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KWIKWEB COM INC
Form 10QSB
August 20, 2001

U.S. SECURITIES & EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB

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

For the quarterly period ended June 30, 2001
Commission File Number 0-25433

KWIKWEB.COM, INC.

(Exact name of small business issuer as specified in its charter)

NEVADA

(State or other jurisdiction of
incorporation or organization)

88-0377059

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

374 N. Coast Highway, Suite F-14, Encinitas, California

(Address of principal executive offices)

92024

(Zip Code)

760-436-5436

(Issuer's telephone number)

(Former name, former address and former fiscal year,
if changed since last report)

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

Yes [X] No []

As of August 20, 2001, the Registrant had 4,500,000 shares of its common stock,
par value \$0.001, issued and outstanding.

Transitional Small Business Disclosure Format: Yes [] No [X]

PART I - FINANCIAL INFORMATION

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ITEM 1. FINANCIAL STATEMENTS.

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KWIKWEB.COM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

	JUNE 30, 2001

ASSETS	
CURRENT ASSETS	
Cash	\$ 42,398
Accounts Receivable	7,800

TOTAL CURRENT ASSETS	50,198
COMPUTER EQUIPMENT, LESS ACCUMULATED DEPRECIATION OF \$2,527	
	4,472
INVESTMENTS IN AFFILIATES	22,750
INTERNET DOMAIN NAMES AND WEB SITES	205,634

	\$ 283,054
=====	
LIABILITIES AND STOCKHOLDERS' DEFICIT	
CURRENT LIABILITIES	
Accounts payable	\$ 26,779
Accrued interest - related party	17,253
Due to related parties	648,000

TOTAL CURRENT LIABILITIES	692,032

COMMITMENTS AND CONTINGENCIES	-
STOCKHOLDERS' DEFICIT	
Common stock, \$.001 par value; 25,000,000 shares authorized, 4,500,000 shares issued and outstanding	4,500
Additional paid-in capital	960,902
Accumulated deficit	(1,374,380)

TOTAL STOCKHOLDERS' DEFICIT	(408,978)

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 \$ 283,054
 =====

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

KWIKWEB.COM, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
REVENUES	\$ 41,393	\$ -	\$ 56,563	\$ -
COSTS AND EXPENSES				
Cost of revenue	25,123	-	35,123	-
Research and development	-	53,937	-	99,312
Selling, general and administrative	289,063	72,827	415,395	204,457
TOTAL EXPENSES	314,186	126,764	450,518	303,769
LOSS FROM OPERATIONS	(272,793)	(126,764)	(393,955)	(303,769)
INTEREST - RELATED PARTY	17,253	-	17,253	-
LOSS BEFORE MINORITY INTERESTS	(290,046)	(126,764)	(411,208)	(303,769)
MINORITY INTERESTS	11,250	-	11,250	-
NET LOSS	\$ (278,796)	\$ (126,764)	\$ (399,958)	\$ (303,769)
BASIC AND DILUTED NET LOSS PER SHARE	\$ (0.06)	\$ (0.01)	\$ (0.09)	\$ (0.03)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	4,500,000	9,910,000	4,483,000	9,910,000

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

KWIKWEB.COM, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

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	FOR SIX MONTHS ENDED JUNE 30,	
	2001	2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (399,958)	\$ (303,769)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	1,167	6,227
Issued common stock of subsidiary for services	11,250	-
Minority interest	(11,250)	-
(Increase) decrease in accounts receivable	(7,800)	-
Decrease (increase) in prepaid expenses	-	6,021
Increase (decrease) in accounts payable	12,783	(1,754)
(Decrease) increase in accrued liabilities	17,253	9,277
	-----	-----
Net cash used by operating activities	(376,555)	(283,998)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of domain names and web sites	(74,360)	-
Purchases of equipment	-	(13,524)
Loan to affiliate	3,500	(88)
	-----	-----
Net cash provided by investing activities	(70,860)	(13,612)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Common stock issued for cash	100,000	-
Due to related parties	370,000	60,000
	-----	-----
Net cash provided by financing activities	470,000	60,000
	-----	-----
Net (decrease) increase in cash	22,585	(237,610)
CASH, BEGINNING OF PERIOD	19,813	262,828
	-----	-----
CASH, END OF PERIOD	\$ 42,398	\$ 25,218
	=====	=====

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

KWIKWEB.COM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2001
(UNAUDITED)

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

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KwikWeb.com, Inc., a Nevada corporation, was formed on October 9, 1997. In August 1999, Kwik Web, Inc. and G.P. Properties, Inc. ("G.P. Properties") agreed to merge whereby G.P. Properties issued 6,000,000 shares of common stock in exchange for all of the outstanding common shares of Kwik Web, Inc. G. P. Properties, a public shell Nevada Corporation formed in 1989, retained all its 3,510,000 shares of common stock. G.P. Properties had no assets, liabilities or operations and management of Kwik Web, Inc. retained control of the merged entity. Accordingly, Kwik Web, Inc. was deemed the accounting acquiror of G.P. Properties. The Company began the development of proprietary software that allows on-line users to easily create and build their own customized websites using a user friendly "point and click" format. In January 2000, the Company changed its name to KwikWeb.com, Inc. In June 2000, the Company formed Internet Properties Development Corp., a wholly owned subsidiary, to pursue the development and incubation of emerging Internet-based business. In August 2000, the Company completed a reorganization whereby it transferred its website design and management activities to Kwik Commerce, Inc. in exchange for 2,500,000 shares of Kwik Commerce common stock and the cancellation of 6,000,000 KwikWeb.com, Inc. common shares previously held by Ric Kaestner and Alex Tsakiris. The Company is engaged in the business of providing domain-name registry operations and services and operating consumer information portals on the Internet. The Company also seeks to develop and incubate emerging Internet-based businesses.

The accompanying consolidated financial statements include the accounts of KwikWeb.com, Inc., its wholly-owned subsidiaries Kwik Web, Inc., Wireless Properties Development Corp., Faciliforce Inc., Internet Properties Development Corp. and its majority-owned subsidiary Basic Fusion, Inc. (collectively, the "Company"). All material intercompany transactions and balances have been eliminated.

Interim periods

The accompanying unaudited consolidated financial statements have been prepared in accordance with instructions of Form 10-QSB and do not include all of the information required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, all necessary adjustments (consisting of normal recurring adjustments) for a fair presentation have been included. Operating results for the three and six months ended June 30, 2001, are not necessarily indicative of results for any future period. These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2000 included in the Company's Form 10-KSB.

KWIKWEB.COM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2001
(UNAUDITED)

2. COMMON STOCK

In January 2001, the Company sold 1,000 units, each unit consisting of 100 shares of its common stock and a warrant to purchase an additional 20 shares of its common stock at an exercise price of \$2.00 per share,

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to its Chairman. This issuance was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) thereof, and there was no underwriter involved in the transaction.

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

GENERAL

Our business is to provide Internet domain-name registry operations and services, operate consumer information portals on the Internet, and provide facilities management services for commercial real estate owners. We have begun operations for our registry operations and services division, and we are operating our consumer information portals. We have not yet begun providing facilities management services.

We are a holding company, and we operate through our wholly-owned subsidiaries, Internet Properties Development Corp. and Faciliforce, Inc., and our majority-owned subsidiary, Basic Fusion, Inc. We also seek to develop emerging businesses. We currently own minority interests in three companies: .KIDS Domains, Inc., Minority Business Alliance, LLC., and Kwik Commerce, Inc.

We recently achieved meaningful revenue from the sale of second-level domain names and from providing consulting services to .KIDS Domains. We have also commenced revenue-producing operations in our registry operations and services division and have recently begun generating revenues in that division from a software solution license sale. We have not generated any revenue in any of our other lines of business.

From our inception to 1999, we were engaged in the business of developing residential financial analysis software. From August 1999 to August 2000, we were engaged in the business of developing software applications for the creation of Internet websites. As of August 2000, we had divested our financial software and Internet website software operations.

We began implementing our current business in August 2000. To date, our activities in our registry operations and solutions division have consisted of developing our basic registry operation solution, hiring personnel, and commencing marketing and sales of our solution. We have also acquired additional office space and established a DNS server in Virginia. In addition, in connection with our purchase of certain assets from Seniors.com, Inc., we acquired the rights to the second-level domain name "seniors.com," and we have begun operating a second-level domain name registry for the sale of third-level domain names in the following form: "example.seniors.com." We are currently in the "sunrise period" for the "seniors.com" registry, where we allow priority registration of third-level domain names to those entities who can establish intellectual property rights in connection with the proposed domain name.

In our consumer information portals division, we have acquired and begun operating certain consumer information portals. In our facilities management services division, we have developed the basic business model for the division.

In addition to the activities within our three main divisions, we have acquired certain Internet domain-names, some of which are resold to third parties. We may continue to resell these domain names in the future. We have also acquired minority equity interests in certain emerging-growth businesses, including .KIDS Domains and Minority Business Alliance.

We have also entered into a letter of intent to purchase the remaining outstanding interest in .KIDS Domains; however, we have not entered into a

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definitive agreement with respect to that proposed purchase. To date, .KIDS Domains has submitted an application to ICANN to be the operator and registry of a ".kids" top-level domain. ICANN did not grant this application; however, it reserved the right to consider the application in the future. In addition, .KIDS Domains has entered into an agreement with New.net to be the exclusive registry within the New.Net system for ".kids" second-level domain names on the New.net system.

We intend to generate revenue through the following:

- o sales of our registry operations solutions, services, gateways systems and upgrades;
- o sales of second and third-level domain names;
- o advertising income from third party advertisers at our consumer information portals;
- o sponsorship sales from third party sponsors at our consumer information portals; and
- o service fees derived from outsourcing commercial real estate facilities management services.

In the event we consummate the acquisition of .KIDS Domains, we also intend to generate revenue through the sale of second-level domain names within the ".kids" top-level domain.

RESULTS OF OPERATIONS

REVENUES

We recognized \$41,373 and \$56,563 in revenue for the three-month and six-month periods ended June 30, 2001, respectively, compared to \$0 for the same periods in fiscal 2000, respectively. The revenues resulted from the sales of second-level domain names and consulting fees paid to us by .KIDS Domains, Inc., an affiliated company. Our ability to increase revenue for the remainder of the fiscal year is dependent on our ability to successfully implement our plan of operation.

GROSS PROFIT

Gross profit was \$16,270 and \$21,440 for the three-month and six-month periods ended June 30, 2001, respectively, compared to \$0 for the same periods in fiscal 2000, respectively.

RESEARCH & DEVELOPMENT EXPENSE

Research and development expenses were \$0 for the three-month and the six-month periods ended June 30, 2001, respectively, compared to \$53,937 and \$99,312 for the same periods in fiscal 2000, respectively. The research and development expenses were incurred in connection with our former web hosting business, which we discontinued in 2000. We may increase research and development in connection with implementing our plan of operation in future periods.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE

Selling, general, and administrative expenses were \$289,063 and \$415,395 for the three month and six-month periods ended June 30, 2001,

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respectively, compared to \$72,827 and \$204,457 for the same respective periods in fiscal 2000.

INTEREST

We incurred \$17,253 in interest in the three-month and six-month periods ending June 30, 2001, respectively, compared to \$0 for the same periods in 2000, respectively. The interest accrued on outstanding debt held by related parties, including our chairman, H. Page Howe and certain of his affiliates.

PLAN OF OPERATION

We have begun to market our registry operation solutions, which include a proprietary software solution to allow registries of top-level domains to automate their registry databases and increase scalability as their business grows. We are marketing our solution primarily to registry operators of country-code top level domains.

Over the next 12 months, we intend to continue to offer outsourced registry services, turn-key registry solutions, payment gateways for registries, enhanced billing systems and multilingual domain name services. In addition, we intend to provide our registry operator clients with customer support for our software solution. In order to provide our solution, we have established a DNS server in Virginia, and we intend to establish three more global DNS servers in California, Europe and Australia. Due to lack of bandwidth availability. We no longer intend to establish a DNS server in Africa. Through these DNS servers, we believe we will have the ability to access and service the servers and host the registries for whom we provide solutions from one geographic location. We have also hired 2 employees in our registry solutions division for additional development and testing of our software solutions, for customer support and for marketing, and we intend to hire up to 3 additional employees.

.KIDS Domains recently entered into a definitive agreement with New.net to be the exclusive registry within the New.net system for the ".kids" top-level domain. .KIDS Domains intends to commence marketing efforts for sale of second-level domain names within the ".kids" top-level domain. .KIDS Domains may hire additional marketing personnel in order to further its marketing efforts for the ".kids" top-level domain.

In addition, Internet Properties Development Corp. recently entered into a definitive agreement with New.net to be the exclusive registry within the New.net system for the ".golf" top-level domain. Internet Properties Development Corp. intends to commence marketing efforts for sale of second-level domain names within the ".golf" top-level domain. Internet Properties Development Corp. may hire additional marketing personnel in order to further its marketing efforts for the ".golf" top-level domain.

Within our Consumer Information Portals division, we continually update our content available on the information portals. We also intend to offer advertising space on the portals and offer sponsorships for the portals. We will no longer continue to offer products on an e-commerce, resale basis on our portals.

Within our Facilities Management Services division, we intend to begin marketing our facilities management services to seek to enter into service agreements with commercial real estate owners.

LIQUIDITY AND CAPITAL RESOURCES

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Since 1999, we have financed our activities through the sale of our securities and the issuance of short-term notes to related parties. As of June 30, 2001, we had a working capital deficit of \$651,709.

We have financed our operations during the six-month period ending June 30, 2001 by the issuance of 1,000 units, each unit consisting 100 shares of our common stock and a warrant to purchase an additional 20 shares of our common stock at an exercise price of \$2.00 per share, to H. Page Howe, our chairman, for a purchase price of \$100 per unit. In addition, we have issued short-term notes in the aggregate principal amount of \$370,000 to related parties, including Mr. Howe and entities with whom Mr. Howe is affiliated. We believe that we will require significant additional capital in order to continue to fund the development and marketing of our registry operations solutions and consumer information portal divisions. We anticipate that we will need approximately \$200,000 in additional working capital over the next 9 months in order to sustain operations and fund the development and marketing of our registry operations solutions and consumer information portal divisions. If we are unable to obtain additional financing in sufficient amounts or on acceptable terms, we may not be able to continue as a going concern.

However, our expectations regarding our capital requirements are based on certain assumptions concerning the costs involved in further developing our software solutions, marketing, retention of key personnel, and time and expense involved in commencing revenue producing operations. These assumptions concern future events and circumstances which our officers believe to be significant to our operations and upon which our working capital requirements will depend. Some assumptions will invariably not materialize and some unanticipated events and circumstances occurring subsequent to the date of this prospectus may affect other assumptions. As a result, our actual working capital requirements may vary from our presently anticipated working capital requirements, and the variations may be material. In the event that we require additional working capital, there can be no assurance that we will be able to obtain sufficient additional capital in order to fund our working capital requirements in a timely manner.

SAFE HARBOR

This report contains various forward-looking statements that are based on our beliefs, assumptions which we have made, and information currently available to us. When used in this report, we intend the words "believe," "expect," "anticipate," "estimate," and similar expressions to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions referred to herein, including, without limitation, the early stage nature of our operations and the risks and uncertainties concerning the market acceptance of our services and products; technological changes; increased competition; and general economic conditions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution potential investors not to place undue reliance on any such forward-looking statements, all of which only speak as of the date made.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FROM 8-K.

- (a) Exhibits

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- 10.1 Asset Purchase Agreement made and entered into as of April 4, 2001 by and between Internet Properties Development Corp. and Seniors.com, Inc.*
- 10.2 Registry Agreement by and among New.net, Inc. and Internet Properties Development Corp.
- * previously filed on Form 8-K on April 19, 2001

(b) Reports on Form 8-K

We filed a current report on Form 8-K on April 19, 2001, reporting the acquisition of certain assets from Seniors.com, Inc.

SIGNATURES

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

KWIKWEB.COM, INC.

(Registrant)

Dated: August 20, 2001

By: /s/ Matthew Hayes

Matthew Hayes
President