

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

AUCTION ANYTHING COM INC
Form 10KSB/A
August 16, 2001

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 10-KSB/A

(Mark One)

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

For the fiscal year ended January 31, 2001

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-27865

Disease Sciences, Inc.
(Name of small business issuer in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-2640971
(I.R.S. Employer Identification No.)

20283 State Road 7, Suite 400, Boca Raton, FL 33498
(Address of principal executive offices) (Zip Code)

Issuer's telephone number 561-487-3655

Securities registered under Section 12(b) of the Exchange Act:

None
(Title of each class)

Name of each exchange on which registered

not applicable

Securities registered under Section 12(g) of the Exchange Act:

Common Stock
(Title of Class)

Disease Sciences, Inc., formerly known as AuctionAnything.com, Inc. (the "Company"), hereby amends its Annual Report on Form 10-KSB for the year ended January 31, 2001 to substitute the audited consolidated balance sheets of the Company as of January 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years then ended, included therein and which had been reported upon by KPMG, LLC, the Company's former independent auditors, with the attached consolidated

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

balance sheets of as of January 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years then ended which have been reported on by Feldman Sherb & Co., P.C., the Company's current independent auditors. All references to KPMG, LLP in the Company's Annual Report on Form 10-KSB for the year ended January 31, 2001 are hereby deleted and the firm of Feldman Sherb & Co., P.C. is substituted therefor. On June 7, 2001 the Company filed a Report on Form 8-K with the SEC disclosing its change in independent auditors. There are no changes in the financial statement included herein from the financial statements reported upon by KPMG, LLP which were included in the Company's Annual Report on Form 10-KSB. The Company elected to have Feldman Sherb & Co. P.C. reaudit the Company's financial statements for the fiscal years ended January 31, 2001 and 2000, for ease of review by its current auditors in future periods.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

DISEASE SCIENCES, INC.

(FORMERLY AUCTIONANYTHING.COM, INC.)

Independent Auditors' Report.....	F-2
Consolidated Balance Sheets.....	F-3
Consolidated Statements of Operations.....	F-4
Consolidated Statement of Stockholders' Deficit.....	F-5
Consolidated Statements of Cash Flows.....	F-6
Notes to Consolidated Financial Statements.....	F-7 - F-15

INDEPENDENT AUDITORS' REPORT

To the shareholders
Disease Sciences, Inc. and Subsidiary:
(formerly AuctionAnything.com, Inc.)

We have audited the accompanying consolidated balance sheets of Disease Sciences, Inc. (formerly AuctionAnything.com, Inc.) and subsidiary as of January 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' deficit and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Disease Sciences,

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

Inc. (formerly AuctionAnything.com, Inc.) and subsidiary at January 31, 2001 and 2000 and the results of their operations and their cash flows for each of the years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 9 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/Feldman Sherb & Co., P.C.
Feldman Sherb & Co., P.C.
Certified Public Accountants

August 15, 2001
New York, NY

F-2

DISEASE SCIENCES, INC.
(FORMERLY AUCTIONANYTHING.COM, INC. AND SUBSIDIARY)

CONSOLIDATED BALANCE SHEETS

JANUARY 31, 2001 AND 2000

	2001	2000
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,719	\$ 144,011
Accounts receivable	12,639	6,288
Inventories	-	58,077
Other assets	-	18,041
Due from related party	-	3,487
	-----	-----
	15,358	229,904
Equipment, net of accumulated depreciation of \$66,116 and \$54,563, respectively	41,445	78,467
Goodwill, net	-	139,931
	-----	-----
	\$ 56,803	\$ 448,302
	=====	=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

Accounts payable and accrued expenses	\$ 118,632	\$ 31,070
Unearned revenue	2,035	3,000
	-----	-----
	120,667	34,070
	-----	-----
Stockholders' deficit:		
Common stock, par value \$.001; 50,00,000 shares authorized, 28,790,696 and 28,321,946 issued and outstanding, respectively	28,791	28,322
Additional paid-in capital	1,256,084	1,181,553
Accumulated deficit	(1,348,739)	(795,643)
	-----	-----
Total stockholders' deficit	(63,864)	414,232
	-----	-----
	\$ 56,803	\$ 448,302
	=====	=====

See accompanying notes to consolidated financial statements
F-3

DISEASE SCIENCES, INC.
(FORMERLY AUCTIONANYTHING.COM, INC. AND SUBSIDIARY)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended January 31,	
	2001	2000
	-----	-----
Revenues:		
Auction sales	\$ 74,151	\$ 519,033
Internet business solutions	58,820	8,685
Internet service revenue	36,260	71,754
Custom development fees	26,475	-
Commission sales	-	4,015
	-----	-----
	195,706	603,487
	-----	-----
Cost of sales	59,083	514,268
Cost of services	28,130	-
	-----	-----
	87,213	514,268
	-----	-----
	108,493	89,219
	-----	-----
Operating expenses:		
Salaries and employee benefits	306,310	410,743
Professional fees	102,323	120,345
Other selling, general and administrative	218,920	185,162

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

Advertising	17,512	75,647
Insurance	18,383	37,566
	-----	-----
	663,448	829,463
	-----	-----
Operating loss	(554,955)	(740,244)
Other income	2,718	12,856
Capital gains (losses)	(859)	-
Interest expense	-	(1,461)
	-----	-----
Net loss	\$ (553,096)	\$ (728,849)
	=====	=====
Loss per share	\$ (0.02)	\$ (0.03)
	=====	=====
Weighted average shares outstanding - basic and diluted	28,588,693	27,537,863
	=====	=====

See accompanying notes to consolidated financial statements
F-4

DISEASE SCIENCES, INC.
(FORMERLY AUCTIONANYTHING.COM, INC. AND SUBSIDIARY)

CONSOLIDATED STATEMENT OF STOCKHOLDERS DEFICIT

	Common Stock		Additional	Total
	Shares	Amount	Paid-in Capital	Accumulated Deficit
	-----	-----	-----	-----
Balance, January 31, 1999	500,000	\$ 500	\$ 72,500	\$ (66,7
Capital contribution acquisition	27,822,000	27,822	1,109,053	
Net loss	-	-	-	(728,8
	-----	-----	-----	-----
Balance, January 31, 2000	28,322,000	28,322	1,181,553	(795,6
Capital contribution acquisition	469,000	469	74,531	
Net loss	-	-	-	(553,0
	-----	-----	-----	-----
Balance, January 31, 2001	28,791,000	\$ 28,791	\$ 1,256,084	\$ (1,348,7
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements
F-5

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

DISEASE SCIENCES, INC.
(FORMERLY AUCTIONANYTHING.COM, INC. AND SUBSIDIARY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended Ja
	----- 2001 -----
CASH FLOWS USED IN OPERATING ACTIVITIES:	
Net loss	\$ (553,096)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	172,417
Loss on disposal of equipment	859
Changes in assets and liabilities:	
Accounts receivable	(6,351)
Inventory	58,077
Other assets	18,041
Accounts payable and accrued expenses	87,562
Unearned revenue	(965)
Due to/from related parties	3,487

NET CASH USED IN OPERATING ACTIVITIES	(219,969)

CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:	
Proceeds from sale of equipment	4,095
Capital expenditures	(418)

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	3,677

CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on notes payable to related parties	-
Proceeds from issuance of common stock	75,000

NET CASH PROVIDED BY FINANCING ACTIVITIES	75,000

NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS	(141,292)
CASH AND CASH EQUIVALENTS - beginning of year	144,011

CASH AND CASH EQUIVALENTS - end of year	\$ 2,719
	=====
Supplemental disclosure of cash flow information:	
Cash paid for interest	\$ 2,718
	=====
Supplemental disclosure of noncash investing and financing activities:	
Goodwill generated from stock issued in TISH acquisition	\$ -

See accompanying notes to consolidated financial statements
F-6

DISEASE SCIENCES, INC.
(FORMERLY AUCTIONANYTHING.COM, INC. AND SUBSIDIARY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2001 AND 2000

1) DESCRIPTION OF BUSINESS

AuctionAnything.com, Inc. (the "Company") operates a variety of internet-related services. Currently, the Company has three main revenue generating operations, which are provided by the Company and North Orlando Sports Promotions, Inc. ("NOSP"), a wholly owned subsidiary of the Company: 1) Internet Business Solutions ("IBS"): a service which establishes and hosts auction and/or E-commerce web sites for other businesses and organization primarily in both the business-to-business and business-to-consumer markets; 2) a company owned auction and/or E-commerce website (WWW.SPORTSAUCTION.COM) that has been licensed to Memories and Memorabilia, Inc., a third party fulfillment house; 3) an Internet service provider ("ISP") service, known as Tish.net. The Company remains committed to pursuing all commercial opportunities in the online business-to-consumer and business-to-business and person-to-person trading service areas.

On February 18, 1999, the Company purchased the net assets of The Information Superhighway Corporation ("TISH") as described in Note 4. The accompanying statements of operations include the operations of TISH from February 19, 1999 through January 31, 2001.

On May 23, 2001, the Company executed an Agreement and Plan of Reorganization and Stock Purchase Agreement (the "Agreement") with Disease S.I., Inc., a Florida corporation. Under the terms of the Agreement the Company acquired 100% of the issued and outstanding stock of Disease S.I., Inc. in exchange for 60,000,000 shares of the Company's common stock. The transaction has been accounted for as a reverse acquisition under the purchase method for business combinations. Accordingly, the combination of the two companies is recorded as a recapitalization of Disease S.I., Inc., pursuant to which Disease S.I., Inc. is treated as the continuing entity.

On June 26, 2001, with the approval of the shareholders the Company changed its name to Disease Sciences, Inc.

F-7

On July 24, 2001, the Company sold North Orlando Sports Promotions, Inc., in exchange for the assumption of all liabilities related to North Orlando and its operations estimated at approximately \$112,000, which included the forgiveness of \$91,500 in accrued compensation. Included in the sale along with the capital stock of North Orlando were fixed assets, rights to

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

several domain names and various contractual rights and obligations.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) Principles of Consolidation - The consolidated financial statements as of and for the years ended January 31, 2001 and 2000 include all the accounts of the Company and NOSP. The Company acquired 100% of the stock of NOSP in the Reverse Merger described in Note 4. All significant intercompany balances and transactions have been eliminated in consolidation.
- b) Cash and Cash Equivalents - The Company considers all highly liquid instruments with original maturities of three months or less at the time of purchase to be cash equivalents.
- c) Inventories - Inventories were stated at the lower of cost or market at January 31, 2000. Cost was determined principally on the specific identification method. Provisions for potentially obsolete or slow-moving inventory was made based on management's analysis of inventory levels. Consignment inventory was not recorded as inventory by the Company and was not placed in auction until the merchandise was received. If a consignment item did not sell in an auction, the Company requested that the consignor lower the minimum bid or withdraw the item from the auction.

The Company's inventories were liquidated during the year ended January 31, 2001, and the related services were licensed to a third party fulfillment house.

- d) Equipment - Equipment is stated at cost less accumulated depreciation. Depreciation of equipment is computed using the straight-line method over its estimated useful life of 3 years. For the years ended January 31, 2001 and 2000, depreciation expense was recorded in the amount of \$32,486 and \$22,350, respectively.
- e) Income Taxes - The Company was considered an S-corporation for federal income tax purposes through March 9, 1999. As such, the Company was not subject to federal income taxes directly; income or loss

F-8

of the Company were passed through to the individual stockholders. As such, effective March 10, 1999, the Company became a C-corporation for federal income tax purposes.

The Company files consolidated income tax returns. The Company's policy is to apply inter-corporate tax allocations using the "separate return method." All amounts due from subsidiaries as calculated under the "separate return method" have been eliminated as part of the consolidation process.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date.

- f) Revenue Recognition - The Company earns revenues for IBS services either through monthly licensing fees or as a percentage of the customer's successful sales through the customer's website. Licensing fee revenues are recognized on a pro-rata basis, and percentage revenues are recognized upon verification of a successful sale.
- g) Earnings per Share - The Company computes earnings per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS No. 128"). Under the provisions of SFAS 128, basic earnings per share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing the net income (loss) for the period by the weighted average number of common and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares outstanding consist of the common shares issuable upon the exercise of stock option and warrants (using the treasury stock method) and upon the conversion of convertible preferred stock (using the as-if converted method). Potentially dilutive common shares are excluded from the calculation if their effect is antidilutive. The Company did not have any potentially dilutive common

F-9

shares for the year ended January 31, 2000. For the year ended January 31, 2001, 75,000 outstanding options for common stock were excluded from the calculation of net loss per share since their inclusion would be antidilutive.

- h) Stock Option Plan - The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations including FASB Interpretation No. 44, "Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25" issued in March 2000, to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying sock exceeded the exercise price. SFAS No. 123, "Accounting for Stock-Based

Compensation," established accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123.

- i) Use of Estimates - Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

results could differ from those estimates.

- j) Reclassification - Certain January 31, 2000 amounts have been reclassified to conform with the January 31, 2001 presentation.
- k) Recent Accounting Pronouncements - In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement on Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations." SFAS No. 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. We believe that the adoption of SFAS No. 141 will not have a significant impact on our financial statements.

In July 2001, FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets", which is effective for fiscal years beginning after December 15, 2001. SFAS 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions upon adoption for the reclassification of certain

F-10

existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the testing for the impairment of existing goodwill and other intangibles. We are currently assessing but have not yet determined the impact of SFAS No. 142 on our financial position and results of operations.

3) RELATED PARTY TRANSACTIONS

During the year ended January 31, 2000, the Officers auctioned collectible merchandise through the Company as consignors and did not pay the Company a commission for this service. The Officers sold merchandise for \$709 for which the Company would typically earn \$109 in commission.

Notes payable bearing interest of 14% with a balance of \$34,304 were paid in full to related parties on March 31, 1999.

During the year ended January 31, 2001, the Company recorded approximately \$3,500 in bad debt expense related to an amount due from a related party deemed uncollectible.

4) ACQUISITIONS

On March 10, 1999, the Company closed a transaction (the "Reverse Merger") by which it acquired 100% of the outstanding capital stock of NOSP, a privately held Florida corporation, from the shareholders of NOSP. As consideration for this acquisition, the Company issued 24,003,133 shares of its common stock, \$.001 par value (the "Common Stock"), which amounted to approximately 85% of the Company's outstanding Common Stock, to the three former shareholders of NOSP. Also, prior to the closing of the transaction, the Company sold substantially all of its pre-acquisition assets to its majority pre-acquisition shareholder in exchange for his assignment to the Company of 747,116 share of Common Stock and his assumption of all of the Company's pre-acquisition liabilities.

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

The Company has elected to adopt the fiscal year of its legal acquirer, the Lawton-York Corporation. As a consequence, the Company's fiscal year end is January 31.

Prior to the Reverse Merger, NOSP acquired the net assets of TISH in exchange for approximately 208 shares of NOSP common stock. These shares were exchanged for 7,059,745 shares of the Company's common stock as part of the Reverse Merger. The acquisition was accounted for as a

F-11

purchase. On the date of the acquisition, the net assets of TISH were approximately \$10,000 and goodwill of approximately \$202,000 was recorded. The Company is amortizing this goodwill on a straight line basis. The original useful life of the goodwill was three years. During the year ended January 31, 2001, the Company evaluated the estimated useful life of this intangible asset and revised the estimated useful live to two years. The amortization has been included in the Statement of Operations under the heading of depreciation and amortization expense. Amortization expense for the years ended January 31, 2001 and 2000, amounted to \$139,931 and \$61,569, respectively.

In anticipation of the acquisition, the Company completed a private offering of 1,000,000 units at an offering price of \$.10 per unit. Each unit consisted of one share of common stock and one stock purchase warrant. Each stock purchase warrant entitled the holder to purchase three shares of common stock of the Company for \$.30 per share. A total of 4,000,000 shares of common stock were issued and sold by the Company for net proceeds of approximately \$935,000. The proceeds of the offering will be used for working capital and to fund the Company's expansion plans.

5) STOCKHOLDERS' DEFICIT

On June 6, 2001, the Company with the approval of its shareholders increased the number of authorized shares to 101,000,000. These share consist of 100,000,000 shares of common stock, \$.001 par value and 1,000,000 shares of preferred stock, par value \$.001.

6) LEASES

During the year ended January 31, 2000, the Company entered into an operating lease for office space. The future minimum lease payments under these non-cancelable operating leases are as follows:

Year Ending January 31,

2002 \$2,307

Rent expense for the years ended January 31, 2001 and 2000 amounted to \$11,740 and \$8,958, respectively.

F-12

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

7) STOCK OPTION PLAN

On August 23, 2000, the Company adopted a stock option plan (the "Plan") pursuant to which the Company's Committee appointed by the Board of Directors may grant options to officers and key employees. The Plan authorizes the grant of options to purchase up to 10,000,000 shares of the authorized but unissued common stock.

The exercise price, term and vesting schedule for options granted under the Plan are set by the Committee, subject to certain limitations. Under the Plan, the exercise price of the options may not be less than the fair market value of a share of common stock at the grant date (110% if the incentive stock option ("ISO") is granted to a greater than 10% stockholder) and the term of an option may not exceed 3 years (10 years if an ISO is granted to a greater than 10% stockholder.) Options generally terminate three months after the termination of the option holder's employment unless terminated for cause.

Stock option activity during the period is indicated as follows:

	Shares	Weighted Exercise Price
	-----	-----
Balance, January 31, 2000	-	\$
Granted	1,000,000	
Exercised	-	
Forfeited	750,000	
Expired	-	

Balance, January 31, 2001	250,000	
	=====	
Weighted average fair value of option granted and not forfeited during the year		\$ =====

The Company applies APB Opinion No. 25 in accounting for its Plan and, accordingly, no compensation cost has been recognized for its stock options in the financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its options under SFAS No. 123, the Company's net loss would have been increased to the pro forma amounts indicated below:

		Year end 31, -----
Net loss available to common shareholders - as reported	\$	
Net loss available to common shareholders - pro forma	\$	
Net loss per share - as reported	\$	
Net loss per share - pro forma	\$	

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

The effects of applying SFAS No. 123 for the presentation of pro forma disclosures are not necessarily indicative of the effects on reported net income for future years.

The fair value of the options granted were estimated using the Black-Scholes option pricing model as of the date of grant with the following assumptions:

Expected dividend yield	0.0%
Risk-free interest rate	4.5%
Expected volatility	80.0%
Term (vesting period in years)	1

8) INCOME TAXES

The following is a reconciliation between expected income tax benefit and actual using the applicable statutory federal income tax rate for the period ended January 31, 2001.

Expected tax benefit	\$	(188,050)
Change in valuation allowance		154,200
Goodwill amortization		47,580
State benefit		(14,840)
Other		1,110

	\$	-
		=====

The tax effect of temporary differences that give rise to the deferred tax assets as of January 31, 2001 are as follows:

Deferred tax asset:		
Net operating loss carryforward	\$	404,100
Less valuation allowance		404,100

Net deferred tax asset	\$	-
		=====

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax asset will not be realized. The ultimate realization of the deferred tax asset is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the projected future taxable income and tax planning strategies, as well as carryback opportunities, in making these assessments. Based upon the level of historical taxable income and projections for future taxable income over the periods in which deferred tax assets are deductible, management believes it is more likely than not that the Company will not realize the

F-14

benefits of these deductible differences. The benefit of the net operating loss carryforward might be limited due to changes in ownership as defined in the Internal Revenue Code and Regulation thereunder.

9) LIQUIDITY

The accompanying consolidated financial statements have been

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course business. However, since inception, the Company's operating and investing activities have used more cash than they have generated. Because of the continued need for substantial amounts of working capital to fund the growth of the business, the Company expects to continue to experience significant negative operating and investing cash flows for the foreseeable future. The Company may need to raise additional capital in the future to meet the operating and investing cash requirements. The Company may not be able to find additional financing, if required, on favorable terms or at all. If additional funds are raised through the issuance of equity, equity-related or debt securities, these securities may have rights, preferences or privileges senior to those of the rights of the common stock, and the stockholders may experience additional dilution to their equity ownership. Since there are no assurances that such financing will be available when and as needed to satisfy current obligations, substantial doubt exists as to whether the Company will continue as a going concern.

F-15

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Disease Sciences, Inc. has duly caused this Report on Form 10-KSB/A to be signed on its behalf by the undersigned, thereunto duly authorized.

DISEASE SCIENCES, INC.

By: /s/ Dr. Wayne Goldstein

Dr. Wayne Goldstein
Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant

Edgar Filing: AUCTION ANYTHING COM INC - Form 10KSB/A

and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Dr. Wayne Goldstein ----- Dr. Wayne Goldstein	President, Chief Executive Officer and Director	August 15, 2001
/s/ Brian S. John ----- Brian S. John	Chief Financial Officer, Principal Accounting Officer and Director	August 15, 2001
/s/ Bryant Villeponteau ----- Bryant Villeponteau, Ph.D.	Chief Scientific Officer and Director	August 15, 2001