr. Yaralian 400,000 shares in consideration for $50,000, and paid Mr. Yaralian $10,000 for the first month of services to be preformed pursuant to the terms of the consulting agreement. Mr. Yaralian's primary cause of action is breach of contract and he is seeking damages pursuant to the consulting agreement. This case was dismissed in June 2003 on the basis of lack of personal jurisdiction.

In February 2003, a lawsuit for breach of contract for attorneys fees was filed styled as Richard O. Weed vs. Harbour Front Holdings, Inc., The Bauer Partnership, Inc., The Bauer Partnership, Ltd., Ronald J. Bauer, and DOES 1 through 25 in the Superior Court of the State of California in Orange County, Case No. 03CC03810. Mr. Weed is seeking damages of $41,239.06, plus interest and attorneys fees. The Company does not believe it owes Mr. Weed for services performed in the amount of $41,239.06. The Company has retained counsel and is vigorously defending this claim. The Company expects to settle this claim as well as the one directly below within the next thirty days.

In February 2003, a lawsuit for damages based on fraud and securities violations was filed styled as Richard O. Weed vs. Harbour Front Holdings, Inc., The Bauer Partnership, Inc., The Bauer Partnership, Ltd., Ronald J. Bauer, David M. Loev, F. Bryson Farrill, Jacques Fischer, Joseph T. Bauer, Ed Tobin, Geoffrey Button, Kevin Wallace, Pacific Stock Transfer Company, Malone & Bailey, PLLC and DOES 1 through 25 in the Superior Court of the State of California in Orange County, Case No. 0300003887. Mr. Weed is the owner of 150,000 shares of the Company's common stock and he alleges that the market value of his shares has dropped dramatically. Mr. Weed alleges a violation of Section 16(b) of the Securities Exchange Act of 1934 seeking short-swing profits from Ronald J. Bauer. Mr. Weed also seeks damages for a hot check in the amount of $4,310. Mr. Weed is seeking $1,123,500 for his first cause of action, return of short swing profits for his second cause of action, and $4,310 on his third cause of action. Mr. Weed is also seeking prejudgment interest, costs and reasonable attorney's fees. The Company has retained counsel and is vigorously defending these causes of action. Mr. Weed received the 150,000 shares of stock in consideration for services performed and the Company believes that it will settle this claim for a substantially reduced amount.

On March 5, 2003, a default judgment was entered against The Bauer Partnership, Inc. in a Lawsuit styled as Wilkerson Consulting, Inc. vs. The Bauer Partnership, Inc. in the District Court of Dallas County, Texas in the 192nd Judicial District. In plaintiff's original petition, Wilkerson Consulting alleged that it had assigned contracts to The Bauer Partnership, Inc. in November 2001 relating to the purchase of properties in France and was entitled to $31,000 and 571,429 shares of The Bauer Partnership, Inc. Wilkerson Consulting received a default judgment in the amount of $1,745,287 plus $5,000,000 in punitive damages. The Company only recently became aware of the default judgment and the original petition that had been filed and is currently consulting with counsel regarding the steps it will take. The Company does not believe it was properly served and is contemplating filing a counter- claim against Wilkerson Consulting. The Company has engaged counsel in efforts to reverse this judgment.

We are not involved in any other material pending legal proceedings, other than routine litigation incidental to our business, to which we are a party or of which any of our property is subject.

Item 2. Changes in Securities and Use of Proceeds

None

Item 5. Other Information

During the first quarter of 2003, all of the Company's directors and officers have resigned with the exception of Ronald J. Bauer, our chief executive officer and director.

The Company borrowed an aggregate of $240,000 from Ocean Strategic Holdings Ltd., and Turbo International Ltd., of which $190,000 has been paid as set forth below.

On September 6, 2002, the Company entered into a settlement agreement with Ocean and Turbo which provided that the Company would pay $80,000 on or before August 30, 2002, $100,000 on or before September 30, 2002, and $70,000 on or before October 30, 2002. The Company made the first payment of $80,000 and has made additional payments aggregating $100,000. The settlement agreement provided for a seven day cure period without penalty for the second payment with an additional seven day cure period with a penalty in the amount of $10,000. The settlement agreement provides that if the first and second payments are made and the third payment is not made when due, then a penalty in the amount of $10,000 shall be added to the principal of the third payment for each month, on a pro rata basis, that the third payment is not paid in full. The unpaid principal sum and any penalties due bear interest at a rate of twelve percent (12%) per annum. As the Company has breached the settlement agreement due to its failure to make payments, Ocean Strategic Holdings and Turbo International have the right to declare the loan in default and then convert the loans into 50,000,000 shares of common stock which would result in a change of control of the Company. Ocean and Turbo have verbally agreed to work with the Company to accept payment on the amounts outstanding plus interest and penalties without declaring the loan in default. If the Company fails to continue making payments to Ocean and Turbo, it is likely that Ocean and Turbo will declare the loan in default and that the Company's operations would be discontinued and the Company's current management would be removed.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits
99.1 Certification of Financial Statements

b) Reports on Form 8-K
None

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HARBOUR FRONT HOLDINGS, INC.

Date: August 27, 2003

By: /s/ Ronald J. Bauer

Ronald J. Bauer
CEO and Director

FORM OF CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

CERTIFICATION

I, Ronald J. Bauer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Harbour Front Holdings, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. As the registrant's certifying officer, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and I have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5. As the registrant's certifying officer, I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. As the registrant's certifying officer, I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 27, 2003

/s/ Ronald J. Bauer

Name: Ronald J. Bauer
Title: Chief Executive Officer and Principal Accounting Officer

Exhibit 99.1

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

In connection with the Quarterly Report of Harbour Front Holdings, Inc. on Form

10-QSB for the period ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

/s/ Ronald J. Bauer

Ronald J. Bauer, Chief Executive Officer and Principal Accounting Officer

Dated: August 27, 2003