

Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

INTERNET BUSINESS INTERNATIONAL INC  
Form 10-Q  
April 20, 2001

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED  
MARCH 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM  
\_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER: 33-43621

INTERNET BUSINESS'S INTERNATIONAL, INC.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or jurisdiction of incorporation  
or organization)

33-0845463  
I.R.S. Employer  
Identification No.)

4634 South Maryland Parkway, Suite 101, Las Vegas, Nevada  
(Address of principal executive offices)

89119  
(Zip Code)

Registrant's telephone number: (702) 968-0008

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

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

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) been subject to such filing  
requirements for the past 90 days. Yes  No

As of March 31, 2001, the Registrant had 251,736,599 shares of  
common stock issued and outstanding.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION	PAGE
ITEM 1. FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2001 AND JUNE 30, 2000	3
CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS AND NINE MONTHS ENDED	

## Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

MARCH 31, 2001 AND MARCH 31, 2000	4
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED MARCH 31, 2001 AND MARCH 31, 2000	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	6
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	11
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	15
PART II - OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	15
ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS	15
ITEM 3. DEFAULTS UPON SENIOR SECURITIES	15
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	15
ITEM 5. OTHER INFORMATION	15
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K	16
SIGNATURE	16
PART I.	
ITEM 1. FINANCAL STATEMENTS.	

INTERNET BUSINESS'S INTERNATIONAL, INC.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	March 31 2001	June 30 2000
ASSETS		
Cash and cash equivalents	\$ 665,888	\$ 1,661,963
Accounts receivable, net	151,648	128,389
Mortgage notes held for sale	6,024,895	2,907,741
Prepaid expenses and other	382,483	127,905
Total current assets	7,224,914	4,825,998
Property and equipment, net	1,403,661	575,061
Intangible assets, net	2,721,718	2,884,174
Investments in unconsolidated companies	894,707	0
Note receivable	360,073	654,009
Total Other Assets	5,380,159	4,113,244
Total Assets	12,605,073	8,939,242
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	292,310	317,998
Accrued liabilities	665,976	48,900
Revolving line of credit	6,044,542	2,958,563
Current portion of long-term debt	41,714	29,165

Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

Deferred revenues	294,481	247,090
Total current liabilities	7,339,023	3,601,716
Long-term debt	1,795,700	203,931
Minority interest in subsidiaries	(29,828)	(5,868)
Total Liabilities	9,104,895	3,799,779
Stockholders' equity:		
Preferred stock, par value \$100.00 per share; 1,000,000 shares authorized; 0 and 23,900 shares issued and outstanding respectively as of March 31, 2001 and June 30, 2000	0	2,390,000
Common stock, par value \$0.001 per share; 349,000,000 shares authorized; 251,736,599 and 221,115,113 shares issued and outstanding respectively as of March 31, 2001 and June 30, 2000	2,517,366	2,211,151
Additional paid-in capital	3,669,490	3,669,490
Accumulated deficit	(2,686,678)	(3,131,178)
Total stockholders' equity	3,500,178	5,139,463
Total liabilities and stockholders' equity	12,605,073	8,939,242

The accompanying notes are an integral part of these financial statements

INTERNET BUSINESS'S INTERNATIONAL, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31 2001	March 31 2000	March 31 2001	March 31 2000
Revenues	12,343,896	1,205,361	25,783,683	2,034,693
Cost and expenses:				
Cost of revenues	10,007,925	139,818	21,181,112	401,840
Interest expense	0	0	2,726	0
Selling, general and admin.	1,583,957	946,282	5,004,243	1,352,364
Depreciation and amortization	53,403	0	342,725	0
Total costs and expenses	11,645,285	1,086,100	26,530,806	1,754,204
(Loss) income from operations	698,611	119,261	(747,123)	280,489
Other income (expense):				
Gain on sale of equity investments	0	0	410,529	0
Interest income	187,508	0	466,668	0
Other expenses	(4,370)	88,597	(10,417)	91,006
Total other income, net	191,878	(88,597)	887,614	(91,006)
Income (loss) before minority interest	890,489	30,664	140,491	
Minority interest in loss of sub	0	0	(29,828)	0

## Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

Net (loss) income	890,489	30,664	110,663	189,483
Net loss (income) per common share	Nil	Nil	Nil	Nil
Weighted average number of common shares outstanding	234,271,919	189,179,555	234,271,919	189,179,555

The accompanying notes are an integral part of these financial statements

INTERNET BUSINESS'S INTERNATIONAL, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine Months Ended	
	March 31 2001	March 31 2000
<b>Cash Flows From Operating Activities:</b>		
Net (loss) income	\$ 110,663	\$ 189,483
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	342,725	0
Gain on sale of equity investment	(410,529)	0
Minority interest	(29,828)	0
Changes in operating assets and liabilities:		
Accounts receivable	151,648	(102,192)
Inventories	129,300	(85,101)
Mortgage loans receivable	730,764	0
Prepaid expenses and other	382,794	0
Accounts payable	292,310	236,004
Accrued liabilities	665,976	54,034
Deferred revenues	(294,481)	(60,183)
<b>Net cash (used in) provided by operating activities</b>	<b>2,071,342</b>	<b>232,045</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of property and equipment	(828,600)	(265,941)
Purchase of intangible assets	(1,190,632)	477,585
Proceeds from sale of investment in company	559,812	310,229
Investments in companies' stock	(894,707)	0
<b>Net cash used in investing activities</b>	<b>(2,354,127)</b>	<b>276,333</b>
<b>Cash Flows From Financing Activities:</b>		
Net repayments under revolving line of credits	(1,458,110)	79,076
Net repayment of long-term debt	450,884	(54,034)
Collection of notes receivable - stockholder	293,936	0
Issuance of common stock	0	(757,789)
Additional Paid in Capital	0	3,687,794
<b>Net cash (used in) provided by financing Activities</b>	<b>(713,290)</b>	<b>2,955,047</b>
<b>Net decrease in cash</b>	<b>(996,075)</b>	<b>3,231,380</b>
Cash, beginning of period	1,661,963	83,050
Cash, end of period	665,888	3,314,430

The accompanying notes are an integral part of these financial statements

## Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

### INTERNET BUSINESS'S INTERNATIONAL, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

#### 1. Basis of Presentation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ materially from those estimates. The unaudited consolidated financial statements of the Company include the accounts of all of its wholly or majority owned subsidiaries. All intercompany accounts or transactions have been eliminated.

The unaudited consolidated financial statements at March 31, 2001 and for the three and nine months ended March 31, 2001 and 2000 are unaudited, but include all normal recurring adjustments and accruals which are necessary to fairly state the Company's consolidated financial position, results of operations and cash flows for the periods presented. Operating results for the three and nine months ended March 31, 2001 and 2000 are not necessarily indicative of results that may be expected for any future periods. The consolidated balance sheet at June 30, 2000 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

The information included in this report should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2000.

#### 2. Acquisitions

##### (a) First Quarter of Fiscal Year June 30, 2001

PMCC Financial Corp.

On July 28, 2000, the Company entered into an agreement with PMCC Financial Corp. ("PMCC"), a full-service mortgage banking company, whereby the Company would purchase 2,460,000 shares of PMCC common stock from PMCC's former chairman of the board, which represents 66.36% of the 3,707,000 total PMCC shares outstanding. The aggregate purchase price of \$3,198,000 is to be paid in cash to the seller by the Company as follows: \$700,000 at date of closing; \$306,857 for each of the seven installment payments to be paid on the 30th, 60th, 90th, 120th, 150th, 180th and 210th days following the close; \$175,000 on each of the 240th and 270th day after the date of the closing. Shares of PMCC will be released to the Company based on payments made by the Company, as outlined in the agreement. Shares of PMCC, a listed AMEX company, are currently not trading. In the event that three months after closing, if PMCC's shares are not actively trading on the AMEX or NASDQ exchanges and the Company has not merged PMCC with the Company or any of the Company's subsidiaries, the purchase price shall be reduced by the amount of the final two \$175,000 payments. As of September 30, 2000, the

Company has paid approximately \$1,043,000, representing the

## Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

payment due at closing and the 1st installment, and has received 269,230 shares of PMCC, representing approximately 7% of the total outstanding stock of PMCC.

Also on July 28, 2000, in a separate transaction, the Company entered into a stock purchase agreement with an unrelated individual whereby the Company would sell up to 370,000 of PMCC shares that the Company either owns or will eventually own, for total consideration of \$1,387,500. Shares of PMCC stock sold by the Company will be released to the buyer in proportion to payments received.

As of December 31, 2000, the Company received payments of \$559,812 and the Company released 149,283 shares of PMCC stock that it owned. If PMCC is not actively trading within six months of the agreement, the Company will issue to the Buyer the equivalent number of shares of stock of the Company. PMCC has been actively trading as of January 19, 2001, and the gain on the sale of the PMCC stock of \$410,529 has been included in revenues for the period ending December 31, 2000.

As of February 12, 2001, the former Chairman of the Board of PMCC and the Company have yet to reach agreement on the renegotiated purchase price for the stock that is being acquired by the Company.

In January 2001, the PMCC was delisted from the American Stock Exchange and began trading on the Pink Sheets under the symbol of "PMCF"; this met the trading requirement as per the stock sale agreement the Company had entered into with an unrelated individual during the first quarter of this fiscal year.

International Business Co., Inc.

On August 11, 2000, the Company entered into an agreement to acquire all of the outstanding shares of International Business Co. ("IBC"), a software developer that streamlines B2B e-commerce, in exchange for 2,000,000 shares of restricted Company shares to be held in escrow, with 1,000,000 restricted company shares released to the seller on August 11, 2001 and the remaining 1,000,000 shares released on April 11, 2002. Between September 1, 2000 through March 1, 2001, the Company can unilaterally cancel the contract if dissatisfied with the seller's performance. As of September 30, 2000, the Company has not completed its acquisition of IBC and has advanced monies to IBC totaling \$18,500.

As of February 28, 2001 the Company canceled the acquisition of IBC due to lack of performance by the sellers.

(b) Second Quarter of Fiscal Year ending June 30, 2001

SonicAuction.com

On October 5, 2000, the Company entered into a Stock Purchase Agreement and acquired all of the outstanding stock of SonicAuction.com, a business-to-business auction marketplace that provides a forum for business merchants to purchase equipment and merchandise. The agreement calls for the Company to issue to the Seller 500,000 shares of Company stock (with certain restrictions as set forth in the agreement), in exchange for all of the outstanding and treasury shares of common stock of

## Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

SonicAuction.com.

Auction-Sales.com

On October 20, 2000, the Company entered into a Stock Purchase Agreement ("Agreement") with Auction-Sales.Com, Inc. and its majority shareholder, Zahid Rafiq (collectively, "Seller"), for the purchase by the Company of 96.62% of the outstanding and treasury shares of common stock ("Shares") of Auction-Sales.Com, Inc., a leading edge e-commerce dynamic pricing application service provider and has developed a proprietary state of the art hybrid auction platform that address the combined needs of the B2C, B2B and C2C markets. In exchange for the Shares, the Company will pay, under the terms of the agreement, the following: (a) 11,000,000 shares of Company's restricted common stock to Seller for all of Seller's Shares, as follows: (i) 5,500,000 restricted shares will be issued to the Seller's current shareholders, as defined (ii) 2,500,000 restricted shares will be paid to certain creditors of the Seller. Seller represents that all of these creditors are unsecured.

Seller shall procure signed consents from each creditor confirming the agreement to accept restricted shares in proportion to their claims within 60 days of closing of the transaction. Failure to procure signed consents will justify rescission of this Agreement at the option of the Company, such that each party shall restore to the other the consideration which each placed into the Agreement. (iii) 3,000,000 restricted shares of the purchase price will be paid to outside consultants for work performed for facilitating the transaction (b) Earn out for the "Seller": The Seller shall be paid up to an additional \$3,000,000 based upon earnings over the next 3 years through additional restricted stock. The earn out will be based on a 10% growth per year over the previous years' revenue. The \$3,000,000 will be distributed equally over the subsequent 3 year i.e. \$1,000,000 per year, and can be cumulative. This earn out is further defined as follows: (i) The initial base Year ends on 9-30-00. The subsequent year base will be the previous revenue (ii) The stock will be issued per quarter upon reaching the Goal per quarter for that portion of the annualized growth of 10% over the previous year. The Company may invest up to \$2,000,000 in Auction-Sales. Com, Inc., at a rate not to exceed \$500,000 per quarter, based on performance on Auction-Sales.Com as a function of gross revenues and based on a budget, which is pre-approved by Company.

As of December 31, 2000 the acquisition was rescinded and the necessary filings with the SEC were filed in January 2001.

### 3. Net Profit or Loss Per Share

Basic net profit or loss per share has been computed by dividing net profit or loss by the weighted average number of shares outstanding during the period. Diluted net profit or loss per share is computed by adjusting the weighted average number of shares outstanding during the period for all potentially dilutive shares outstanding during the period. Net profit or loss and weighted average shares outstanding used for computing diluted profit or loss per share were the same as that used for computing basic profit or loss per share for the three and nine months ended March 31, 2001 and 2000.

### 4. Stock Issuance.

## Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

The following shares were issued during the second quarter ended December 31, 2000; 1. 500,000 shares of restricted 144 stock for the acquisition of Sonic Auction.Com; and 2. pursuant to the agreement with the conversion rights of the Preferred Stock issued December 15, 1998. The following shares were converted to common based upon the 10 day average of the closing bid price prior to the to the conversion date. 7,140,406.

During the quarter ended March 31, 2001 the following shares were issued: 18,981,080, with an additional 5,749,430 to be issued prior to April 3, 2001, in exchange for the remainder of the Preferred Stock that originally issued December 15, 1998.

### 5. Segment Information

Management has determined that there are four reportable segments based on the customers served by each segment: Full service internet service provider (ISP), mortgage banking business, and e-commerce ("B2BC") business-to-business and or to-consumer provider and marketing ("B2B") business-to-business and ("B2C") business-to-consumer. Such determination was based on the level at which executive management reviews the results of operations in order to make decisions regarding performance assessment and resource allocation.

Certain general expenses related to advertising and marketing, information systems, finance and administrative groups are not allocated to the operating segments and are included in "other" in the reconciliation of operating income reported below. Information on reportable segments is as follows:

	Nine Months Ended	
	March 31 2001	March 31 2000
Full-service ISP		
Net sales	\$ 2,171,903	\$ *2,034,693
Operating income	577,791	189,483
Mortgage loan originations held for resale		
Net sales	21,516,853	
Operating income	(307,878)	
E Commerce (B2BC)		
Net sales	184,171	
Operating income	(155,526)	
Marketing (B2BC)		
Net sales	485,545	
Operating income	(572,415)	
Other		
Other Income	1,425,211	
Net Income	568,691	
Total		
Net sales	25,783,683	2,034,693
Operating income	110,663	189,483

\* Prior to March 31 2000, the Company did not report by segment. At that time it had a full-service ISP provider services, and an e-commerce and on line lending division.

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



## Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

The following discussion should be read in conjunction with the financial statements of the Registrant and notes thereto contained elsewhere in this report.

### Results of Operations.

Revenues for the three-month period ended March 31, 2001 of \$12,343,896 increased 1024% when compared with revenues of \$1,205,361 in the prior year comparable period of the first calendar quarter of 2000. Revenues for the nine-month period ended March 31, 2001 of \$25,783,683 increased 1267% when compared to the revenues of \$2,034,693 for the comparable period ended March 31, 2001.

The gross profits margin of 18.9% for the three months ended and 17.8% for nine months March 31, 2001 is a decrease from the gross profit margin of 53.3 % for the same three-month period and 39.8% for the same nine-month period of the previous fiscal year. Current fiscal margins for the third quarter of this fiscal year are in line with managements expectations. The Company for the three and nine months ended March 31, 2001 posted a net profit for the quarter of \$890,489 and \$110,663, respectively.

Selling, general, and administrative expenses for the nine months ended March 31, 2001 increased to \$5,004,243 which is a significant increase when compared with the \$ 1,352,364 for the prior years comparable period. This increase is due to the additional support personnel required to process the increased revenues.

The resulting income from operations of \$698,611 increased 285% for the three months ended March 31, 2001 when compared to \$199,261 for same period ending March 31, 2000.

The most significant change made during this quarter was increased revenues of \$12,343,896 over the previous quarter of \$6,539,850 with only a minimal increase of support staff costs.

### Liquidity and Capital Resources.

Net cash provided by the operations of the Registrant was \$665,888 for the three months ended March 31, 2001 is a significant decrease when compared to the net cash provided by operating and financing activities of \$3,324,429 in the comparable prior year period.

### Capital Expenditures.

Other than as follows, no material capital expenditures were made during the three quarters ended on March 31, 2001: purchase of infrastructure equipment totaling \$974,352.

### Acquisitions

#### (a) Stock in PMCC Financial Corp.

On July 28, 2000, the Registrant entered into an agreement with PMCC Financial Corp. ("PMCC"), a full-service mortgage banking company, whereby the Registrant would purchase 2,460,000 shares of PMCC common stock from PMCC's former chairman of the board, which represents 66.36% of the 3,707,000 total PMCC shares outstanding (see Exhibit 10.11 to this Form 10-Q). The aggregate

## Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

purchase price of \$3,198,000 is to be paid in cash to the seller by the Registrant as follows: \$700,000 at date of closing; \$306,857 for each of the seven installment payments to be paid on the 30th, 60th, 90th, 120th, 150th, 180th and 210th days following the close; \$175,000 on each of the 240th and 270th day after the date of the closing. Shares of PMCC will be released to the Registrant based on payments made by the Registrant, as outlined in the agreement. Shares of PMCC, a listed AMEX company, are currently not trading. In the event that three months after closing, if PMCC's shares are not actively trading on the AMEX or NASDQ exchanges and the Registrant has not merged PMCC with the Registrant or any of the Registrant's subsidiaries, the purchase price shall be reduced by the amount of the final two \$175,000 payments. As of September 30, 2000, the Registrant has paid approximately \$1,043,000, representing the payment due at closing and the 1st installment, and has received 269,230 shares of PMCC, representing approximately 7% of the total outstanding stock of PMCC. The Registrant is currently renegotiating the terms of this transaction.

Also on July 28, 2000, in a separate transaction, the Registrant entered into a stock sales agreement with an unrelated individual whereby the Registrant would sell up to 370,000 of PMCC shares that the Registrant either owns or will eventually own, for total consideration of \$1,387,500 (see Exhibit 10.12 to this Form 10-Q). Shares of PMCC stock sold by the Registrant will be released to the buyer in proportion to payments received. As of September 30, 2000, the Registrant received payments of \$420,563 and the Registrant released 112,150 shares of PMCC stock that it owned. If PMCC shares are not actively trading within six months of the agreement, the Registrant will issue to the Buyer the equivalent number of shares of stock of the Registrant. Management has represented that PMCC will become actively trading within the six-month period, and the Registrant has recognized a gain on the sale of the PMCC stock of \$308,413 during the three months ended September 30, 2000.

### (b) International Business Co.

On August 11, 2000, the Registrant entered into an agreement to acquire all of the outstanding shares of International Business Co. ("IBC"), a software developer that streamlines B2B e-commerce, in exchange for 2,000,000 shares of restricted Registrant shares to be held in escrow, with 1,000,000 restricted company shares released to the seller on August 11, 2001 and the remaining 1,000,000 shares released on April 11, 2002 (see Exhibit 10.13 to this Form 10-Q). Between the period from September 1, 2000 through March 1, 2001, the Registrant can unilaterally cancel the contract if dissatisfied with the seller's performance. As of September 30, 2000, the Registrant has not completed its acquisition of IBC and has advanced monies to IBC totaling \$18,500.

### (c) Sonic Auction.com.

100% of the web based auction site Sonic Auction.com was acquired by the Registrant on October 5, 2000 in exchange for 500,000 shares of restricted common stock of the Registrant (see Exhibit 10.14 to this Form 10-Q). Sonic Auction is a B2B auction marketplace, providing an auction site for business merchants to purchase equipment, and merchandise at a discount. This site has a loyal customer base and had sales of over \$2,000,000 for the

## Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

year ended December 31, 1999. The site has over \$400 million worth of auction-able product currently listed for auction.

(d) Auction-Sales.Com, Inc.

On October 19, 2000, the Registrant entered into a Stock Purchase Agreement with Auction-Sales.Com, Inc. and its majority shareholder, Zahid Rafiq (collectively, "Seller"), for the purchase by the Registrant of 96.62% of the outstanding and treasury shares of common stock of Auction-Sales.Com, Inc., a Delaware corporation (see Exhibit 10.15 of this Form 10-Q). In exchange for the shares, the Registrant will pay, under the terms of this agreement, the following:

(a) 11,000,000 shares of Registrant's restricted common stock to Seller for all of Seller's Shares, as follows:

(i) 5,500,000 restricted shares will be issued to current shareholders, identified on the list attached to the Agreement.

(ii) 2,500,000 restricted shares will be paid to certain creditors of the Registrant identified in an attachment to the Agreement. Seller represents that all of these creditors are unsecured. Seller shall procure signed consents from each creditor confirming the agreement to accept restricted shares in proportion to their claims within 60 days of closing of the transaction. Failure to procure signed consents will justify rescission of this Agreement at the option of the Registrant, such that each party shall restore to the other the consideration which each placed into the Agreement.

(iii) 3,000,000 restricted shares of the purchase price will be paid to outside consultants for work performed for facilitating the transaction.

(b) Earn out for the "Seller": The Seller shall be paid up to an additional \$3,000,000 based upon earnings over the next 3 years through additional restricted stock. The earn out will be based on a 10% growth per year over the previous years revenue. The \$3,000,000 will be distributed equally over the subsequent 3 year i.e. \$1,000,000 per year, and can be cumulative. This earn out is further defined as follows:

The initial base Year ends on September 30, 2000. The subsequent year base will be the previous revenue.

(ii) The stock will be issued per quarter upon reaching the Goal per quarter for that portion of the annualized growth of 10% over the previous year.

(c) The Registrant may invest up to \$2,000,000 in Auction-Sales.Com, Inc., at a rate not to exceed \$500,000 per quarter, based on performance on Auction-Sales.Com as a function of gross revenues and based on a budget, which is pre-approved by the Registrant.

Auction-Sales.Com is an e-commerce pricing application service provider. Auction-Sales.Com has developed a proprietary state of the art hybrid auction platform that address the combined needs of the B2C, B2B and C2C markets. This is accomplished by providing a single integrated marketplace and portal technology that empowers all parties, including manufacturers, distributors, resellers and consumers. The Auction-Sales.Com platform provides

## Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

supply chain integration and economies of scale in connection with dynamic pricing application targeting businesses and /or consumers.

This acquisition was rescinded in December 2000. The site was retained until the funds invested into Auction-Sales.Com are returned which at this time management has very low expectations of occurring.

Other Agreement - Washington State Hotel and Motel Association.

The agreement, entered into in the ordinary course of business, with the Washington State Hotel and Motel Association, dated October 4, 2000, provides the use of the GGPP reverse auction site as a platform for hotel association members purchasing products needed for their different hotel properties. This method of purchasing allows the suppliers of products the chance to sell products to the buyers in competition with one another; the net effect is that the buyers would select the supplier with the lowest per unit cost. This reduces the cost of supplies and thereby should increase their potential of profit. This agreement covers the modification of the GGPP website for use by the Association, and does not involve any payment by the Registrant.

Other Agreement - JWC Construction

The agreement, entered into in the ordinary course of business, with the JWC Construction Company of Poland, dated March 9, 2001 which will enable companies to list their purchasing requirements on projects using the reverse auction platform. This method of purchasing allows the suppliers of products the chance to sell products to the buyers in competition with one another, the net effect is that the buyers would select the supplier with the lowest per unit cost. This reduces the cost of supplies and thereby should increase their potential of profit. This agreement covers the modification of the Construction Buying Group website for use by the Construction industry, and does not involve any payment by the Registrant.

Forward Looking Statements.

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations contains "forward looking statements" within the meaning of Rule 175 of the Securities Act of 1933, as amended, and Rule 3b-6 of the Securities Act of 1934, as amended, including statements regarding, among other items, the Registrant's business strategies, continued growth in the Registrant's markets, projections, and anticipated trends in the Registrant's business and the industry in which it operates. The words "believe," "expect," "anticipate," "intends," "forecast," "project," and similar expressions identify forward-looking statements. These forward-looking statements are based largely on the Registrant's expectations and are subject to a number of risks and uncertainties, certain of which are beyond the Registrant's control. The Registrant cautions that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward looking statements, including, among others, the following: reduced or lack of increase in demand for the Registrant's products, competitive pricing pressures, changes in the market price of ingredients used in the Registrant's products and the level of expenses incurred in the Registrant's

## Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

operations. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained herein will in fact transpire or prove to be accurate. The Registrant disclaims any intent or obligation to update "forward looking statements."

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

## PART II.

### ITEM 1. LEGAL PROCEEDINGS.

The Registrant is not a party to any material pending legal proceedings and, to the best of its knowledge, no such action by or against the Registrant has been threatened.

### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

Pursuant to the agreement with the conversion rights of the preferred stock issued December 15, 1998, the following shares were converted to common based upon the 10 day average of the closing bid price prior to the conversion date during the quarter ended March 31, 2001: 18,981,080 (7,140,406 were issued on this basis in the quarter ended December 31, 2000).

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not Applicable.

### 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.

Exhibits.

Exhibits included or incorporated by reference herein: See Exhibit Index.

Reports on Form 8-K.

The following report on Form 8-K were filed during the third quarter of the fiscal year covered by this Form 10-Q.

A Form 8-K was filed on January 12, 2001 to report that based on certain breaches of the representations and warranties in the acquisition agreement with regard to Auction-Sales.Com by the seller, the Registrant, through its counsel, had notified the seller that since it failed to cure such breaches the Registrant was rescinding this agreement.

### SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused

## Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

this report to be signed on its behalf by the undersigned,  
thereunto duly authorized.

Internet Business's International, Inc.

Dated: April 19, 2001

By: /s/ Albert R. Reda  
Albert R. Reda, Chief Executive Officer

### EXHIBIT INDEX

Exhibit No.	Description
2	Agreement and Plan of Merger (incorporated by reference to Exhibit 2 to the Form 8-K/A filed on November 22, 1999)
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 10-Q filed on December 1, 1999).
3.2	Certificate of Amendment of Articles of Incorporation (incorporated by reference to Exhibit 3.2 to the Form 10-Q filed on December 1, 1999).
3.3	Certificate of Amendment of Articles of Incorporation (incorporated by reference to Exhibit 3.3 of the Form 10-Q filed on May 22, 2000).
3.4	Certificate of Amendment of Articles of Incorporation (incorporated by reference to Exhibit 3.4 of the Form 10-Q filed on May 22, 2000).
3.5	Bylaws (incorporated by reference to Exhibit 3.3 to the Form 10-Q filed on December 1, 1999).
4.1	Retainer Stock Plan for Non-Employee Directors and Consultants, dated October 1, 1999 (incorporated by reference to Exhibit 4.1 to Form S-8 filed on October 8, 1999)
4.2	Consulting Agreement between the Registrant and Mark Crist, dated October 5, 1999 (incorporated by reference to Exhibit 4.2 to Form S-8 filed on October 8, 1999)
10.1	Purchase Agreement (LA Internet) between the Registrant and Iron Horse Holdings, Incorporated, dated June 10, 1999 (incorporated by reference to Exhibit 10.2 to the Form 10-Q filed on December 1, 1999).
10.2	Purchase Agreement between the Registrant and the Stockholders of MBM Capital Group Inc., dated July 1, 1999 (incorporated by reference to Exhibit 10.3 to the Form 10-Q filed on December 1, 1999).
10.3	Acquisition Agreement (Net 2 Loan) between the Registrant and Lifestyle Mortgage Partners, dated September 15, 1999 (incorporated by reference to Exhibit 10.4 to the Form 10-Q filed on February 22, 2000).
10.4	Purchase Agreement (license) between the Registrant and Stockholders of California Land & Home Sale, Inc., dated October

## Edgar Filing: INTERNET BUSINESS INTERNATIONAL INC - Form 10-Q

- 1, 1999 (incorporated by reference to Exhibit 10.5 to the Form 10-Q filed on February 22, 2000).
- 10.5 Acquisition Agreement (Optical Brigade) between the Registrant and Wade Whitley, dated November 1, 1999 (incorporated by reference to Exhibit 10.6 to the Form 10-Q filed on February 22, 2000).
- 10.6 Agreement for Acquisition between the Registrant and Direct Communications, Inc., dated February 25, 2000 (incorporated by reference to Exhibit 10.6 of the Form 10-Q filed on May 22, 2000).
- 10.7 Agreement between the Registrant and Internet 2xtreme, dated March 6, 2000 (incorporated by reference to Exhibit 10.7 of the Form 10-Q filed on May 22, 2000).
- 10.8 Agreement between the Registrant, Roanoke Technology Corp., and Global GPP Corp., dated March 21, 2000 (incorporated by reference to Exhibit 10.8 of the Form 10-Q filed on May 22, 2000).
- 10.9 Agreement between GPP Hungary Kft and Haitec Magyarorazagi Kft, dated March 30, 2000 (incorporated by reference to Exhibit 10.9 of the Form 10-Q filed on May 22, 2000).
- 10.10 Stock Purchase Agreement between the Registrant and Atlas Capital Corporation, dated April 1, 2000 (incorporated by reference to Exhibit 10.10 to the Form 10-K filed on September 27, 2000).
- 10.11 Stock Purchase Agreement between the Registrant and Ronald Friedman, Robert Friedman, and The Ronald Friedman 1997 Grantor Retained Annuity Trust, dated July 28, 2000 (incorporated by reference to Exhibit 10.11 of the Form 10-Q filed on November 16, 2000).
- 10.12 Stock Sales Agreement between the Registrant and a buyer, dated July 28, 2000 (incorporated by reference to Exhibit 10.12 of the Form 10-Q filed on November 16, 2000).
- 10.13 Stock Purchase Agreement between the Registrant, International Business Company, Dennis B. Ginther, Clifford J. Roebuck, Jadwiga L. Ginther, and Bogumila E. Basu , dated August 19, 2000 (incorporated by reference to Exhibit 10.13 of the Form 10-Q filed on November 16, 2000).
- 10.14 Stock Purchase Agreement between the Registrant, Sonic Auction.com, Inc., and Brian Pruett, dated October 5, 2000 (incorporated by reference to Exhibit 10.14 of the Form 10-Q filed on February 15, 2001).
- 10.15 Stock Purchase Agreement between the Registrant, Auction-Sales.Com, Inc., and Zahid Rafiq, dated October 19, 2000 (incorporated by reference to Exhibit 10.15 of the Form 10-Q filed on February 15, 2001).
- 21 Subsidiaries of the Registrant (incorporated by reference to Exhibit 21 of the Form 10-Q filed on February 15, 2001)