

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES AND EXCHANGE ACT OF 1934

Commission file number: No.000-31355

GALAXY SPECIALTIES, INC.  
(Name of small business issuer in its charter)

NEVADA 81-0438093  
(State of incorporation) (I. R. S. Employer Identification No.)

#149, 369 EAST 900 SOUTH, SALT LAKE CITY, UTAH 84111  
(Address of principal executive offices) (Zip code)

Issuer's telephone number: (801) 323-2395

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock

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

Yes  No

Check if disclosure of delinquent filers in response to item 405 of  
Regulation S-B 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-KSB or any amendment to this Form 10-KSB.

State issuer's revenue for its most recent fiscal year: None

As of August 30, 2002, the registrant had 17,000,000 shares of  
common stock outstanding. Since the registrant does not have an  
active trading market, a market value of the voting stock held by  
non-affiliates cannot be determined.

Documents incorporated by reference: None.

Transitional Small Business Disclosure Format (check one): Yes  No

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FORWARD LOOKING STATEMENTS

In this annual report references to "Galaxy," "we," "us," and "our" refer to Galaxy Specialties, Inc..

This annual report contains certain forward-looking statements and any statements contained in this annual report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "estimate" or "continue" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within Galaxy's control. These factors include but are not limited to economic conditions generally and in the industries in which Galaxy may participate, competition within Galaxy's chosen industry and failure by Galaxy to successfully develop business relationships.

PART I

ITEM 1: DESCRIPTION OF BUSINESS

HISTORICAL DEVELOPMENT

Galaxy Specialties, Inc. was incorporated in the state of Nevada on May 22, 1999. On June 5, 2000, Galaxy merged with Hystar Aerospace Marketing Corporation of Montana ("Hystar"), solely for the purpose of changing Hysar's domicile from Montana to Nevada. As a result, Galaxy became the wholly-owned subsidiary of Hystar's parent corporation, VIP Worldnet, Inc. We are a development stage company and have suffered losses since our inception. Our independent auditors have expressed doubt that we can continue as a going concern unless we obtain financing.

OUR PLAN

Our business plan is to seek, investigate, and, if warranted, acquire an interest in a business opportunity. Our acquisition of a business opportunity may be made by merger, exchange of stock, or otherwise. We have very limited sources of capital, and we probably will only be able to take advantage of one business opportunity. At the present time we have not identified any business opportunity that we plan to pursue, nor have we reached any preliminary or definitive agreements or understandings with any person concerning an acquisition or merger.

Based on current economic and regulatory conditions, management believes that it is possible, if not probable, for a company like ours, without many assets or liabilities, to negotiate a merger or acquisition with a viable private company. The opportunity arises principally because of the high legal and

accounting fees and the length of time associated with the registration process of "going public". However, should any of these conditions change, it is very possible that there would be little or no economic value for anyone taking over control of Galaxy.

Our search for a business opportunity will not be limited to any particular geographical area or industry, including both U.S. and international companies. Our management has unrestricted discretion in seeking and participating in a business opportunity, subject to the availability of such opportunities, economic conditions and other factors. Our management believes that companies who desire a public market to enhance liquidity for current stockholders, or plan to acquire additional assets through issuance of securities rather than for cash will be potential merger or acquisition candidates.

The selection of a business opportunity in which to participate is complex and extremely risky and will be made by management in the exercise of its business judgement. There is no assurance that we will be able to identify and acquire any business opportunity which will ultimately prove to be beneficial to us and our stockholders. Should a merger or acquisition prove unsuccessful, it is possible management may decide not to pursue further acquisition activities and management may abandon its activities and we may become dormant or be dissolved.

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Our activities are subject to several significant risks which arise primarily as a result of the fact that we have no specific business and may acquire or participate in a business opportunity based on the decision of management which will, in all probability, act without consent, vote, or approval of our stockholders.

In the event we merge or acquire a business opportunity, the successor company will be subject to our reporting obligations. This is commonly referred to as a "back door registration." A back door registration occurs when a non-reporting company becomes the successor of a reporting company by merger, consolidation, exchange of securities, acquisition of assets or otherwise. Pursuant to Securities and Exchange Commission ("SEC") regulations, this type of event requires the successor company to provide in an 8-K current report with the same kind of information that would appear in a registration statement, including audited and pro forma financial statements. Accordingly, we may incur additional expense to conduct due diligence and present the required information for the business opportunity in any report. Also, the SEC may elect to conduct a full review of the successor company and may issue substantive comments on the sufficiency of disclosure related to the business opportunity.

It is possible that the range of business opportunities that might be available for consideration by us could be limited by impact of the SEC regulations regarding purchase and sale of "penny stock." Our common stock is not publicly traded at this time and we cannot assure that a market will develop or that a stockholder ever will be able to liquidate his investments without considerable delay, if at all. If a market develops, our shares will likely be subject to the rules of the Penny Stock Suitability Reform Act of 1990. The liquidity of penny stock is affected by specific disclosure procedures required by this Act to be followed by all broker-dealers, including but not limited to, determining the suitability of the stock for a particular customer, and obtaining a written agreement from the customer to purchase the stock. This rule may affect the ability of broker-dealers to sell our securities and may affect the ability of purchasers to sell our securities in any market.

We anticipate that business opportunities will come to our attention from various sources, including our officers and directors, our stockholders, professional advisors, such as attorneys and accountants, securities broker-dealers, investment banking firms, venture capitalists, members of the financial community and others who may present unsolicited proposals. Management expects that prior personal and business relationships may lead to contacts for business opportunities; however, we have not entered into any direct or indirect negotiations at the time of this filing with any person, corporation or other entity regarding any possible business reorganization involving Galaxy.

Our management will analyze the business opportunities; however, none of our management are professional business analysts. Our management has had limited experience with mergers and acquisitions of business opportunities and has not been involved with an initial public offering. Our management has been involved with one prior acquisition of a business opportunity as directors and officers of IDI Global, Inc., formerly, Bennion Corporation, a blank check reporting company. The acquisition was structured as a forward triangular merger which was completed in March 2002 after the stock-for stock exchange was completed. Mrs. Ball and Ms. Marino resigned as officers and directors of IDI Global upon consummation of the acquisition.

Certain conflicts of interest exist or may develop between Galaxy and our officers and directors. Our management has other business interests to which they currently devote attention, which include their primary employment and management of other blank check reporting companies. They may be expected to continue to devote their attention to these other business interests although management time should be devoted to our business. As a result, conflicts of interest may arise that can be resolved only through their exercise of judgement in a manner which is consistent with their fiduciary duties to us. In particular, our officers and directors are directors of other blank check companies with a structure and a business plan which is identical to ours and, they

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may, in the future, be involved with other blank check companies. In the process of negotiations for an acquisition or merger or determination of consulting fees related to investigation of a business opportunity, our principal stockholders and management may consider their own personal pecuniary benefit or the interests of other blank check companies they are affiliated with rather than the best interests of Galaxy's other stockholders.

We presently do not foresee entering into a merger or acquisition transaction with any business with which our officers or directors are currently affiliated. We may acquire or merge with companies of which our management's affiliates or associates have a direct or indirect ownership interest. If we determine in the future that a transaction with an affiliate would be in our best interest we are permitted by Nevada law to enter into such a transaction if:

(1) The material facts regarding the relationship or interest of the affiliate in the contract or transaction are disclosed or are known to the Board of Directors. The board authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors constitute less than a quorum; or

(2) The material facts regarding the relationship or interest of the affiliate in the contract transaction are disclosed or are known to the stockholders entitled to vote on the transaction, and the contract or transaction is specifically approved by vote of the stockholders; or

(3) The contract or transaction is fair to us at the time it is authorized, approved or ratified by the Board of Directors or the

stockholders.

A decision to participate in a specific business opportunity may be made upon our management's analysis of the quality of the other company's management and personnel, the anticipated acceptability of the business opportunity's new products or marketing concept, the merit of its technological changes, the perceived benefit that it will derive from becoming a publicly held entity, and numerous other factors which are difficult, if not impossible, to analyze through the application of any objective criteria. In many instances, we anticipate that the historical operations of a specific business opportunity may not necessarily be indicative of the potential for the future because of the possible need to shift marketing approaches substantially, expand significantly, change product emphasis, change or substantially augment management, or make other changes. We will be dependent upon the owners of a business opportunity to identify any such problems which may exist and to implement, or be primarily responsible for the implementation of, required changes.

In our analysis of a business opportunity we anticipate that we will consider, among other things, the following factors:

- (1) Potential for growth and profitability, indicated by new technology, anticipated market expansion, or new products;
  - (2) Our perception of how any particular business opportunity will be received by the investment community and by our stockholders;
  - (3) Whether, following the business combination, the financial condition of the business opportunity would be, or would have a significant prospect in the foreseeable future of becoming sufficient to enable our securities to qualify for listing on a exchange or on a national automated securities quotation system, such as NASDAQ.
  - (4) Capital requirements and anticipated availability of required funds, to be provided by us or from operations, through the sale of additional securities, through joint ventures or similar arrangements, or from other sources;
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- (5) The extent to which the business opportunity can be advanced;
  - (6) Competitive position as compared to other companies of similar size and experience within the industry segment as well as within the industry as a whole;
  - (7) Strength and diversity of existing management, or management prospect that are scheduled for recruitment;
  - (8) The cost of our participation as compared to the perceived tangible and intangible values and potential; and
  - (9) The accessibility of required management expertise, personnel, raw materials, services, professional assistance, and other required items.

No one of the factors described above will be controlling in the selection of a business opportunity. Management will attempt to analyze all factors appropriate to each opportunity and make a determination based upon reasonable investigative measures and available data. Potentially available business opportunities may occur in many different industries and at various stages of development. Thus, the task of comparative investigation and analysis of such business opportunities will be extremely difficult and complex. Potential investors must recognize that, because of our limited capital available for investigation and management's limited experience in business analysis, we may not discover or adequately

evaluate adverse facts about the opportunity to be acquired.

#### FORM OF ACQUISITION

We cannot predict the manner in which we may participate in a business opportunity. Specific business opportunities will be reviewed as well as our needs and desires and those of the promoters of the opportunity. The legal structure or method deemed by management to be suitable will be selected based upon management's review of the business opportunity and our relative negotiating strength. Such method may include, but is not limited to, leases, purchase and sale agreements, licenses, joint ventures and other contractual arrangements. We may act directly or indirectly through an interest in a partnership, corporation or other forms of organization. We may agree to merge, consolidate or reorganize with other corporations or forms of business organization. In addition, our present management and stockholders most likely will not have control of a majority of our voting shares following a merger or reorganization transaction. As part of such a transaction, our existing directors may resign and new directors may be appointed without any vote by our stockholders.

We likely will achieve our participation in a business opportunity through the issuance of common stock or other securities. Although the terms of any such transaction cannot be predicted, it should be noted that issuance of additional shares might also may be done simultaneously with a sale or transfer of shares representing a controlling interest by current principal stockholders.

#### COMPETITION

We expect to encounter substantial competition in our effort to locate attractive opportunities. Business development companies, venture capital partnerships and corporations, venture capital affiliates of large industrial and financial companies, small investment companies, and wealthy individuals will be our primary competition. Many of these entities will have significantly greater experience, resources and managerial capabilities than we do and will be in a better position than we are to obtain access to attractive business opportunities. We also will experience competition from other public "blank check" companies, many of which may have more funds available.

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#### EMPLOYEES

We currently have no employees. Our management expects to confer with consultants, attorneys and accountants as necessary. We do not anticipate a need to engage any full-time employees so long as we are seeking and evaluating business opportunities.

#### ITEM 2: DESCRIPTION OF PROPERTIES

We do not currently own or lease any property. We use office space in the office of a stockholder at no cost. Until we pursue a viable business opportunity and recognize income, we will not seek independent office space.

#### ITEM 3: LEGAL PROCEEDINGS

We are not a party to any proceedings or threatened proceedings as of the date of this filing.

#### ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We have not submitted a matter to a vote of our shareholders during the fourth quarter of the 2002 fiscal year.

## PART II

### ITEM 5: MARKET PRICE FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is not listed on any market and we do not have an established public trading market. We have approximately 86 stockholders of record. We do not have any outstanding options or warrants to purchase our common shares. We have not declared dividends on our common stock and do not anticipate paying dividends on our common stock in the foreseeable future. Also, we do not have any securities authorized for issuance under any equity compensation plan.

### RECENT SALES OF UNREGISTERED SECURITIES

We have not sold any securities without registration within the past three years.

### ITEM 6: PLAN OF OPERATIONS

We have no assets and have experienced losses from inception. For the fiscal year ended June 30, 2002, we had no cash on hand and total current liabilities of \$28,000. The \$28,000 note payable is owed to a related party for accounting and legal fees incurred during the fiscal year ended June 30, 2000 which were paid on our behalf by that related party.

We have no commitments for capital expenditures for the next twelve months. During the next twelve months we believe that our current cash needs can be met by loans from our directors, officers and shareholders based on understandings we have with these persons. These understandings are not written agreements and therefore these persons are not obligated to provide funds. We may repay these loans, costs of services and advancements with cash, if available, or we may convert them into common stock.

Our management intends to actively seek business opportunities during the next twelve months and if we

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obtain a business opportunity, it may be necessary to raise additional capital. Management anticipates that additional capital may be provided by future loans or private placements of our common stock. We expect that any private placement of stock will be issued pursuant to exemptions provided by federal and state securities laws. The purchasers and manner of issuance will be determined according to our financial needs and the available exemptions. We also note that if we issue more shares of our common stock our shareholders may experience dilution in the value per share of their common stock.

### ITEM 7: FINANCIAL STATEMENTS

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Galaxy Specialties, Inc.

Financial Statements

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CHISHOLM & ASSOCIATES  
A Professional Certified Public Accountants Office (801)292-8756  
Corporation P.O. Box 540216 Fax (801) 292-8809  
North Salt Lake, Utah 84054

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders  
of Galaxy Specialties, Inc.:

We have audited the accompanying balance sheets of Galaxy Specialties, Inc. (a development stage company) as of June 30, 2002 and the related statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Galaxy Specialties, Inc. for the year ended June 30, 2001 and from inception on March 7, 1986 through June 30, 2001 were audited by other auditors whose report dated July 25, 2001 expressed an unqualified opinion.

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

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



all material respects, the financial position of Galaxy Specialties, Inc. (a development stage company) as of June 30, 2002 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses from operations which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Chisholm & Associates

Chisholm & Associates  
North Salt Lake, Utah  
September 17, 2002

Galaxy Specialties, Inc.  
(A Development Stage Company)  
Balance Sheets

ASSETS

	June 30	
	2002	2001
CURRENT ASSETS		
Cash	\$ -	\$ -
TOTAL ASSETS	\$ -	\$ -

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable - related party	\$ 28,000	\$ 28,000
Total Liabilities	28,000	28,000

STOCKHOLDERS' EQUITY

Common Stock, \$.001 par value; 20,000,000 shares authorized; 17,000,000 shares issued and outstanding	17,000	17,000
Deficit Accumulated during the development stage	(45,000)	(45,000)
Total Stockholders' Equity (deficit)	(28,000)	(28,000)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ -	\$ -

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

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Galaxy Specialties, Inc.  
(A Development Stage Company)  
Statement of Operations

	For the Years Ended		From	Inception on
	June 30	March 7, 1986	to June 30, 2002	
	2002	2001		
REVENUES	\$ -	\$ -	\$ -	-
EXPENSES				
General & Administrative	-	-	-	45,000
TOTAL EXPENSES	-	-	-	45,000
NET INCOME (LOSS)	\$ -	\$ -	\$ -	(45,000)
NET LOSS PER SHARE	\$ 0.00	\$ 0.00	\$ 0.00	(0.00)
WEIGHTED AVERAGE SHARES OUTSTANDING	17,000,000	17,000,000	17,000,000	17,000,000

The accompanying notes are an integral part of these financial statements

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Galaxy Specialties, Inc.  
(A Development Stage Company)  
Statements of Stockholders' Equity  
From Inception on March 7, 1986 through June 30, 2002

	Common Stock	Deficit Accumulated	Additional Paid in Capital	During the Development Stage
	Shares	Amount		
Issuance of shares for marketing rights	17,000,000	\$ 17,000	\$ -	\$ -
Net (loss) for the year ended June 30, 1986	-	-	-	(3,400)
Net (loss) for the year ended June 30, 1987	-	-	-	(3,400)

Net (loss) for the year ended June 30, 1988	-	-	-	(3,400)
Net (loss) for the year ended June 30, 1989	-	-	-	(3,400)
Net (loss) for the year ended June 30, 1990	-	-	-	(3,400)
Net (loss) for the year ended June 30, 1991	-	-	-	-
Net (loss) for the year ended June 30, 1992	-	-	-	-
Net (loss) for the year ended June 30, 1993	-	-	-	-
	-----			
Balance - June 30, 1993	17,000,000	17,000	-	(17,000)
Net (loss) for the year ended June 30, 1994	-	-	-	-
	-----			
Balance - June 30, 1994	17,000,000	17,000	-	(17,000)
Net (loss) for the year ended June 30, 1995	-	-	-	-
	-----			
Balance - June 30, 1995	17,000,000	17,000	-	(17,000)
Net (loss) for the year ended June 30, 1996	-	-	-	-
	-----			
Balance - June 30, 1996	17,000,000	17,000	-	(17,000)
Net (loss) for the year ended June 30, 1997	-	-	-	-
	-----			
Balance - June 30, 1997	17,000,000	17,000	-	(17,000)
Net (loss) for the year ended June 30, 1998	-	-	-	-
	-----			
Balance - June 30, 1998	17,000,100	17,000	-	(17,000)
Net (loss) for the year ended June 30, 1999	-	-	-	-
	-----			
Balance - June 30, 1999	17,000,000	17,000	-	(17,000)
Net (loss) for the year ended June 30, 2000	-	-	-	(28,000)
	-----			
Balance - June 30, 2000	17,000,000	17,000	-	(45,000)
Net (loss) for the year ended June 30, 2001	-	-	-	-
	-----			
Balance - June 30, 2001	17,000,000	17,000	-	(45,000)
Net (loss) for the year ended June 30, 2002	-	-	-	-
	-----			

Balance - June 30, 2002    17,000,000 \$    17,000 \$    - \$    (45,000)

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The accompanying notes are an integral part of these financial statements

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Galaxy Specialties, Inc.  
(A Development Stage Company)  
Statement of Cash Flows

	From			
	For the years ended	Inception on		
	June 30	March 7, 1986		
	-----	-----	Through	
	2002	2001	June 30, 2002	
	-----	-----	-----	
Cash Flows from Operating Activities				
Net Loss	\$ -	\$ -	\$ (45,000)	
Less Non-cash Items:				
Depreciation & Amortization		-	-	17,000
Increase in Accounts Payable		-	-	28,000
	-----	-----	-----	
Net Cash Provided (Used) by Operating Activities	-	-	-	
	-----	-----	-----	
Cash Flows from Investing Activities				
	-	-	-	
	-----	-----	-----	
Net Cash Provided (Used) by Investing Activities	-	-	-	
	-----	-----	-----	
Cash Flows from Financing Activities				
	-	-	-	
	-----	-----	-----	
Net Cash Provided (Used) by Financing Activities	-	-	-	
	-----	-----	-----	
Increase (Decrease) in Cash	-	-	-	
Cash and Cash Equivalents at Beginning of Period				
	-	-	-	
	-----	-----	-----	
Cash and Cash Equivalents at End of Period	\$ -	\$ -	\$ -	
	-----	-----	-----	

Supplemental Cash Flow Information:

Stock issued for marketing rights    \$ -    \$ -    \$ 17,000

Cash Paid For:

Interest                                    \$ -    \$ -    \$ -  
Income Taxes                                \$ -    \$ -    \$ -

The accompanying notes are an integral part of these financial statements

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NOTE 1 - Summary of Significant Accounting Policies

a. Organization & Consolidation Policy

Galaxy Specialties, Inc. (the Company), a Nevada corporation, was incorporated May 22, 2000. On June 5, 2000 the Company merged with Hystar Aerospace Marketing Corporation of Montana, Inc. (Hystar). The Company is the surviving corporation.

Hystar Aerospace Marketing Corporation of Montana, was incorporated March 7, 1986 to lease, sell, and market airships and the Burkett Mill, a waste milling device, which rights were acquired from VIP Worldnet, Inc. initially the only shareholder. The technology to further develop the airship and the mill by the parent company proved to be prohibitive, and shortly after the acquisition of the marketing rights further activity ceased. Hystar has been inactive since that date.

The merger was recorded under the pooling of interests method of accounting. Each share of the Company remained outstanding as one fully paid and non-assessable share of capital stock of the surviving corporation, and each share of Hystar was converted into one fully paid and non-assessable share of capital stock of the surviving corporation.

The Company incurred no revenue, expenses and had neither assets nor liabilities on its balance sheet from the date of its inception to the date of the merger. Therefore, the accompanying financial statements present the financial condition and results of operations of Hystar from its inception through the merger date and of the surviving entity, the Company, as of the merger date.

b. Recognition of Revenue

The Company recognizes income and expense on the accrual basis of accounting.

c. Earnings (Loss) Per Share

The computation of earnings (loss) per share of common stock is based on the weighted average number of shares outstanding at the date of the financial statements.

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NOTE 1 - Summary of Significant Accounting Policies (continued)

c. Earning (Loss) Per Share (continued)

Income (loss)	Shares	Per Share
(Numerator)	(Denominator)	Amount
-----		

For the year ended June 30, 2002:

Basic EPS		
Income (loss) to common stockholders \$	- 17,000,000	\$ (.00)
=====		
Basic EPS		
Income (loss) to common stockholders \$	- 17,000,000	\$ (.00)
=====		

From inception on March 7, 1986 to  
June 30, 2002:

Basic EPS

Income (loss) to common stockholders \$ (45,000) 17,000,000 \$ (.00)

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d. Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

e. Provision for Income Taxes

No provision for income taxes have been recorded due to net operating loss carryforwards totaling approximately \$45,000 that will be offset against future taxable income. These NOL carryforwards began to expire in the year 2001. No tax benefit has been reported in the financial statements because the Company believes there is a 50% or greater chance the carryforward will expire unused.

Deferred tax asset and the valuation account is as follows as June 30, 2002 and 2001:

	June 30,	
	2002	2001
Deferred tax asset:		
NOL carryforward	\$ 15,000	\$ 15,000
Valuation allowance	( 15,000)	( 15,000)
	<hr/>	<hr/>
	\$ -	\$ -

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Galaxy Specialties, Inc.  
(A Development Stage Company)  
Notes to the Financial Statements  
June 30, 2002 and 2001

NOTE 1 - Summary of Significant Accounting Policies (continued)

f. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has no assets and has had recurring operating losses for the past several years and is dependent upon financing to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to find an operating company to merge with, thus creating necessary operating revenue.

NOTE 3 - Stockholders' Equity

In 1986, the Company issued 17,000,000 shares of common stock for the marketing rights to an airship and a waste milling device. The value of this issuance was \$17,000.

During 2000, the Company issued 100 shares of stock in the formation of Galaxy Specialties, Inc. (NV), and subsequently canceled these shares.

NOTE 4 - Related Party Transactions

During the year ended June 30, 2000, the Company incurred \$28,000 of

professional fees payable to professionals affiliated with Mutual Ventures Corp., now called First Equity Holdings Corp. An officer of the Company is also an employee of First Equity Holdings Corp.

#### NOTE 5 - Development Stage Company

The Company is a development stage company as defined in Financial Accounting Standards Board Statement No. 7. It is concentrating substantially all of its efforts in raising capital and searching for a business operation with which to merge, or assets to acquire, in order to generate significant operations.

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#### ITEM 8: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

As previously reported in our quarterly report on Form 10-QSB for the period ended September 30, 2001, on October 30, 2001, we requested and received the resignation of our then independent auditors, Smith & Company, Certified Public Accountants, and then we engaged Chisholm & Associates, Certified Public Accountants, as our independent auditors, on the same date.

#### PART III

#### ITEM 9: DIRECTORS AND EXECUTIVE OFFICERS; COMPLIANCE WITH SECTION 16(A) DIRECTORS AND EXECUTIVE OFFICERS

Our executive officers and directors and their respective ages, positions and term of office are set forth below, along with biographical information for each. Our bylaws require two directors who serve until our next annual meeting or until each is replaced by a qualified director. Our executive officers are chosen by our Board of Directors and serve at its discretion. There are no existing family relationships between or among any of our executive officers or directors.

Name	Age	Position Held	Director Since
M. Jeanne Ball	44	President and Director	June 5, 2000
April L. Marino	28	Secretary/Treasurer and Director	June 5, 2000

M. Jeanne Ball For over 20 years Ms. Ball has worked as a legal secretary. For the past six years she has worked as an independent contractor performing duties of a legal secretary. She is a director of Skinovation Pharmaceutical Incorporated and Wings & Things, Inc., which are blank check reporting companies.

April L. Marino Ms. Marino is employed as a administrative assistant by First Equity Holdings Corp. formerly Mutual Ventures Corporation. She has been an employee of that company since December 1997. She is a director of Pinecrest Services, Inc. and Libra Alliance Corporation, which are blank check reporting companies.

#### COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who own more than five percent of a registered class of our equity securities, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock and our other equity securities. Officers, directors and greater than ten-percent beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. Based upon review of the copies of such forms furnished to us during the fiscal year

ended June 30, 2002, and representations to us that no Forms 5 were required, we believe no reports were required to be filed during fiscal year 2002.

#### ITEM 10: EXECUTIVE COMPENSATION

Our named executive officers have not received any cash compensation, bonuses, stock appreciation rights, long term compensation, stock awards or long-term incentive rights from us during the past three fiscal years. Mrs. Ball who acts in a capacity similar to Chief Executive Officer has not received any compensation during fiscal year 2002. We do not have any standard arrangement for compensation of our directors for any services provided as director, including services for committee participation or for special assignments. In addition, we have not entered into employment contracts with our executive officers and their compensation, if any, will be determined at the discretion of our Board of Directors.

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#### ITEM 11: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our outstanding common stock of each person or group known by us to own beneficially more than 5% of our outstanding common stock, and ownership of our management. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Except as indicated by footnote, the persons named in the table below have sole voting power and investment power with respect to all shares of common stock shown as beneficially owned by them. The percentage of beneficial ownership is based on 17,000,000 shares of common stock outstanding as of August 30, 2002.

##### CERTAIN BENEFICIAL OWNERS

###### Common Stock Beneficially Owned

Name and Address of Beneficial Owners	Number of Shares of Common Stock	Percentage of Class
VIP Worldnet, Inc. 154 E. Ford Avenue Salt Lake City, Utah 84115	15,036,621*	88.5%

\* VIP Worldnet, Inc. holds 15,000,000 shares and its directors and officers beneficially own the following shares of our common stock: Joanne Clinger, President, owns 28,597 shares and Wayne Reichman, Secretary, owns 8,024 shares.

##### MANAGEMENT

###### Common Stock Beneficially Owned

Name and Address of Beneficial Owners	Number of Shares Common Stock	Percentage of Class
M. Jeanne Ball 968 Bloomsburg Cove Murray, Utah 84123	200	Less than 1 %
April L. Marino 402 East Maxwell Lane Salt Lake City, Utah 84115	400	Less than 1%
All directors and executive officers as a group	600	Less than 1%

#### ITEM 12: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS



We have not engaged in any transactions in excess of \$60,000 during the past two years involving our executive officers, directors, more than 5% stockholders or immediate family members of such persons.

#### PARENT COMPANY

VIP Worldnet, Inc. is our parent company and beneficially owns 15,036,621 shares of our common stock, which represent 88.5 % of our issued and outstanding shares.

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#### ITEM 13: EXHIBITS AND REPORTS ON FORM 8-K

##### EXHIBITS

Exhibit Number	Description
-------------------	-------------

- |     |  |
|-----|--|
| 3.1 | Articles of Incorporation, as amended  |
| 3.3 | Bylaws of Galaxy (Incorporated by reference to exhibit 3.3 Form 10-SB, filed August 21, 2000.) |

##### REPORTS ON FORM 8-K

None.

#### SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date 9/23/02                      Galaxy Specialties, Inc.

/s/ M. Jeanne Ball  
By: \_\_\_\_\_  
M. Jeanne Ball  
President, Principal Financial  
Officer and Director

In accordance with the Exchange Act this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date 9/25/02                      By: /s/ April L. Marino  
\_\_\_\_\_  
April L. Marino,  
Secretary/Treasurer and Director

#### PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, M. Jeanne Ball, certify that:

1. I have reviewed this annual report on Form 10-KSB of Galaxy Specialties, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: 9/23/02            /s/ M. Jeanne Ball

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M. Jeanne Ball,  
Principal Executive Officer

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#### PRINCIPAL FINANCIAL OFFICER CERTIFICATION

I, M. Jeanne Ball, certify that:

1. I have reviewed this annual report on Form 10-KSB of Galaxy Specialties, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: 9/23/02            /s/ M. Jeanne Ball

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M. Jeanne Ball,  
Principal Financial Officer

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ARTICLES OF INCORPORATION  
AS AMENDED  
OF  
GALAXY SPECIALTIES, INC.

The undersigned natural person of eighteen years or more of age, acting as incorporator of a Corporation (the "Corporation") under the Nevada Revised Statutes, adopts the following Articles of Incorporation for the Corporation:

Article I  
Name of Corporation

The name of the Corporation is Galaxy Specialties, Inc.

Article II  
Shares

The amount of the total authorized capital stock of the Corporation is 20,000,000 shares of common stock, par value \$.001 per share. Each share of common stock shall have one (1) vote. Such stock may be issued from time to time without any action by the stockholders for such consideration as may be fixed from time to time by the Board of Directors, and shares so issued, the full consideration for which has been paid or delivered, shall be deemed the full paid up stock, and the holder of such shares shall not be liable for any further payment thereof. Said stock shall not be subject to assessment to pay the debts of the Corporation, and no paid-up stock and not stock issued as fully paid, shall ever be assessed or assessable by the Corporation.

The Corporation is authorized to issue 20,000,000 shares of common stock, par value \$.001 per share.

Article III  
Registered Office and Agent

The address of the initial registered office of the Corporation is 777 E. William Street, Suite 202, Carson City, Nevada 89701 and the name of its registered agent at such address is Budget Corp.

Article IV  
Incorporator

The name and address of the incorporator is:

NAME	ADDRESS
Anita Patterson	525 South 300 East Salt Lake City, Utah 84111

Article V  
Directors

The members of the governing board of the Corporation shall be known as directors, and the number of directors may from time to time be increased or decreased in such manner as shall be provided by the bylaws of the Corporation, provided that the number of directors shall not be reduced to less than one (1). The name and post office address of the board of directors, which shall be two in number, are as follows:

NAME	ADDRESS
Jeanne Ball	2157 Lincoln Street Salt Lake City, Utah 84106
April Marino	2157 Lincoln Street Salt Lake City, Utah 84106

Article VI  
General

A. The board of directors shall have the power and authority to make and alter, or amend, the bylaws, to fix the amount in cash or otherwise, to be reserved as working capital, and to authorize and cause to be executed the mortgages and liens upon the property and franchises of the Corporation.

B. The board of directors shall, from time to time, determine whether, and to what extent, and at which times and places, and under what conditions and regulations, the accounts and books of the Corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have the right to inspect any account, book or document of this Corporation except as conferred by the Statutes of Nevada, or authorized by the directors or any resolution of the stockholders.

C. No sale, conveyance, transfer, exchange or other disposition of all or substantially all of the property and assets of this Corporation shall be made unless approved by the vote or written consent of the stockholder entitled to exercise two-thirds (2/3) of the voting power of the Corporation.

D. The stockholders and directors shall have the power to hold their meetings, and keep the books, documents and papers of the Corporation outside of the State of Nevada, and at such place as may from time to time be designated by the bylaws or by resolution of the board of directors or stockholders, except as otherwise required by the laws of the State of Nevada.

E. The Corporation shall indemnify each present and future officer and director of the Corporation and each person who serves at the request of the Corporation as an officer or director of the Corporation, whether or not such person is also an officer or director of the Corporation, against all costs, expenses and liabilities, including the amounts of judgments, amounts paid in compromise settlements and amounts paid for services of counsel and other related expenses, which may be incurred by or imposed on him in connection with any claim, action, suit, proceeding, investigation or inquiry hereafter made, instituted or threatened in which he may be involved as a party or otherwise by reason of any past or future action taken or authorized and approved by him or any omission to act as such officer or director, at the time of the incurring imposition of such cost, expenses, or liabilities, except such costs, expenses or liabilities as shall relate to matters as to which he shall in such action, suit or proceeding, be finally adjudged to be liable by reason of his negligence or wilful misconduct toward the Corporation or any such other Corporation in the performance of his duties as such officer or director, as to whether or not a director of officer was liable by reason of his negligence or willful misconduct toward the Corporation or such other Corporation in the performance of his duties as such officer or director, in the absence of such final adjudication of the existence of such liability, the board of directors and each officer and director may conclusively rely upon an opinion of legal counsel selected by or in the manner designed by the board of directors. The foregoing right of indemnification shall not be exclusive of other rights to which any such officer or director may be entitled as a matter of law or otherwise, and shall inure to the benefit of the heirs, executors, administrators and assigns of each officer or director.