

Edgar Filing: KWIKWEB COM INC - Form 10QSB

KWIKWEB COM INC
Form 10QSB
November 19, 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 September 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 November 19, 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

ITEM 1. FINANCIAL STATEMENTS.

Page

Unaudited Condensed Consolidated Balance Sheet at September 30, 2001.....2
Unaudited Condensed Consolidated Statement of Operations for the

Edgar Filing: KWIKWEB COM INC - Form 10QSB

three-month and nine-month periods ended September 30, 2001 and 2000.....3
 Unaudited Condensed Consolidated Statement of Cash Flows for the
 nine-month period ended September 30, 2001 and 2000.....4
 Notes to Condensed Consolidated Financial Statements.....5

-1-

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

ASSETS	SEPTEMBER 30, 2001

CURRENT ASSETS	
Cash and equivalents	\$ 27,715
Accounts receivable, net of allowance for doubtful accounts of \$4,170	23,630

TOTAL CURRENT ASSETS	51,345
COMPUTER EQUIPMENT, LESS ACCUMULATED DEPRECIATION OF \$3,110	3,890
INVESTMENTS IN AFFILIATES	13,750
INTERNET DOMAIN NAMES AND WEB SITES	209,681

	\$ 278,666
	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT	
CURRENT LIABILITIES	
Accounts payable	\$ 35,027
Accrued interest - related party	31,626
Deferred revenue	50,000
Due to related parties	794,550

TOTAL CURRENT LIABILITIES	911,203

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	(1,597,939)

Total stockholders' deficit	(632,537)

Edgar Filing: KWIKWEB COM INC - Form 10QSB

\$ 278,666
=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

-2-

KWIKWEB.COM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
REVENUES	\$ 21,424	\$ -	\$ 77,987	\$ -
COSTS AND EXPENSES				
Cost of revenue	8,538	-	43,661	-
Research and development	100,284	4,113	100,284	103,425
Selling, general and administrative	121,788	217,869	537,183	422,237
TOTAL EXPENSES	230,610	221,982	681,128	525,662
LOSS FROM OPERATIONS	(209,186)	(221,982)	(603,141)	(525,662)
INTEREST - RELATED PARTY	14,373	76	31,626	165
GAIN ON TRANSFER OF ASSETS TO KWIK COMMERCE	-	-	-	62,769
LOSS BEFORE MINORITY INTERESTS	(223,559)	(222,058)	(634,767)	463,058
MINORITY INTERESTS	-	-	11,250	-
NET LOSS	\$ (223,559)	\$ (222,058)	\$ (623,517)	\$ 463,058
BASIC AND DILUTED NET LOSS PER SHARE	\$ (0.05)	\$ (0.04)	\$ (0.13)	\$ (0.06)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	4,500,000	6,022,500	4,488,889	8,599,927

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

-3-

Edgar Filing: KWIKWEB COM INC - Form 10QSB

KWIKWEB.COM, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 (UNAUDITED)

	FOR NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (623,517)	\$ (463,058)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	1,749	-
Issued common stock for services	11,250	146,720
Gain on transfer of assets	-	(62,769)
Contributed capital - salary	-	10,000
Minority interest	(11,250)	-
(Increase) decrease in accounts receivable	(23,630)	-
Increase in other assets	-	(126,245)
Decrease (increase) in prepaid expenses	-	6,371
Increase (decrease) in accounts payable	21,031	(3,897)
(Decrease) increase in accrued liabilities	31,626	8,045
Increase in deferred revenue	50,000	-
	-----	-----
Net cash used by operating activities	(542,741)	(484,833)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of domain names and web sites	(78,407)	-
Purchases of equipment	-	(7,000)
Investment in Minority Business Alliance	-	(25,000)
Advances to related parties	(9,000)	-
Repayment of advances to related parties	21,500	-
	-----	-----
Net cash used by investing activities	(65,907)	(32,000)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfer of notes payable to affiliate	-	94,000
Common stock issued for cash	100,000	-
Advances from related parties	516,550	192,000
	-----	-----
Net cash provided by financing activities	616,550	286,000
	-----	-----
Net (decrease) increase in cash	7,902	(230,833)
CASH, BEGINNING OF PERIOD	19,813	234,895
	-----	-----
CASH, END OF PERIOD	\$ 27,715	\$ 4,062
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

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 nine months ended September 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

Edgar Filing: KWIKWEB COM INC - Form 10QSB

December 31, 2000 included in the Company's Form 10-KSB.

-5-

KWIKWEB.COM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 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, 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.

-6-

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. 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

Edgar Filing: KWIKWEB COM INC - Form 10QSB

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 have recently completed the "sunrise period" for the "seniors.com" registry, where we allowed priority registration of third-level domain names to those entities who could establish intellectual property rights in connection with the proposed domain name. As a result of the completion of the sunrise period, we have commenced operation of the seniors.com second-level domain name registry.

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 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.

-7-

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 \$21,424 and \$77,987 in revenue for the three-month and

Edgar Filing: KWIKWEB COM INC - Form 10QSB

nine-month periods ended September 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 \$12,886 and \$34,326 for the three-month and nine-month periods ended September 30, 2001, respectively, compared to \$0 for the same periods in fiscal 2000, respectively.

RESEARCH & DEVELOPMENT EXPENSE

Research and development expenses were \$100,284 for both the three-month and the nine-month periods ended September 30, 2001, respectively, compared to \$4,113 and \$103,425 for the same periods in fiscal 2000, respectively. The research and development expenses in 2001 have been incurred in connection with the development of our registry operation solutions, while our research and development expenses in 2000 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 \$121,788 and \$537,183 for the three-month and nine-month periods ended September 30, 2001, respectively, compared to \$217,689 and \$422,237 for the same respective periods in fiscal 2000.

INTEREST

We incurred \$14,373 and \$31,626 in interest in the three-month and nine-month periods ending September 30, 2001, respectively, compared to \$76 and \$165 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.

-8-

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. We have recently begun generating revenues in our registry operations and services division from a software solution license sale.

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

Edgar Filing: KWIKWEB COM INC - Form 10QSB

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 an additional employee in our registry solutions division (bringing the total number of employees in that division to 3) for additional development and testing of our software solutions, for customer support and for marketing, and we intend to hire up to 2 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

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 September 30, 2001, we had a working capital deficit of \$859,858.

We have financed our operations during the nine-month period ending September 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

-9-

chairman, for a purchase price of \$100 per unit. In addition, we have issued short-term notes in the aggregate principal amount of \$516,550 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

Edgar Filing: KWIKWEB COM INC - Form 10QSB

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.

-10-

PART II - OTHER INFORMATION

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

(a) Exhibits

10.1 Basic Fusion License and Maintenance Agreement made and entered into as of July 3, 2001.*

*to be filed by amendment.

(b) Reports on Form 8-K

None.

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)

Edgar Filing: KWIKWEB COM INC - Form 10QSB

Dated: November 19, 2001

By: /S/ Matthew Hayes

Matthew Hayes
President

-11-