

Edgar Filing: IVG CORP - Form 10QSB/A

IVG CORP  
Form 10QSB/A  
October 24, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-QSB/A

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

For Quarter Ended

-----  
September 30, 2000

Commission File Number

-----  
33-19196-A

IVG CORP.

-----  
(Exact name of registrant as specified in its charter)

Delaware

-----  
(State of incorporation)

59-2919648

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

13135 Dairy Ashford, Suite 525, Sugar Land, Texas 75478

-----  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (281) 295-8400

-----  
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days.

Yes X No  
-----

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 51,661,759 common shares as of October 3, 2001.

# Edgar Filing: IVG CORP - Form 10QSB/A

INTERNET VENTURE GROUP, INC.  
 Consolidated Balance Sheets (Restated)  
 September 30, 2000 and December 31, 1999

| ASSETS<br>-----  | Unaudited<br>September 30,<br>2000<br>----- | Unaudited<br>December 31,<br>1999<br>----- |
|--|---|--|
| CURRENT ASSETS   |   |  |
| Cash   | \$ 5,939,348                                | \$ 6,006                                   |
| Accounts receivable, net   | 27,060                                      | 14,145                                     |
| Inventory  | 114,022                                     | 79,588                                     |
| Notes receivable   | 115,000                                     | -  |
|  | -----                                       | -----                                      |
| Total current assets   | 6,195,430                                   | 99,739                                     |
| PROPERTY AND EQUIPMENT, net  | 53,245                                      | 59,546                                     |
| OTHER ASSETS, net  | 310,857                                     | 289,322                                    |
|  | -----                                       | -----                                      |
|  | \$ 6,559,532                                | \$ 448,607                                 |
|  | =====                                       | =====                                      |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)<br>-----  |   |  |
| CURRENT LIABILITIES  |   |  |
| Accounts payable   | \$ 1,062,902                                | \$ 206,057                                 |
| Notes payable  | 2,810,496                                   | 329,656                                    |
| Accrued liabilities  | 623,795                                     | 35,370                                     |
|  | -----                                       | -----                                      |
| Total current liabilities  | 4,497,193                                   | 571,083                                    |
| MINORITY INTEREST  | 297,521                                     | -  |
| STOCKHOLDERS' EQUITY (DEFICIT)   |   |  |
| Common stock, par value \$0.0001, 300,000,000 shares<br>authorized, 42,369,519 and 30,537,402 issued and<br>outstanding at September 30, 2000 and December 31,<br>1999, respectively | 4,237                                       | 3,054                                      |
| Paid-in capital  | 20,443,681                                  | 1,969,035                                  |
| Accumulated deficit  | (18,683,100)                                | (2,094,565)                                |
|  | -----                                       | -----                                      |
| Total stockholders' equity (deficit)   | 1,764,818                                   | (122,476)                                  |
|  | -----                                       | -----                                      |
|  | \$ 6,559,532                                | \$ 448,607                                 |
|  | =====                                       | =====                                      |

See accompanying notes to consolidated financial statements.

Edgar Filing: IVG CORP - Form 10QSB/A

1

INTERNET VENTURE GROUP, INC.  
Consolidated Statements of Operations (Restated)  
(Unaudited)

|  | Nine months<br>ended<br>September 30,<br>2000 | Nine months<br>ended<br>September 30,<br>1999 |
|--|---|---|
|  | -----   | -----   |
| REVENUES   |   |   |
| Sales  | \$ 260,416                                    | \$ 296,252                                    |
| Other  | -   | 58,000  |
|  | -----   | -----   |
| Total revenues                                     | 260,416                                       | 354,252                                       |
| GROSS PROFIT                                       | 103,596                                       | 197,684                                       |
| OPERATING EXPENSES,<br>administrative and overhead | (1,083,183)                                   | (315,312)                                     |
| PURCHASED IN-PROCESS TECHNOLOGY                    | (15,601,792)                                  | 0   |
| NET LOSS   | \$ (16,588,535)<br>=====                      | \$ (162,540)<br>=====                         |
| WEIGHTED AVERAGE COMMON SHARES                     | 41,802,819<br>=====                           | 26,100,000<br>=====                           |

See accompanying notes to consolidated financial statements.

2

INTERNET VENTURE GROUP, INC.  
Consolidated Statements of Operations (Restated)  
(Unaudited)

|  | Three months<br>ended<br>September 30,<br>2000 | Three months<br>ended<br>September 30,<br>1999 |
|--|--|--|
|  | -----  | -----  |
| REVENUES   |  |  |
| Sales  | \$ 84,364                                      | \$ 52,697                                      |
| Other  | -  | 29,000   |
|  | -----  | -----  |
| Total revenues                                     | 84,364   | 81,697   |
| GROSS PROFIT                                       | 75,419   | 66,506   |
| OPERATING EXPENSES,<br>administrative and overhead | (683,828)                                      | (101,741)                                      |

Edgar Filing: IVG CORP - Form 10QSB/A

|                                 |                 |             |
|---------------------------------|-----------------|-------------|
| PURCHASED IN-PROCESS TECHNOLOGY | (15,601,792)    | 0           |
| NET LOSS                        | \$ (16,212,947) | \$ (75,310) |
| WEIGHTED AVERAGE COMMON SHARES  | 41,802,819      | 26,100,000  |

See accompanying notes to consolidated financial statements.

3

INTERNET VENTURE GROUP, INC.  
Consolidated Statements of Cash Flows (Restated)  
(Unaudited)

|   | Nine months ended<br>September 30, |              | Thru            |
|---|------------------------------------|--------------|-----------------|
|   | 2000                               | 1999         | 2000            |
| CASH FLOWS FROM OPERATING<br>ACTIVITIES   |                                    |              |                 |
| Net loss  | \$ (16,588,535)                    | \$ (162,540) | \$ (16,212,947) |
| Adjustments to reconcile net loss<br>to net cash used in operating activities:      |                                    |              |                 |
| Minority interest in cons. subsidiary   | 297,521                            |              | 297,521         |
| Depreciation  | 18,837                             | 10,470       | 8,770           |
| Amortization  | 16,532                             | 15,581       | 4,111           |
| Purchased in-process technology   | 15,601,792                         | -            | 15,601,792      |
| Stock based compensation  | 258,118                            | -            | 131,818         |
| Changes in assets and liabilities<br>net of effects from purchase of<br>subsidiary: |                                    |              |                 |
| Current assets  | 163,663                            | 68,509       | 164,522         |
| Current liabilities   | (133,913)                          | (46,907)     | 130,913         |
| Net cash provided by (used in) operating<br>activities                              | (365,985)                          | (114,887)    | 126,666         |
| CASH FLOWS FROM INVESTING<br>ACTIVITIES   |                                    |              |                 |
| Purchase of property and equipment  | (12,536)                           | (20,682)     | (4,111)         |
| Increase in note receivable   | (115,000)                          | -            | (115,000)       |
| Cash acquired through purchase of<br>subsidiary                                     | 5,404,338                          | -            | 5,404,338       |
| Net cash provided by (used in)<br>investing activities                              | 5,276,802                          | (20,682)     | 5,285,127       |
| CASH FLOWS FROM FINANCING<br>ACTIVITIES   |                                    |              |                 |
| Net increase (decrease) in<br>notes payable   | 588,425                            | (260,172)    | 319,253         |
| Stock issue adjustments   |                                    | 398,832      |                 |
| Proceeds on issuance of stock   | 434,100                            | -            |                 |
| Net cash provided by financing activities   | 1,022,525                          | 138,660      | 319,253         |

Edgar Filing: IVG CORP - Form 10QSB/A

|                                 |           |       |         |
|---------------------------------|-----------|-------|---------|
| NET INCREASE (DECREASE) IN CASH | 5,933,342 | 3,091 | 5,731,1 |
| CASH AT BEGINNING OF PERIOD     | 6,006     | 8,026 | 208,2   |

SUPPLEMENTAL SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES:

The Company purchased approximately 93% of the common stock of Swan Magnetics, Inc. with common stock and warrants valued at \$17,783,611. In conjunction with the acquisition, the fair value of assets and liabilities assumed were as follows:

|   |               |
|---|---------------|
| Tangible assets acquired, including cash                | \$ 5,653,417  |
| Intangible assets acquired and subsequently written-off | 15,601,792    |
| Liabilities assumed                                     | (3,471,598)   |
| Value of stock and warrants issued                      | \$ 17,783,611 |

See accompanying notes to consolidated financial statements.

4

INTERNET VENTURE GROUP, INC.  
Consolidated Statements of Changes in Stockholders' Equity (Deficit) (Restated)  
(Unaudited)

December 31, 1998 through September 30, 2000

|  | Common Stock        |        | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit |    |
|--|---------------------|--------|----------------------------------|------------------------|----|
|  | Number of<br>Shares | Amount |                                  |                        |    |
| BALANCE,<br>December 31, 1998                  | 4,000,000           | \$ 400 | \$ 1,712,124                     | \$ (1,802,734)         | \$ |
| ACQUISITION OF<br>SUBSIDIARY                   | 26,537,402          | 2,654  | 256,911                          | -                      |    |
| NET LOSS                                       | -                   | -      | -                                | (291,831)              |    |
| BALANCE,<br>December 31, 1999                  | 30,537,402          | 3,054  | 1,969,035                        | (2,094,565)            |    |
| ADJUST SHARES IN<br>SHARES ISSUED FOR SERVICES | 825,000             | 83     | 186,175                          | -                      |    |
| SHARES ISSUED FOR<br>CASH                      | 213,450             | 21     | 434,079                          | -                      |    |
| ACQUISITION OF<br>SUBSIDIARY                   | 10,793,667          | 1,079  | 17,782,532                       | -                      | 17 |
| WARRANTS ISSUED FOR                            |                     |        |                                  |                        |    |

Edgar Filing: IVG CORP - Form 10QSB/A

|                                |            |          |               |                 |              |
|--------------------------------|------------|----------|---------------|-----------------|--------------|
| SERVICES                       | -          | -        | 71,860        | -               |              |
| NET LOSS, for nine months      | -          | -        | -             | (16,588,535)    | (16,588,535) |
| BALANCE,<br>September 30, 2000 | 42,369,519 | \$ 4,237 | \$ 20,443,681 | \$ (18,683,100) | \$ 1,000,000 |

See accompanying notes to consolidated financial statements.

5

INTERNET VENTURE GROUP, INC.  
Notes to Consolidated Financial Statements (Restated)

NOTE 1 - ORGANIZATION AND PRESENTATION

Strategic Ventures, Inc. was incorporated in the state of Florida on March 19, 1987. At a stockholders' meeting on October 18, 1999, Strategic Ventures, Inc. completed its name change to Internet Venture Group, Inc. In March 2001, Internet Venture Group, Inc. was merged into IVG Corp., a Delaware corporation. As a result of the merger, Internet Venture Group, Inc. was reincorporated in Delaware and its name was changed to IVG Corp. (the "Company").

Effective December 31, 1999, the Company acquired all issued and outstanding shares of GeeWhiz.com, Inc. (a Texas Corporation) for 26,537,402 shares of the Company's stock by the purchase method. For accounting purposes, the acquisition was treated as a reverse acquisition, with GeeWhiz.com, Inc. as the acquirer and Strategic Ventures, Inc. as the acquiree. The acquisition qualified as a reverse acquisition because the officers and directors of GeeWhiz.com assumed management control of the resulting entity and the value and ownership interest received by current GeeWhiz.com, Inc. stockholders exceeded that received by Strategic Ventures, Inc.

On September 28, 2000, the Company acquired ownership of approximately 93% of the issued and outstanding shares of Swan Magnetics, Inc. (a California Corporation), for shares of the Company's stock. The transaction was accounted for under the purchase method. See Note 10.

The primary purpose of the Company is to become an internet company through the acquisition, development and operation of early-stage companies involved in "business-to-business," "business-to-consumer" and "click and mortar" business activities. The primary business of GeeWhiz.com, which now operates as a division of the Company, is the development, acquisition, marketing and distribution of proprietary products as specialty products and items for the Worldwide gift, novelty and souvenir industries. Swan Magentics, Inc., which operates as a majority-owned subsidiary of the Company, is involved in the development of a proprietary ultra-high capacity (UHC), flexible disk drive technology and currently has no revenue generating operations.

The Company's fiscal year-end is December 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared by management and are

## Edgar Filing: IVG CORP - Form 10QSB/A

unaudited.

These financial statements are presented on the accrual method of accounting in accordance with generally accepted accounting principles. Significant principles followed by the Company and the methods of applying those principles, which materially affect the determination of financial position and cash flows, are summarized below:

### PRINCIPLES OF CONSOLIDATION

-----

The Company's consolidated financial statements as of and for the period ended September 30, 2000 reflect its operations on a consolidated basis. All significant intercompany accounts and transactions have been eliminated.

6

### CASH AND CASH EQUIVALENTS

-----

The Company considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

### INVENTORIES

-----

Inventories are stated at cost, determined using the first-in, first-out (FIFO) method, which is not in excess of market. Finished products comprise all of the Company's inventories.

### PROPERTY AND EQUIPMENT

-----

Property and equipment is stated at cost. The cost of ordinary maintenance and repairs is charged to operations while renewals and replacements are capitalized. Depreciation is computed on the straight-line method over the following estimated useful lives:

|                         |         |
|-------------------------|---------|
| Manufacturing Equipment | 5 years |
| Furniture and Equipment | 5 years |

### PATENTS, TRADEMARKS, AND LICENSES

-----

The Company capitalizes certain legal costs and acquisition costs related to patents, trademarks, and licenses. Accumulated costs are amortized over the lesser of the legal lives or the estimated economic lives of the proprietary rights, generally seven to ten years, using the straight-line method and commencing at the time the patents are issued, trademarks are registered or the license is acquired.

### INTANGIBLE ASSETS

-----

The Company recorded intangible assets for the excess of cost over fair value of net tangible assets acquired during the acquisition of Swan. This asset represents goodwill and intellectual property acquired and is being amortized over 10 years on a straight-line basis.

### REVENUE RECOGNITION

-----

## Edgar Filing: IVG CORP - Form 10QSB/A

Product Sales are sales of on-line products and specialty items. Revenue is recognized at the time products are shipped. Other revenue and commission income is recognized when the earnings process has been completed.

### INCOME TAXES

-----

The Company accounts for income taxes under SFAS No. 109, which requires the asset and liability approach to accounting for income taxes. Under this method, deferred tax assets and liabilities are measured based on differences between financial reporting and tax bases of assets and liabilities using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

### NET EARNINGS (LOSS) PER SHARE

-----

Basic and diluted net loss per share information is presented under the requirements of SFAS No. 128, Earnings Per Share. Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period, less shares subject to repurchase. Diluted net loss per share reflects the potential dilution of securities by adding other common stock equivalents, including stock options, shares subject to repurchase, warrants and convertible preferred stock, in the weighted-average number of common shares outstanding for a period, if dilutive. All potentially dilutive securities have been excluded from the computation, as their effect is anti-dilutive.

7

### FAIR VALUE OF FINANCIAL INSTRUMENTS

-----

The carrying amount of cash, accounts receivable, accounts payable and accrued expenses are considered to be representative of their respective fair values because of the short-term nature of these financial instruments. The carrying amount of the notes payable are reasonable estimates of fair value as the loans bear interest based on market rates currently available for debt with similar terms.

### 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

### NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

|                         | September 30,<br>2000 | December 31,<br>1999 |
|-------------------------|-----------------------|----------------------|
| Manufacturing equipment | \$ 115,956            | \$ 105,513           |
| Furniture and equipment | 31,301                | 29,208               |



Edgar Filing: IVG CORP - Form 10QSB/A

|                               |           |           |
|-------------------------------|-----------|-----------|
|                               | 147,257   | 134,721   |
| Less accumulated depreciation | 94,012    | 75,175    |
|                               | -----     | -----     |
|                               | \$ 53,245 | \$ 59,546 |
|                               | =====     | =====     |

NOTE 4 - OTHER ASSETS

At September 30, 2000, other assets consisted of the following:

|                                | Historical<br>Cost | Accumulated<br>Amortization | Book<br>Value |
|--------------------------------|--------------------|-----------------------------|---------------|
|                                | -----              | -----                       | -----         |
| Security deposits              | \$ 15,360          | \$ -                        | \$ 15,360     |
| Licensing, patents, trademarks | 362,754            | 117,257                     | 245,497       |
| Prepaid expenses               | 50,000             | -                           | 50,000        |
|                                | -----              | -----                       | -----         |
|                                | \$ 428,114         | \$ 117,257                  | \$ 310,857    |
|                                | =====              | =====                       | =====         |

At December 31, 1999, other assets consisted of the following:

|                                | Historical<br>Cost | Accumulated<br>Amortization | Book<br>Value |
|--------------------------------|--------------------|-----------------------------|---------------|
|                                | -----              | -----                       | -----         |
| Security deposits              | \$ 15,360          | \$ -                        | \$ 15,360     |
| Licensing, patents, trademarks | 364,496            | 90,534                      | 273,962       |
|                                | -----              | -----                       | -----         |
|                                | \$ 379,856         | \$ 90,534                   | \$ 289,322    |
|                                | =====              | =====                       | =====         |

8

NOTE 5 - NOTES PAYABLE

Notes payable consisted of the following:

|   | September 30,<br>2000 | December 31,<br>1999 |
|---|-----------------------|----------------------|
|   | -----                 | -----                |
| Borrowings against a \$30,000 line-of-credit agreement with a financial institution collateralized by a general security agreement covering substantially all assets of the Company; the note bears interest at two points above the bank's prime rate (8.25% at December 31, 1999 and 11.5% at September 30, 2000); the note is payable on demand; however if no demand is made it matures February 2001 | \$ 19,785             | \$ 22,980            |
| Note payable to a financial institution, payable on demand, however, if no demand is made, payable in monthly installments of \$425, including interest at 9.75% through February 2001, collateralized by certain equipment and the personal guarantees of the Company officers   | -                     | 5,600                |
| Short-term notes payable to related parties, non-interest bearing and payable on demand   | 64,600                | -                    |
| Note payable to an individual stockholder, interest at 7.0%, payable in full March 2000   | -                     | 4,000                |

Edgar Filing: IVG CORP - Form 10QSB/A

|  |              |          |
|--|--------------|----------|
| Note payable to an individual stockholder, interest at 8.0%, payable in full on demand | 160,111      | 201,0    |
| Note payable to an individual stockholder, interest at 10.5%, payable on demand        | 66,000       | 96,0     |
| Note payable to a company, interest at 8%, payable on demand                           | 1,000,000    |          |
| Note payable to a company, interest at 8%, due July 2003                               | 1,500,000    |          |
|  | \$ 2,810,496 | \$ 329,6 |
|  | =====        | =====    |

NOTE 6 - INCOME TAXES

There has been no provision for U.S. federal, state, or foreign income taxes for any period because the Company has incurred losses in all periods and for all jurisdictions.

Deferred income taxes reflect the net tax affects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets are as follows:

|   | September 30,<br>2000 | December 31,<br>1999 |
|---|-----------------------|----------------------|
|   | -----                 | -----                |
| Deferred tax assets                         |                       |                      |
| Net operating loss carryforwards            | \$ 18,683,100         | \$ 2,094,565         |
| Valuation allowance for deferred tax assets | (18,683,100)          | (2,094,565)          |
|   | -----                 | -----                |
| Net deferred tax assets                     | \$ -                  | \$ -                 |
|   | =====                 | =====                |

9

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The Company had net operating loss carryforwards for federal income tax purposes of approximately \$18,683,100 and \$2,094,565 as of September 30, 2000 and December 31, 1999, respectively. These carryforwards, if not utilized to offset taxable income begin to expire in 2003. Utilization of the net operating loss may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. The annual limitation could result in the expiration of the net operating loss before utilization.

NOTE 7 - STOCK OPTIONS

The Company has granted options to purchase shares of common stock to employees, directors, consultants, and investors at prices as determined by the Board of Directors, at date of grant. A summary of the Company's stock options granted is presented below:

Weighted-  
Average

Edgar Filing: IVG CORP - Form 10QSB/A

|                               | Number of<br>Shares | Exercise<br>Price per<br>Share |
|-------------------------------|---------------------|--------------------------------|
|                               | -----               | -----                          |
| Balance, December 31, 1999    | 1,164,150           | \$ .62                         |
| Granted through June 30, 2000 | 8,212,475           | \$ .23                         |
| Granted July 2000             | 75,000              | \$ .75                         |
| Exercised                     | -                   | \$ -                           |
| Canceled                      | -                   | \$ -                           |
|                               | -----               | -----                          |
| Balance, September 30, 2000   | 9,451,625           | \$ .32                         |
|                               | =====               | =====                          |

The fair value of each stock option was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumption on stock options issued on or before June 30, 2000: an expected life of four (4) years, expected volatility of 87%, and a dividend yield of 0% and on stock options issued in July 2000: an expected life of 18 months, expected volatility of 90%, and a dividend yield of 0%.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Company is in the third year of a five-year operating lease which commenced December 1997 for office and warehouse space located in Houston, Texas. Future minimum lease commitments for building lease approximate the following for each of the years ending December 31: 2000- \$75,943; 2001 - \$78,386; 2002 - \$73,907; and none thereafter. Rent expense was \$32,121 and \$73,296 for the nine months ended September 30, 2000 and the year ended December 31, 1999, respectively.

10

NOTE 9 - GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Company as a going concern. The Company has incurred substantial operating losses. As shown in the financial statements, the Company incurred net losses of \$986,743, excluding purchased in-process technology of \$15,601,792, on gross sales of \$260,416 for the nine months ended September 30, 2000. These factors indicate there is substantial doubt about the Company's ability to continue as a going concern. The future success of the Company is likely dependent on its ability to obtain additional capital to develop its proposed products and ultimately, upon its ability to attain future profitable operations. There can be no assurance that the Company will be successful in obtaining such financing, or that it will attain positive cash flow from operations.

Management believes that actions presently being taken to revise the Company's operating and financial requirements provide the opportunity for the Company to continue as a going concern. The Company has been able to continue based upon the financial support of certain of its stockholders, and the continued existence of the Company is dependent upon this support and the Company's ability to acquire assets by the issuance of stock. Management has recently been able to secure a \$1,000,000 loan from Swan Magnetics, Inc. and has pending the acquisition of businesses that management believes can provide additional cash for the Company's operations and be profitable in both the short and long-term. Management also intends to attempt to raise additional funds through private sales of the Company's common stock. Although management believes that these efforts will enable the Company to continue as a going concern, there can be no assurance that these efforts will be successful.

NOTE 10 - ACQUISITION OF SUBSIDIARY

## Edgar Filing: IVG CORP - Form 10QSB/A

On September 28, 2000, the Company acquired ownership of approximately 93% of Swan Magnetics, Inc. Swan is a hardware development company specializing in ultra high capacity floppy disk drives and media. As part of a two step purchase transaction, the Company exchanged 20,000,000 shares of restricted common stock for approximately 93% of the outstanding common shares of Swan. The Company then offered, to those stockholders, an exchange of restricted common stock for warrants to purchase common stock at an exercise price equal to the market value on September 28, 2000. The Company has received verbal commitments from stockholders to exchange 9,206,333 shares of its restricted common stock for common stock warrants as of November 17, 2000. The fair value of the common stock warrants was estimated on September 28, 2000 using the Black-Schoales option-pricing model with the following weighted-average assumption on stock warrants issued: an expected life of 18 months, expected volatility of 90%, and a dividend yield of 0%. This transaction adjusted the purchase price to approximately \$17,800,000. The acquisition was accounted for using the purchase method. The assets and liabilities of Swan were recorded at fair market value, which approximates net book value on the date of acquisition. Upon consummation of the Swan acquisition, the Company expensed approximately \$15.6M representing purchased in-process technology that had not reached technological feasibility and had no alternative future use. The Company's statement of income excludes the income and expenses of Swan for the nine months ended September 30, 2000, as the purchase was accounted for as a single asset purchase because Swan currently has no revenue generating operations.

### NOTE 11 - ERROR CORRECTION.

The accompanying financial statements for September 30, 2000 have been restated to correct an error in previously issued financial statements. Purchased in-process technology was not expensed on the previously issued financial statements. The restated statements reflect a corrected net loss of \$16,588,535 and per share loss of \$(.40), rather than the previously reported net loss of \$1,595,956 and per share loss of \$(.04).

11

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company's financial statements and related notes contained in this Form 10-QSB.

#### PLAN OF OPERATION

-----  
The Company merged with GeeWhiz.com effective December 31, 1999. GeeWhiz operates a vertical business portal e-commerce web site designed to access and service the promotional products, gifts, and souvenir markets, functioning within the Company as a separate division. To date, GeeWhiz has principally been engaged in the sale of its proprietary Starglas line of fiber optic illuminated drinking containers. Although GeeWhiz is currently a division of the Company, management intends to form a new, wholly-owned subsidiary to operate the GeeWhiz business sometime in 2001.

On September 28, 2000, the Company acquired ownership of approximately 93% of Swan Magnetics, Inc. As part of a two step purchase transaction, the Company exchanged 20,000,000 shares of restricted common stock for approximately 93% of the outstanding common shares of Swan. The Company then offered, to those stockholders, an exchange of restricted common stock for warrants to purchase

## Edgar Filing: IVG CORP - Form 10QSB/A

common stock at an exercise price equal to the market value on September 28, 2000. The Company has received verbal commitments from stockholders to exchange 9,206,333 shares of its restricted common stock for common stock warrants as of December 31, 2000. The acquisition was accounted for using the purchase method.

Swan is the developer of a proprietary ultra-high capacity ("UHC"), flexible disk drive technology, and is based in Santa Clara, California. Swan's President is Eden Kim, Chairman of the Board and Secretary of the Company. Swan currently has a small demonstration lab in Santa Clara displaying working UHC drives, media and pilot production equipment and is under discussion with potential partners for commercial exploitation of the products.

The Company's plan of operation for the remainder of the year 2000 will consist of activities aimed at:

- o Investigating and, if appropriate, pursuing definitive agreements for acquisitions believed by the Board to be consistent with the Company's plan to become an internet company through the acquisition, development and operation of early stage companies engaged in "business-to-business," "business-to-consumer" and "click and mortar" business activities;

- o Establishing strategic partnerships and alliances with e-commerce enabling companies, such as front-end web design firms, back-end transaction support firms, and enablers for horizontal electronic business communities;

- o Continuing the development of the GeeWhiz web site and forming a new, wholly-owned subsidiary to operate the GeeWhiz business;

- o Continuing the efforts to commercialize Swan's proprietary technology and thereby creating a cash-flow positive revenue generating subsidiary of the Company; and

- o Seeking additional equity financing for the Company.

12

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

#### CONDITION AND RESULTS OF OPERATIONS

##### FINANCIAL CONDITION

At September 30, 2000, the Company had current assets of approximately \$6,195,430 and total assets of approximately \$6,559,532. Current liabilities at September 30, 2000 were approximately \$4,497,193 and the Company had no long-term liabilities. The Company's stockholders equity at September 30, 2000 was \$1,764,818.

##### RESULTS OF OPERATIONS

Comparison of the Three Months Ended September 30, 2000 to September 30, 1999.

REVENUES. Revenues increased slightly from \$81,697 to \$84,364 for the three month periods ended September 30, 1999 and 2000, respectively. This increase was attributable principally to increased product sales.

COSTS AND EXPENSES. Costs of goods sold during the three months ended September 30, 2000 decreased to \$8,945 from \$15,191 for the same period in 1999. This

## Edgar Filing: IVG CORP - Form 10QSB/A

decrease was primarily the result of decreases in the price of materials. Other expenses, consisting of selling, general and administrative expenses, and sales and marketing expenses, increased \$582,087 to \$683,828 for the three months ended September 30, 2000 from \$101,741 for the three months ended September 30, 1999. The increase was principally due to increased travel, legal, accounting and other expenses related to completing the Company's acquisition of Swan Magnetics, Inc. as well as evaluating potential future acquisition candidates.

NET LOSS. The Company's net loss for the three months ended September 30, 2000 increased to \$16,212,947 from a net loss of \$75,310 during the three months ended September 30, 1999. This increase of \$16,137,637 is primarily due to an increase in general and administrative expenses for the Company's third quarter as well as the expense of \$15,601,792 for purchased-in-process technology related to the acquisition of Swan. Accordingly, the Company's net loss per share increased from \$0.02 per share for the three months ended September 30, 1999 to \$0.39 per share for the same period in 2000.

Comparison of the Nine Months Ended September 30, 2000 to September 30, 1999.  
-----

REVENUES. Revenues decreased \$93,836 from \$354,252 to \$260,416 for the nine month periods ended September 30, 1999 and 2000, respectively. This decrease was attributable principally to reduced product sales for the nine months ended September 30, 2000.

COSTS AND EXPENSES. Costs of goods sold remained relatively constant for the nine month periods ended September 30, 1999 and 2000 while general and administrative expenses increased for the same period. Costs of goods sold for the nine months ended September 30, 1999 was \$156,568, compared to \$156,820 for the same period in 2000. Other expenses, consisting of selling, general and administrative expenses, and sales and marketing expenses, increased \$767,871 to \$1,083,183 for the nine months ended September 30, 2000 from \$315,312 for the nine months ended September 30, 1999. The increase was principally due to increased travel, legal, accounting and other expenses related to completing the Company's acquisitions of GeeWhiz.com and Swan Magnetics, Inc., as well as the Company's resuming its SEC reporting, commencing the trading of its stock on the over the counter bulletin board, and evaluating potential future acquisition candidates.

NET LOSS. The Company's net loss for the nine months ended September 30, 2000 was approximately \$16,588,535, compared to a net loss of \$162,540 during the nine months ended September 30, 1999. Net loss per common share increased \$0.39 from \$0.01 per share for the nine months ended September 30, 1999 to \$0.40 per share for the nine months ended September 30, 2000.

13

### LIQUIDITY AND CAPITAL RESOURCES

Net cash used by operating activities was approximately \$365,985 for the nine months ended September 30, 2000, compared to \$114,887 for the nine months ended September 30, 1999. The Company had cash and cash equivalents of \$5,939,348 at September 30, 2000, an increase of \$5,933,342 which is primarily attributable to the Company's acquisition of approximately 93% of the capital stock of Swan Magnetics, Inc.

The Company financed its operations for the nine months ended September 30, 1999 and 2000 principally through the issuance of common stock in private transactions, and borrowings from its management and stockholders.

## Edgar Filing: IVG CORP - Form 10QSB/A

The Company secured a \$1,000,000 loan from Swan Magnetics, Inc. prior to the Company's September 2000 acquisition of a majority of the capital stock of Swan, an acquisition which resulted in a significant increase in the Company's cash and cash equivalents. Management also intends to attempt to raise additional funds through private sales of the Company's capital stock. Although management believes that these efforts will enable the Company to meet its liquidity needs in the future, there can be no assurance that these efforts will be successful.

### GOING CONCERN CONSIDERATION

The Company has continued losses from operations and negative cash flow. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability of reported assets or liabilities should the Company be unable to continue as a going concern. Management believes that the Company's recent business acquisitions can provide additional cash for the Company's operations and that the Company can be profitable in both the short and long-term. Management also intends to attempt to raise additional funds through private sales of the Company's capital stock. Although management believes that these efforts will enable the Company to continue as a going concern, there can be no assurance that these efforts will be successful.

### SUBSEQUENT EVENTS - PENDING ACQUISITIONS

CYBERCOUPONS. On January 9, 2001, the Company executed a Reorganization Agreement and Plan of Exchange pursuant to which the Company will exchange up to 2,372,625 shares of its common stock for approximately 35% of the issued and outstanding common stock of CyberCoupons.com, Inc., a Houston, Texas-based company. CyberCoupons was formed to be an Internet source for consumers to obtain on-line-printable manufacturer coupons for grocery, household and beauty products. Advertiser expenditures on coupons amounted to over \$6.2 billion in 1997. Much of this consisted of the printing, distribution and logistics associated with coupon-based marketing activities. CyberCoupons believes that the disintermediation of coupon distribution and redemption can result in a significant savings to the billions of dollars spent by manufacturers to print, distribute and redeem paper coupons. CyberCoupons allows shoppers to select specific grocery coupons from its web site at a steep discount for use at local grocery outlets. For example, \$50 of coupons can be purchased for as little as \$9.95, with the user enjoying the benefit of being able to choose specific product coupons.

CyberCoupons believes that it is positioned to capitalize on the disintermediation of coupon distribution and redemption by offering on-line download of specific coupons and point-of-sale redemption of coupon face value. CyberCoupons has established a web site for the purchase of specific grocery coupons ([www.grocerycoupons.com](http://www.grocerycoupons.com)) and is currently involved in key test markets with regional grocery stores for point-of-sale redemption of electronically downloaded coupons.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

On March 9, 2000 Tommy Tipton filed suit against the Company in the 155th Judicial District Court in Fayette County, Texas. Mr. Tipton is a co-owner of

## Edgar Filing: IVG CORP - Form 10QSB/A

patents relating to the "Starglas" line of products sold by the Company's GeeWhiz.com division. Mr. Tipton alleges the Company failed to pay royalties on sales of the Starglas products under a license agreement between Mr. Tipton and GeeWhiz.com. As of the date of this report, the parties have reached an agreement to settle the suit. Under the terms of the settlement, the Company would pay Mr. Tipton \$122,000.

### ITEM 2. CHANGES IN SECURITIES

None

### ITEM 3. DEFAULT UPON SENIOR SECURITIES

None

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

None

### ITEM 5. OTHER INFORMATION

None

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

#### (a) Exhibits

10.1 Amended and Restated Agreement and Plan of Exchange by and among Internet Venture Group, Inc., Swan Magnetics, Inc., and certain shareholders of Swan Magnetics, Inc., effective as of June 28, 2000, previously filed as Exhibit 10.2 of the Company's Form 8-K filed on October 13, 2000.

#### (b) A report on Form 8-K was filed on July 21, and a report on Form 8-K/A was filed on July 18, 2000.

15

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: October 23, 2001

IVG CORP.  
-----

/S/ Elorian Landers  
-----

Elorian Landers, Chief Executive Officer

(Principal Executive Officer and  
Principal Financial and Principal  
Accounting Officer)

16



