SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB/A

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d) [amend]

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FILER

ALCHEMY HOLDINGS INC

CIK:**841183**| IRS No.: **591886450** | State of Incorp.:**FL** | Fiscal Year End: **0930**
Type: **10QSB/A** | Act: **34** | File No.: **000-17981** | Film No.: **99709406**
SIC: **3730** Ship & boat building & repairing

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U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-QSB/A

Quarterly Report Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarter ended March 31, 1999

Commission File No. 0-17981

ALCHEMY HOLDINGS, INC.

F/K/A HAWK MARINE POWER, INC.

A Florida Corporation 59-1886450

3025 N.E. 188 Street, Miami, Florida 33180

Issuers telephone number: (305) 932-9230

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ___.

State the number of shares outstanding of each of the registrant's classes of common equity as of the latest practicable date: 2,702,394 shares of the registrant's common stock are issued and outstanding as of April 30, 1999. Total number of pages contained in this document 20.

ALCHEMY HOLDINGS, INC.

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PART 1 - FINANCIAL INFORMATION

Item 1 - Financial Statements

ACHEMY HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
MARCH 31, 1999
AND SEPTEMBER 30, 1998

<TABLE>
<CAPTION>

ASSETS

<S>	March (Unaudited) <C>	September <C>
CURRENT ASSETS:		
Cash	$ 73,698	$ 66,186
Inventory	209,279	178,655
Prepaid Expenses	50,000	
Total Current Assets	332,977	244,841
PROPERTY AND EQUIPMENT	19,606	20,060
OTHER ASSETS:		
Licensing Agreement, Net of Accumulated Amortization	178,750	189,750
TOTAL ASSETS	$ 531,333	$ 454,651

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts Payable	$ 4,803	$ 10,148
Accrued Expenses	12,284	7,476
Customer Deposits	119,564	90,500
Stockholder Loans	58,695	56,494
Notes Payable, Including Accrued Interest	78,446	75,286
Total Current Liabilities	273,792	239,904
TOTAL LIABILITIES	273,792	239,904
STOCKHOLDERS' EQUITY:		
Common Stock, $.001 par value, 20,000,000 shares authorized; 2,702,394 and 2,437,394 shares, respectively, issued and outstanding	2,702	2,437
Additional Paid-In Capital	2,534,443	2,224,598
Accumulated Deficit	(2,279,604)	(2,012,288)
TOTAL STOCKHOLDERS' EQUITY	257,541	214,747
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 531,333	$ 454,651

</TABLE>

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

ACHEMY HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 1999 AND 1998

<TABLE>
<CAPTION>

	Three Months Ended March 31,		Six Months Ended March 31,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
NET SALES	$ 163,878	123,158	$ 319,080	329,560
Cost of Sales	120,721	53,995	233,838	254,327
GROSS MARGIN	43,157	69,163	85,242	75,233

Selling, General and Administrative Expenses	41,850	35,510	89,269	68,119
OPERATING INCOME (LOSS)	1,307	33,653	(4,027)	7,114
Interest - Net	2,651	12,713	5,361	18,985
Provision for Loan Loss	38,318	--	257,928	--
Loss before Extraordinary Item	(39,662)	20,940	(267,316)	(11,871)
Extraordinary Gain on Forgiveness of Debt	--	--	--	--
NET PROFIT (LOSS)	$ (39,662)	20,940	$ (267,316)	(11,871)
BASIC LOSS PER SHARE AMOUNTS:				
Loss before extraordinary item	(0.01)	0.01	(0.10)	(0.01)
Extraordinary gain	--	--	--	--
Net Loss	(0.01)	0.01	(0.10)	(0.01)
Weighted average number of common shares outstanding	2,702,394	2,237,394	2,658,227	2,237,394

</TABLE>

The equation for computing basic income (loss) per common share is:
Income (Loss) available to common shareholders / Weighted-average shares.

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

ALCHEMY HOLDINGS, INC.
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED MARCH 31, 1999 AND 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	$(267,316)	$ 11,871)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization	11,454	953
Accrued Interest - Unpaid	5,361	12,713
(Increase) Decrease in Prepaid Expenses	(50,000)	331
(Increase) Decrease in Accounts Receivable	--	1,053
(Increase) Decrease in Inventory	(30,624)	(63,240)

Increase (Decrease) in Accounts Payable	(5,345)	(27,980)
Increase (Decrease) in Accrued Expenses	4,808	17,402
Increase (Decrease) in Customer Deposits	29,064	47,775
Net Cash Used by Operating Activities	(302,598)	(22,864)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in Notes Payable	--	1,875
Proceeds from Stock Issuances	310,110	--
Net Cash Used by Financing Activities	310,110	1,875
NET INCREASE (DECREASE) IN CASH	7,512	(20,989)
CASH AT BEGINNING OF PERIOD	66,186	44,753
CASH AT END OF PERIOD	$ 73,698	$ 23,764
Supplemental Cash Flow Information:		
Interest Paid During the Year	$ --	$ --
Income Taxes Paid During the Year	$ --	$ --

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

ALCHEMY HOLDINGS, INC.

NOTES TO FINANCIAL STATEMENTS
March 31, 1999
(Unaudited)

NOTE A - BASIS OF PRESENTATION

The accompanying financial statements of Alchemy Holdings, Inc. have been prepared in accordance with generally accepted accounting principles for interim financial information, and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) considered to be necessary for a fair presentation have been included. Operating results for the six months ended March 31, 1999 are not necessarily indicative of the expected results for the year ending September 30, 1999. For further information, refer to the financial statements and footnotes included in the Company's annual report on Form 10-KSB for the year ended September 30, 1998.

NOTE B - GOING CONCERN CONSIDERATION

The Company's consolidated financial statements have been presented on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred net losses of $319,288 and $92,762 for the years ended September 30, 1998 and 1997, respectively, and has cumulative losses since inception of $2,279,604. As a result of such losses the Company's financial position has been significantly impaired. The Company's ability to continue as a going concern is dependent upon its ability to attain a satisfactory level of profitability and to obtain suitable, adequate financing or the restructuring of existing obligations. During the year ended September 30, 1998, the Company satisfied its obligations to certain note holders with the proceeds of short-term financing from a stockholder. (This extinguishment of debt resulted in an extraordinary gain of $130,203.) The Company has sought to implement cost-saving measures, reduce other operating costs, utilize deposits from customers in connection with firm purchase orders to help finance operating costs and to convert some of its debt to equity in connection with a merger with one of its principal customers, Cigarette Racing Team. There is no assurance that the Company will be successful in these endeavors. The accompanying financial statements do not include any adjustments that might result if the Company is unable to continue as a going concern.

NOTE C - FAS 109

Deferred income taxes are provided on the tax effect of changes in temporary differences. Deferred tax assets are subject to a valuation allowance if their realization is not reasonably assured.

Deferred tax assets are comprised of the following at March 31, 1999:

Net Operating Loss Carry Forward Benefit	$ 775,065
Investment Credit	7,712
Valuation Allowance	(782,777)
Net Deferred Tax Asset	$ --

NOTE D - MAJOR CUSTOMER

Of the Company's total sales for the six months ended March 31, 1999, and 1998,

$151,232 and $68,591 or 47% and 21%, respectively, were with one customer, Cigarette Racing Team, Inc. A principal shareholder and President of the Company is also an officer and employee of this customer.

During the six months ended March 31, 1999, the Company transferred $257,928 in funds to Cigarette Racing Team, Inc. This advance is unsecured, bears interest at the rate of 11% and is payable upon demand. As Cigarette Racing Team, Inc. does not currently have the financial capability to satisfy this obligation the Company has recorded a provision for loan loss for the entire amount of the loan and interest income has not been accrued.

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

Results of Operations

For the three-month period ended March 31, 1999

For the three months ended March 31, 1999 the Company reported a net loss of $39,662 compared to a net profit of $20,940 for the three months ended March 31, 1998. Net revenues of $163,878 during the current quarter increased 33.1% from $123,158 during the same period in fiscal 1998.

Gross margin for the three months was 26.3% of Net Sales compared to 56.2% of Net Sales for the same period in fiscal 1998.

Selling, general and administrative expenses for the three months ended March 31, 1999 were $41,850 compared to $35,510 from the same period in fiscal year 1998.

Provision for Loan Loss for the three months ended March 31, 1999 is $38,318.

For the six-month period ended March 31, 1999

For the six-month period ended March 31, 1999, Alchemy reported net sales of $319,080. This compared to net sales of $329,560 for the same period in the 1998 fiscal year, a decease of 3.2%. The cost of sales for the first six months of fiscal year 1999 was $233,838 as compared to $254,327 for the same period in fiscal year 1998.

Gross margins for the six months was 26.7% of net sales compared to 22.8% of net sales for the same period in fiscal 1998. The gross margin for the six-month period ended March 31, 1999 was $85,242, as compared to $75,233 for the same period in the 1998 fiscal year.

Selling, general and administrative expenses for the six months ended March 31, 1999 were $89,269 compared to $68,119 from the same period in fiscal year 1998.

The interest expense of $5,361 and the provision for loan loss of $257,928 in the first six months of fiscal year 1999 resulted in a net loss of $267,316 for the six-month period ended March 31, 1999 as compared to net loss of $11,871 for the same time period in fiscal year 1998.

Liquidity and Capital Resources

The Company had cash on hand in the amount of $73,698 at March 31, 1999 compared to $23,764 at March 31, 1998. At March 31, 1999 there was working capital of $59,075 compared to working capital of $25,298 at March 31, 1998. The working capital increase was related to principally to increases in inventory and prepaid expenses.

At September 30, 1998 the Company had cash on hand in the amount of $66,186. Working capital increased from $4,937 at September 30, 1998 to $59,185 at the end of the current period.

PART II. OTHER INFORMATION

Item 1. Description of Business

Introduction and General Development of Business

Alchemy Holdings, Inc. f/k/a Hawk Marine Power, Inc. (the "Company") is engaged in managing the business affairs of its subsidiaries. Hawk Marine Power, Inc. (HMP) a subsidiary of the Company is engaged in the design, production and sale of high performance marine engines for installation in high-speed recreational powerboats and offshore racing boats. HMP manufactures its own line of seven high output, all gasoline V-8 engines for high speed recreational powerboats and racing, as well as customized engines which are produced solely for racing boats. HMP engines are hand built from component parts and are sold primarily to premium boat manufacturers. HMP high performance engines have established a distinctive reputation among powerboat enthusiasts for performance, speed and endurance. The engines have received critical acclaim in boating and other publications. HMP regularly exhibits its engines at various international boat shows held annually in Miami and Fort Lauderdale.

The Company was incorporated as Swift Development, Inc. under the laws of the State of Utah on October 25, 1983, at which time it sold an aggregate of 750,000 shares of common stock to three individuals for total consideration of $15,000. In March 1984, the Company consummated a private placement offering of shares of common stock pursuant to Regulation D of the Securities Act of 1933, as amended, which resulted in the sale of 752,850 shares of common stock from which the Company received net proceeds of approximately $65,000. In August 1984, the Company's original shareholders contributed an aggregate of 280,112 shares of common stock of the Company.

On August 6, 1987, the Company acquired all of the outstanding common stock of Hawk Marine Power, Inc. (a Florida corporation). In connection with the acquisition, the Company changed its name from Swift Development, Inc. to Hawk Marine Power, Inc. The Company was merged into its wholly owned subsidiary, Hawk Marine Power, Inc. effective September 30, 1990. The effect of the transaction was to reincorporate the Company in the state of Florida.

On December 11, 1989 and January 17, 1990, the Company completed the public offering of an aggregate of 197,940 Units of its securities consisting of 593,820 shares of common stock and 197,940 warrants. The Company received net proceeds of approximately $969,500 from the public offering.

On May 12, 1997, the Company held a special meeting of the Board of Directors and decided that in the best interests of the Company's shareholders that they would attempt to engage in the business of licensing, designing and marketing of merchandise and apparel as opposed to its current activities of high performance engine manufacturing, in order to provide the Company's current shareholders with the potential of future liquidity in their stock ownership and the possibility of future gain. As such, the Company has sought and located management to assist in such project, and said management will undertake to raise capital through debt or equity instruments to fund its future operations.

The Board of Directors acknowledge that such a transaction will be a high risk venture and the opportunity for success may be remote. However, inasmuch as the Company is not currently operating profitably and has no other prospects of generating operating income or shareholder value, the Directors believe it is in the best interests of the Company and its shareholders to proceed with such an undertaking.

In connection therewith, at the Directors meeting, a unanimous consent of the Board of Directors and a majority of the outstanding stockholders represented at the meeting approved that the Company adopt a recapitalization pursuant to which the issued and outstanding shares of the Company's common stock are reverse split, or consolidated, on a 1-for-80 basis so that the shareholders receive one share of the Company's common stock for every 80 shares held; no fractional shares were issued and any fractional interests were rounded to the nearest whole number.

As a result, on May 20, 1997, the split became effective and the Company began trading under its new symbol "ALCH" on the NASD Electronic Bulletin Board.

Furthermore, the following individuals were elected as officers and directors of the Company: Craig N. Barrie, President / Director; Berton J. Lorow, Vice-President / Director; Adam C. Schild, Secretary / Director.

Additionally, the Company adopted a proposal to amend the Articles of Incorporation of the Company and change the name of the Company from Hawk Marine Power, Inc. to Alchemy Holdings, Inc. Subsequent to the change of the Company's name from Hawk Marine Power, Inc. to Alchemy Holdings, Inc., the Company formed a new corporation under the laws of the State of Delaware, a wholly owned subsidiary of the Company known as "Hawk Marine Power, Inc." to operate its high performance engine manufacturing business.

Subsequent to the change of the Company's name from Hawk Marine Power, Inc. to Alchemy Holdings, Inc., and subsequent to the formation of the wholly owned subsidiary

known as "Hawk Marine Power, Inc.", the Company sold all of its assets and liabilities of its high performance engine building operation to the Company's wholly owned subsidiary Hawk Marine Power, Inc. in exchange for 100 shares of Hawk Marine Power, Inc., the new wholly owned subsidiary. The 100 shares exchanged represents 100% of the issued and outstanding shares of Hawk Marine Power, Inc.

The Company issued 2,000,000 post-split restricted shares of the Company's common stock to Offshore Racing, Inc., in exchange for the Company's exclusive world-wide right and license to use the trademarks, and service marks of "Cigarette Racing Team, Inc.", for all goods and services other than the use of the trademarks and service marks on any form of watercraft. In conjunction with the purchasing of the licensing agreement, the Company formed a corporation under the laws of the State of Delaware, organized as a wholly owned subsidiary of the Company known as "Cigarette Licensing, Inc." to operate the Company's licensing business.

The Company issued 200,000 post-split shares of the Company's common stock to the professionals responsible for the professional services related to and for negotiating, arranging and brokering the licensing and other related transactions described herein on behalf of the Company.

Pursuant to a Form S-8 registration statement filed with the Commission on June 25, 1998, the Company registered 200,000 shares of the Company's common stock at a price of $2.00 for the purposes of funding the Alchemy Employee Stock Payment Plan, dated January 2, 1998.

Pursuant to a Form S-8 registration statement filed with the Commission on October 13, 1998, the Company registered 265,000 shares of the Company's common stock at a price of $2.00 for the purposes of funding the Alchemy Employee Stock Payment Plan, dated January 2, 1998.

Products

HMP designs, manufactures and sells high output gasoline V-8 engines and also performs custom work on engines produced by other manufacturers. The Hawk engine was initially produced in 1979 for use in the offshore speedboat racing circuit which was attaining initial popularity. It was produced to accommodate participants in the offshore racing circuit who required high performance engines. In 1981, Hawk powered speedboats attained international prominence by winning the U.S. Championship and the World Championship of speed boat racing in conjunction with Cigarette Racing Team, Inc. ("Cigarette"). The success of the Hawk engine in international competition generated widespread interest among speedboat as well as other racing enthusiasts. Despite its reputation, HMP has never been able to attain consistent profitable operations

or capitalize on a commercial basis from critical recognition received by Hawk engines. HMP intends to continue to focus its operations to serve the upper segment of the powerboat market.

Following is a more detailed description of the Hawk engines offered by HMP directly and through its authorized dealer network:

Hawk 600: An 8-cylinder, four-stroke, 496 cubic inch engine which produces approximately 600 horsepower and is liquid-cooled.

Hawk 700: An 8-cylinder, four stroke, 556 cubic inch engine which produces approximately 700 horsepower and is liquid cooled.

Hawk 750: A 8-cylinder, four-stroke, 588 cubic inch engine which produces approximately 750 horsepower and is liquid-cooled.

Hawk 800: An 8-cylinder, four-stroke, 589 cubic inch engine which produces approximately 800 horsepower and is liquid-cooled.

Hawk 900: An 8-cylinder, supercharged four-stroke, 572 cubic inch engine which produces approximately 900 horsepower and is liquid-cooled.

Hawk 1000: An 8-cylinder, four-stroke, 698 cubic inch engine which produces approximately 1000 horsepower and is liquid-cooled.

Hawk 1100: An 8-cylinder, four stroke, 698 cubic inch engine which produces approximately 1100 horsepower and is liquid-cooled.

Although the Hawk engines described above may be used for recreational or offshore racing boats, HMP does manufacture custom engines utilized solely for racing. Hawk engines, which usually sell in sets of two or three, range in price from $32,000 to $69,000 per engine.

To management's best knowledge, the Hawk engine has been produced for the longest continuous period of any high performance marine engine. Apart from success in various offshore racing events, Hawk engines have received critical recognition in various

boating publications including BOATING MAGAZINE, MOTOR BOATING AND SAILING and POWERBOAT MAGAZINE, as well as in various consumer publications not specifically published for the benefit of speedboat enthusiasts.

Manufacturing Operations

Hawk engines are manufactured at the HMP production facility in Aventura, Florida. The engines are hand built from component parts and in certain instances, are custom designed for individual customers. HMP believes the recognition for its high performance engines is attributable to the accumulated experience, knowledge and know-how related to the innovation, design, balancing, assembly and testing of the engines.

The manufacture of the Hawk engine consists of three stages: (i) hand tooling and modification of component parts; (ii) assembly of the engine; and (iii) testing of the engine. HMP orders most of the components used in the Hawk engine directly from manufacturers, distributors and specialty automobile parts suppliers. With the exception of General Motors, which manufactures the engine blocks used in most Hawk engines, HMP does not regard any single supplier as essential to its operations. Most of the components HMP utilizes are available from multiple sources at competitive prices.

Following assembly of the Hawk engine, a rigorous tuning and testing program is utilized. The testing is performed both manually and through the use of advanced computer technology. At the present time, the normal production period and the manufacture of the Hawk engine is from five to ten working days. HMP has present production capacity of approximately sixteen (16) engines per month. HMP believes its extensive know-how and experience at all stages of production has enabled it to establish a position of leadership.

HMP warrants its engines for up to one year against defects in materials and workmanship, and to date has not experienced more than a limited number of warranty claims.

At September 30, 1998, the consolidated financial statements of the Company included an accrual of approximately $7,500 for anticipated future warranty cost. See "Item 3, Legal Proceedings".

Marketing and Sales

HMP concentrates its sales of Hawk engines in the high performance recreational speedboat and racing market. Management believes the high-performance segment of the market represents no more than 5% of the entire recreational market, of which HMP is one of the best known manufacturers. HMP has sold Hawk engines directly to premium

boat manufacturers including Cigarette, Apache Performance Boats, Pantera U.S.A., and Jaguar Marine.

For the years ended September 30, 1998 and 1997, sales of Hawk engines to Cigarette amounted to approximately 25% and 17% of total sales. Craig Barrie, the Company's President, and a principal shareholder, is the President of Cigarette.

HMP regularly exhibits Hawk engines at various international boat shows held annually in Miami and Fort Lauderdale. HMP receives extensive publicity in editorial articles appearing in various boating publications as well as consumer and upscale lifestyle magazines.

Patents and Trademarks

Patents are generally not significant to the powerboat industry, and it is unlikely HMP would be able to obtain any patents with respect to the Hawk engine or elements of its assembly. While HMP believes that the sense of know-how and knowledge regarding the assembly of the Hawk engines represents a trade secret, it is not placing primary reliance on any particular proprietary protection as a means of preserving its competitive position.

Government Regulation and Production Liability

Certain materials used in HMP's engine manufacturing that are toxic, flammable, corrosive or reactive are classified by both federal and state governments as "hazardous materials". Control of these substances is regulated by the Environmental Protection Agency, and state and local pollution control agencies, which may require reports and undertake inspections of HMP's facilities to monitor compliance. In addition, under the Comprehensive Environmental Response, Compensation and Liability Act, as amended, any generator of hazardous waste sent to a hazardous waste disposal site is potentially responsible for the clean-up, remediation and response costs required for such site in the event the site is not properly closed by the owner or operator, irrespective of the amount of hazardous waste which the generator sent to the site. HMP has sent hazardous waste including cleaning solvents and waste oil to sites through specialized environmental concerns which are responsible for removal and selection of sites for hazardous wastes. HMP's cost of compliance with environmental regulations, including, but not limited to costs associated with hazardous waste disposal sites, has not been and is not expected to be material in relation to its overall operations.

While management of HMP believes that the Hawk engine is safe in normal operation, any motorized product can give rise to product liability claims. HMP maintains product liability insurance in the amount of $1,000,000 per incident. Additionally, HMP maintains a $2,000,000 umbrella policy. HMP has never been the subject of any claim or lawsuit regarding product liability of associated with the Hawk engines, although there

can be no assurance that product liability claims associated with injury to property or persons directly or indirectly attributable to the Hawk engine may not be asserted at a future date.

Employees

In addition to its three executive officers, the Company employs approximately six people. All of the Company's employees are non-union, and the Company believes its relationship with employees is excellent.

The Company's Proposed Merger with Cigarette Racing Team, Inc. (collectively, the "Companies")

On May 12, 1997 Alchemy held a special meeting of the Board of Directors and decided that in the best interests of Alchemy's shareholders that they would attempt to engage in the business of licensing, designing and marketing of Cigarette merchandise and apparel in addition to its current activities of high performance engine manufacturing, in order to provide Alchemy's current shareholders with the potential of future liquidity in their stock ownership and the possibility of future gain. In furtherance of that goal an Agreement and Plan of Merger was presented to both the Company's and Cigarette's Boards, respectively (the "Merger Agreement").

In reaching their decisions to approve the Merger Agreement, the terms of the proposed merger (the "Merger") and the transactions contemplated by the Merger Agreement, the Alchemy Board and the Cigarette Board consulted with their respective management teams and advisors and independently considered the proposed Merger Agreement and the transactions contemplated thereunder. Based on their respective independent reviews of the proposed transactions and the business and operations of the other party, the respective Boards each unanimously approved the Merger Agreement, the Merger and the transactions contemplated thereby. The Board of Directors of each of the Companies concluded that (i) the goals and philosophies of the Companies are compatible and consistent, (ii) the products and services of the Companies are complementary, (iii) the post-Merger entity has the potential to offer customers a wider variety of services and products than it could offer independently, (iv) the Merger would be positively received by customers of each of the Companies, (v) the Companies' respective shareholders would benefit by the enhanced ability of the Combined Entity to compete in the marketplace, and (vi) there would be economic advantages as a result of increased operating efficiencies.

On or about October 25, 1997, the Company and Cigarette entered into a letter of intent to merge the Company into Cigarette via a reverse acquisition (the "Letter of Intent"). In addition to the requisite approvals of the Companies' Boards of Directors' and shareholders', the Company would have to file and have deemed effective a registration statement/prospectus/proxy statement on Form S-4.

Recommendation of the Alchemy Board

Subsequent to the Letter of Intent the Alchemy Board unanimously approved the Merger Agreement and the issuance of Alchemy Common Stock in connection with the Merger.

Recommendation of Cigarette's Board

Subsequent to the Letter of Intent the Cigarette Board unanimously approved the Merger Agreement and the cancellation of certain shares of Cigarette's Common Stock and the exchange of other shares of Cigarette's Common Stock for Alchemy Common Stock in connection with the Merger.

Upon the recommendations of the Companies respective Boards, Alchemy formed Cigarette Boats, Inc. ("Merger Sub"), a Delaware corporation. The Merger Sub is a newly-formed, wholly-owned subsidiary of Alchemy formed solely for the purpose of the Merger. The Merger Sub has no material assets or liabilities and has not engaged in any material operations since its incorporation. Merger Sub's principal executive offices are located at 3025 N.E., 188th Street, Aventura, Florida 33180. Its telephone number at that address is (305) 932-9230.

The Proposed Merger

The Merger Agreement provides for the merger of Merger Sub with and into Cigarette (the "Merger"), whereupon Cigarette will be the surviving corporation and will become a wholly-owned subsidiary of Alchemy. The Merger Agreement further provides that upon the Effective Time of the Merger (i) each issued and outstanding share of Cigarette Common Stock (other than those shares held by holders who perfect their dissenters' rights with respect to the Merger pursuant to the Florida Business Corporation Act) will be converted into one share of Alchemy Common Stock, (ii) each issued and outstanding share of Cigarette Series A Preferred Stock will be converted into one share of Alchemy Series A Preferred Stock, possessing similar rights, terms and conditions as the Cigarette Preferred Stock and (iii) each issued and outstanding Cigarette Class A Warrant, Cigarette Class B Warrant, Cigarette Class X Warrant and Cigarette Class Y Warrant will be converted, respectively, into one Alchemy Class A Warrant, one Alchemy Class B Warrant, one Alchemy Class X Warrant or one Alchemy Class Y Warrant. The Alchemy Class A Warrants, the Alchemy Class B Warrants, the Alchemy Class X Warrants and the Alchemy Class Y Warrants to be issued in the Merger will entitle the holders thereof to purchase, on the same terms and conditions as were applicable under the Cigarette Class A Warrants, the Cigarette Class B Warrants, the Cigarette Class X Warrants and the Cigarette Class Y Warrants, the number of shares of Alchemy Common Stock that the holders of such Cigarette Warrants would have been entitled to receive in the Merger had such holders exercised their Cigarette Warrants immediately prior to the Effective Time.

In connection with the Merger, immediately prior to the Effective Time, Alchemy will repurchase and retire 2,000,000 shares of Alchemy Common Stock held by Offshore in consideration for 100 shares of Alchemy Series B Preferred Stock, having an aggregate liquidation preference equal to $1,000,000.

Based on the 3,719,450 shares of Cigarette Common Stock issued and outstanding as of August 13, 1999 and the 1,000,000 additional shares of Cigarette Common Stock which Cigarette has agreed to issue to Central Manufacturing Inc. ("Central"), a creditor of Cigarette, prior to the Effective Time in partial exchange for the forgiveness and cancellation of Cigarette's indebtedness to Central, Alchemy estimates that a total of 4,719,450 shares of Alchemy Common Stock will be issued to holders of Cigarette Common Stock in the Merger. After giving effect to the proposed repurchase and retirement by Alchemy of the 2,000,000 shares of Alchemy Common Stock currently held by Offshore, it is expected that the current holders of Cigarette Common Stock will own approximately 87% of the issued and outstanding Alchemy Common Stock immediately following the consummation of the Merger. In addition, the Alchemy Warrants to be issued in the Merger to current holders of Cigarette Warrants will entitle such holders to purchase up to an additional 2,280,000 shares of Alchemy Common Stock (equal to approximately 30% of the Alchemy Common Stock on a fully diluted basis) following the consummation of the Merger.

Although a letter of intent was signed by both Alchemy and Cigarette (the "Companies") on October 25, 1997, the Merger has not yet been consummated due to delays encountered by Alchemy and Cigarette in preparing and clearing with the Commission proxy materials to be used to solicit the approval of their respective shareholders to the Merger Agreement and the transactions contemplated thereby.

The details surrounding these delays are as follows: (i) Alchemy and Cigarette were not prepared to file a registration statement with the Commission until May 6, 1998, at which time a registration statement was initially filed; (ii) on June 11th and 12th, 1998, the Commission issued extensive comments regarding the May 6, 1998, filing, including several focusing on the independence of Alchemy's auditors; (iii) substantial time was required to answer all of the comments and, as a result, responses were not filed with the Commission until November 12, 1998; (iv) pursuant to subsequent discussions between Alchemy and the Commission it was agreed that the Commission would not review the November 12th filing until 1998 year-end audited financials of Alchemy and Cigarette were filed with the Commission; (v) in December 1998, Cigarette management discovered that a defalcation had occurred and as a result of such defalcation, Cigarette was not prepared to re-file the Registration Statement with the Commission until May 6, 1999.

It is anticipated that the Merger will become effective as promptly as practicable after the requisite shareholder approvals have been obtained and all other conditions to the Merger have been satisfied or waived (if allowed by applicable law).

See "The Merger - Regulatory Approvals" and "The Merger Agreement - Termination."

Year 2000 Compliance

The year 2000 issue arises as the result of computer programs having been written, and systems having been designed, using two digits rather than four to define the applicable year. Consequently, such software has the potential to recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company does not expect to be affected by the Year 2000 issue as it does not rely on data-sensitive software or affected hardware. Its software has been protected and Alchemy does not utilize machines to produce its products which are computerized. The Company manufactures products which employ computer chips as part of their ability to perform as designed. The Company's primary supplier, Mercury Motors, Inc. ("Mercury"), has indicated to the Company that Mercury is year 2000 compliant in all of its operations. The Company has not yet contacted other companies on whose services the Company depends to determine whether such companies' systems are Year 2000 compliant. If the systems of Alchemy or other companies on whose services Alchemy depends, including Alchemy's customers, are not Year 2000 compliant, there could be a material adverse effect on the Company's financial condition or results of operations. Although the Company does not anticipate any year 2000 problems, it is unable to determine its most likely worst case scenario. Further, in the event that the Company suffers a material adverse effect due to the Year 2000 problem, it has no contingency plans at this time and does not expect to have any by December 31, 1999. Notwithstanding the above, the Company does not expect to have to replace any machinery due to inherent year 2000 problems.

Item 6. Exhibits and Reports on Form 8-K

Exhibits: None

The Company filed a Form 8-K on March 5, 1999 indicating the following:

Jere J. Lane, CPA resigned as the Company's certifying accountant for the year ended September 30, 1998 and the engagement of Callaghan Nawrocki LLP to provide such independent auditor services for the year ending September 30, 1998 and 1999, respectively.

SIGNATURES

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

Date: September 7, 1999

ALCHEMY HOLDINGS, INC

BY: /s/ Adam Schild

ADAM SCHILD

Secretary

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