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NETMAXIMIZER COM INC  
Form 10-K  
April 16, 2001

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2000  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-28407

NETMAXIMIZER.COM, INC.

(Exact name of registrant as specified in its charter)

FLORIDA  
(State or other jurisdiction  
of incorporation or organization)

65-0907899  
(IRS Employer  
Identification No.)

4400 North Federal Highway, Suite 307, Boca Raton, Florida  
(Address of principal executive offices)

33431  
(Zip Code)

Registrant's telephone number, including area code: (561) 447-9330

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

| Title of each class:                        | Name of each exchange on which registered: |
|---|--|
| Common Stock, par value<br>\$.001 per share | None.                                      |

Securities registered under Section 12(g) of the Exchange 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) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference to Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the registrant, as of April 9 2001, was \$59,040,388 (assuming solely for the purpose of this calculation that the directors and officers of the registrant are "affiliates").

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The number of shares outstanding of the registrant's common stock, par value \$.001 per share, as of April 9, 2001, was 39,957,149.

Documents Incorporated By Reference: None.

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## FORWARD-LOOKING INFORMATION MAY PROVE INACCURATE

This Annual Report contains various forward-looking statements and information, including (but not limited to) under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," that are based on management's beliefs as well as assumptions made by and information currently available to management, including statements regarding future economic performance and financial condition, liquidity and capital resources and management's plans and objectives. When used in this document, the words "expect," "anticipate," "estimate," "believe," and similar expressions are intended to identify forward-looking statements. Such statements are subject to various risks and uncertainties which could cause actual results to vary materially from those stated. 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, expected or projected. Some important factors that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements include, but are not limited to the following: our limited operating history; history of losses; competition; our ability to manage growth and integration; risks of technological change; competition for customers; pricing and transportation of products; our dependence on key personnel; marketing relationships with third party suppliers; our ability to protect our intellectual property rights; government regulation of Internet commerce; economic and political factors; dependence on continued growth in use of the Internet; risk of technological change; capacity and systems disruptions; liability for Internet content; uncertainty regarding infringing intellectual property rights of others; security risks and the other risks and uncertainties described under "Certain Factors That May Affect Future Operations" in this Annual Report. All such factors are difficult to predict, contain uncertainties which may materially affect actual results, and are beyond our control.

## PART I

### ITEM 1. BUSINESS

#### Introduction

#### History of Our Company - Netmaximizer.com, Inc.

We were incorporated in the State of Florida on June 29, 1995 under the name "RLN Realty Associates, Inc." with an authorized share capital of 7,500 shares of common stock with a \$1.00 par value per share. The founder of RLN Realty Associates is no longer affiliated in any way with the Company, and we have no idea why he selected that name or what, if any, business he conducted under that name. To the best of our knowledge:

- o RLN Realty Associates was an inactive company until March, 1999,
- o never conducted any business other than annual meetings of the Board of Directors, and
- o no shares of common stock were transferred after March 31, 1996 until March, 1999.

On June 9, 1998, RLN Realty Associates filed Articles of Amendment to amend its Articles of Incorporation to increase authorized share capital to 50,000,000 shares of common stock with a \$.001 par value per share. In addition to increasing the authorized capital, RLN Realty Associates authorized a split of its 5,000 outstanding shares of common stock on a 200-for-one basis effective on

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June 9, 1998. On June 12, 1998, RLN Realty Associates filed an application on Form 211 for its common stock to be quoted on the OTC Bulletin Board, which was approved on June 18, 1998. We can find no evidence that the stock was actually quoted until March, 1999.

On February 26, 1999, David Saltreli replaced the sole board member and became our President. On March 1, 1999, we amended our Articles of Incorporation to change our name to "Netmaximizer.com, Inc." to reflect our new e-commerce focus, and Peter Schuster joined the board and became our Secretary and Treasurer. March 1, 1999 also marks the beginning of the development of our new business plan. On March 8, 1999, David Saltreli and Peter Schuster each purchased 2,430,000 shares of our common stock for cash at a purchase price of \$.001 per share (a total of \$2,430 each) as part of the private placement of 12,000,000 shares of our common stock. The remainder of the 12,000,000 shares offered during this placement were sold for cash at the same purchase price of \$.001 per share to accredited investors not affiliated with Netmaximizer.com, Inc. (see "Recent Sales of Unregistered Securities").

On October 19, 1999, we authorized a split of our 13,049,170 then-outstanding shares of common stock on a 3-for-1 basis effective as of November 1, 1999. To avoid confusion, unless otherwise indicated, we have referred throughout this Annual Report to numbers of shares giving effect to the split, whether or not the transaction occurred prior to the split. In other words, unless otherwise indicated, the effect of the split is given retroactively.

On April 10, 2000 we filed an amendment to our Articles of Incorporation increasing the total number of shares that we may issue to 77,000,000, consisting of 75,000,000 shares of common stock, par value \$.001 per share and 2,000,000 shares of "blank check" preferred stock, par value \$.001 per share.

We have not been subject to any bankruptcy, receivership or other similar proceeding.

### Netmaximizer.com Overview

We are an Internet development, marketing and merchandising company that provides (i) turnkey, individually branded, e-commerce department stores to affinity groups such as churches, schools and unions and (ii) redemption centers for recipients of premiums from various merchants.

- 0 The affinity groups, in turn, offer their membership the ability to shop at their own affinity store (each an "Affinity Store") and purchase an array of products and services for which the affinity group receives a portion of the proceeds of every member purchase.
- 0 Merchants "reward" their customers for various activities with premium incentives. We will establish a branded site for each participating merchant (each a "Redemption Center") and their customers may redeem incentive vouchers for premiums through that site.
- 0 When we launch our full-scale operation, we will provide an e-commerce department store (the "Store") that will serve as the fulfillment vehicle for the Affinity Stores and the Redemption Centers.

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Our initial, public operation began in September 1999, when we started soliciting and enrolling affinity groups. An "affinity group" is a group of people who are members of an entity or organization based upon a common interest or goal. Churches, schools, fraternities, and unions are examples of affinity groups. When we launch our full-scale operations, we will establish a portal for each affinity group to the Store through which the group's members may purchase merchandise in the Store. Not only does the portal have a look and feel unique to the affinity group, but the entire store appears to the visitor to be unique to that affinity group.

Affinity groups will not pay any fee to us to establish their custom portal to the Store (or to establish their unique store). Each affinity group will receive a fifteen percent (15%) commission on every product which is purchased by its members or by people referred to the Store by its members. Because the agreement from the affinity group was obtained by one of our outside, independent sales people, we will pay a six and one-half per cent commission to that salesperson (or sales organization) based on purchases made by members of the affinity group.

Currently, the affinity group Store has sixteen departments which mirror the departments found in a traditional brick and mortar department store. Additional departments will be added over time. The departments will remain consistent across all of the unique, affinity stores. The Store offers the following services and benefits to its customers:

- o free incentives with each purchase;
- o a reminder service which electronically reminds customers of important dates; and
- o a newsletter which updates members on new department grand openings, new product lines, special promotions and discounts.

Prices for items on sale in the Store will be discounted off a "manufacturer's suggested retail price." Additionally, members of the Affinity Groups will be able to obtain a personal, preferred status by paying an annual fee to us (of which the Affinity Group will receive a share). Members who opt for such preferred status will obtain an even greater discount off the suggested retail price than is generally available. In addition, members will be offered their own fully personalized ISP service (Internet connection), at a discounted monthly service fee (of which the Affinity Group will also receive a share). Preliminary market testing of these new fee based member services including "preferred membership status" and "personalized ISP service" have been very positive, but we can offer no assurance whether these programs will be effective and profitable.

As of November 4, 1999, when the Store nominally opened, we had enrolled 171,490 families who were members of fifteen affinity groups to be our potential shoppers. As of April 1, 2001, we have enrolled more than 1,500 affinity groups. Those affinity groups inform us that they have a total of more than 5,000,000 families who are members. To accommodate that population in full scale operations will require continued execution of our planned preparation.

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### Incentive Premium Redemption Operations

We have developed, but have not yet begun public operation of an incentive

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premium redemption service. Pursuant to agreements to-be-negotiated with various merchants, we will enable such merchants to generate pre-paid certificates to be delivered to the customers of those merchants as incentives (e.g., test drive a car at our dealership and receive a certificate good for \$50 worth of merchandise at our redemption center). We have designed portals to have a unique look and feel for each such merchant, enabling the customer who is redeeming the incentive certificate to make "purchases" at the merchant redemption center using the certificate.

Pre-launch testing indicates favorable pricing for this model and high interest among the merchant community in several markets across the country that were informally surveyed. We can offer no assurance, however, that we will be successful in launching this new application of our technology or, if initially successful, that we will be able to operate such incentive premium redemption centers profitably.

### The "Store"

In each of the Affinity Stores and Redemption Centers, notwithstanding the apparently unique look and feel for the various "portals," each application ultimately leads to the Store. When fully operational, this Store will be comprised of order reception and processing, warehousing and fulfillment, and customer service. The order reception and processing aspects of our Store technically opened to public view beginning on November 4, 1999, however after initial testing we curtailed operations awaiting funding for expanded operations. We had interim warehousing and fulfillment operations on line to accommodate casual shoppers, although our plan was (and is) to initiate no marketing efforts to encourage purchasing at our Store until we are fully funded and prepared. During April, 2000, we began our own warehousing and fulfillment operations and, as we consummate planned financing (if such financing is available on terms acceptable to us), we will establish minimal inventory stock levels and hire warehousing and fulfillment personnel, although most of our sales items will be shipped to us "just in time" or be shipped direct to customers. We have developed a catalogue we plan to begin to send to affinity groups within thirty days of receiving the anticipated funding to commence active marketing for the Store, which we expect to open to full operation within 45 days following the receipt of such funding. All of these dates and plans are subject to change in the event funding is delayed, arrives in amounts too small to achieve desired milestones or the other risks and uncertainties described under "Certain Factors That May Affect Future Operations" materialize.

Customers make purchases or redeem certificates at the Store using our own "housing" services. These services provide a virtual "shopping cart," that allows us to conduct Internet commerce by enabling site visitors to click on a product to purchase it from the Store, adding it to the virtual shopping cart. Our housing services then process the financial transaction involved when a customer purchases a product from the Store or accounts for the redemption of a certificate and, (1) if the transaction involves a purchase by an affinity group member, it delivers the information relating to that transaction to Charter Pacific Bank (see "Processing a Financial Transaction"), or (2) if the transaction involves redemption of an incentive premium, it transmits the details regarding the redemption to our accounting department. In addition, our housing service enables worldwide access to the web site, while providing greater affinity branding. By affinity branding, we mean the Store will appear to visitors to be unique to the affinity group or merchant, with logos and verbiage present on each page related to the affinity group or merchant.

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Since February 1999, we have taken the following steps to implement our business plan:

- o Retained David Saltrelli and Peter Schuster who both possess extensive business, marketing, sales, and operations backgrounds and will manage our day-to-day business activities.
- o Developed our website (Store) with the support of Network 2001, Inc. ("Network"). Network is a corporation wholly-owned by Mr. Steven Howell, one of our shareholders.
- Effective March 31, 1999, we entered into an agreement with Network for the design and development of the first phase. As payment for the services rendered to us, we agreed to pay to Network \$62,000 in cash and to issue to Network eighteen thousand, eight hundred and eighty-five (18,885) shares of our common stock. Following the stock split on November 1, 1999, the number of shares which they hold as a result of providing these services is fifty-six thousand, six hundred and fifty-five (56,655). As of November 4, 1999, the web site was substantially complete and the Store nominally available for shopping. As of November 27, 1999, those shares have been issued and the cash has been paid.
- During January, 2000, we began the development of the second phase of our web site, which includes our own "housing" services. These enhancements make it appear to visitors that they are in a store unique to their affinity group or business, with the affinity group or business name, picture and tag line on each page. The enhancements also include our own shopping cart, improved billing procedures and related improvements. Our agreement with Network called for total payments of \$330,000 to accomplish all of the enhancements.
- Phase three of our website development was also completed in Year 2000. These enhancements have provided a seamless connection among our ordering, warehousing, accounting and customer service functions. This state-of-the-art management information system will help to ensure that we fulfill our promise of 100% customer satisfaction. Our agreement with Network called for total payments of \$155,000 to accomplish these enhancements, which has been paid in full.
- Phase four of our website development was commenced in January of 2001 and includes development of new fee based offerings for affinity members such as personalized ISP service and preferred member purchase status, that provide value added services, features, pricing, and benefits for a fee. In addition, phase four also includes the development of the first B2B offering to on-line merchants which will provide them with their own turnkey, individually branded, gift redemption center through which they can provide customers, clients, and employees with rewards and incentives for purchases and recognition. Our agreement with Network called for total payments of \$625,000 to accomplish these enhancements.
- We anticipate that future technological advances and system improvements will prompt further enhancements to our website.

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These "phase five" improvements remain under discussion.

- o Established a relationship with American Sales Industries, Inc.
  - Initially as our interim product fulfillment provider, ASI was paid \$2,000 per month for fulfillment services plus a fee per item for merchandise that we purchased through ASI (at ASI's cost) equal to: \$0.50 per item costing under \$5.00, \$0.75 per item costing \$5.00 to \$9.99 and \$1.00 per item costing \$10.00 or more.
  - Starting February 1, 2000, we leased 9,000 square feet of warehouse space from ASI at a monthly rental of \$5,000 and commenced the set up of our own fulfillment center, while ASI continued to provide complete warehousing and fulfillment services as before at the same fixed fee plus fee per item basis.
  - Commencing in mid-April, 2000, we began maintaining our own warehouse and fulfillment center in the leased space and stopped using ASI for that purpose.
  - We have a written agreement with ASI under which they will function as our purchasing agent on a non-exclusive basis, and their compensation for those services will be the "fee-per-item based on product cost" described above.
- o Executed a Merchant Bankcard Services and Security Agreement with Charter Pacific Bank.
- o Executed lease agreements for executive, administrative, purchasing and customer service office space in Boca Raton, Florida.
- o On November 4, 1999, nominally opened the web site Store to fifteen affinity groups which had a total of 171,490 families as members. As of April 1, 2001, we have enrolled more than 1,500 affinity groups that tell us they have more than 5,000,000 families that are members of those groups.
- o On February 8, 2000, we obtained more than \$1.3 Million in a financing transaction with Monavia, Limited. Monavia received our non-negotiable, 9% promissory note due February 7, 2003 plus a three-year warrant to purchase 681,987 shares of our common stock at an exercise price of \$15.00 per share (the market price on the date of the warrant). On July 21, 2000, we obtained an additional \$645,000 in another transaction with Monavia. Monavia received our non-negotiable, 9% promissory note due July 20, 2003 plus a three-year warrant to purchase 321,932 shares of our common stock at an exercise price of \$16.50 per share (the market price on the date of the warrant).
- o On September 13, 2000, we entered into an agreement with Carousel Finance Limited to issue up to 1,000,000 units, each comprised of one share of our common stock and one warrant to purchase an additional share of our common stock, for a purchase price of \$5.00 per unit. The warrant entitles the holder to purchase the common stock at an exercise price of \$10 for a term of five years. In a series of five transactions between the date of the agreement and December 29, 2000 we obtained more than \$435,000. Carousel received 87,477 shares of our common stock plus warrants to purchase the same number of additional shares.



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- o On February 14, 2001, we received \$1,000,000 from Consensus Investments Limited, which was a first tranche under a negotiated financing program under which the financier may invest up to \$5.0 million over the next six months, based on a twenty percent discount to market price, with a warrant attached at the market price.
- o Designed and proofed a four-color, sixteen page catalogue, which is ready for printing and distribution as soon as our store is functionally ready to be fully operational.
- o Designed, completed and tested a 1,000 page electronic catalogue which is ready to be distributed via the Internet to on-line affinity group members.
- o Executed agreements with independent representatives who explain our business concept to affinity groups and enroll their participation in the program.
- o Designed a core staff for our customer service, purchasing, warehousing and fulfillment operations.

We intend to take the following steps to continue to implement our business plan:

- o Obtain requisite financing and create an inventory of merchandise for our Store;
- o Complete the staffing of our warehousing and fulfillment operation;
- o Distribute our catalogue and commence aggressive marketing on a phase-in basis to our present pool of more than 1,500 affinity groups with established (but yet-to-be-opened) custom portals or stores;
- o Increase our marketing activities to new affinity groups by expanding the number of independent representatives and by allowing every affinity group that is already on-line to open a store and distribute their branded 1,000+ page catalogue directly to their membership base via the Internet at no cost;
- o Commence our marketing activities to every on-line merchant with regard to our incentive redemption program;
- o Expand our core Customer Service Department and outsource future expansion to support full operations;
- o Hire necessary key consultants and personnel with Internet e-commerce experience to further implement our business strategy.

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### Marketing Strategy to Affinity Groups

The lynchpin of our marketing strategy to affinity groups is to utilize and potentially enhance the affinity groups' internal methods of communication to their members to grow our market share. We have enrolled and continue to enroll affinity groups through the use of commission-only, outside sales representatives. The representatives use our on-line description of our Store and the affinity group program to demonstrate to affinity groups how their members will be able to use the Store, the accuracy of our transaction tracking

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system and the potential profitability for the affinity group as its members make the purchases from the Store that they would otherwise make elsewhere. The affinity group completes an on-line application. Since the affinity group receives a fifteen percent (15%) commission on every purchase its members make, the leaders of that affinity group are incentivized to use the group's internal communications methods (such as the pulpit, a newsletter, a payroll insert, or a flier brought home from school) to market our Store.

Both the sales representative that recruits an affinity group and the affinity group itself are paid commissions only if and when product sales to members of that affinity group are completed, thereby substantially eliminating the up front marketing and advertising costs typically found in the retail sales industry. The sales representative (or the group of which the sales representative is a part) receives a total commission of 6.5% of sales to members of affinity groups which such sales representative enrolled and the affinity group is paid a 15% commission on such sales made to its members. As we continue to develop this model prior to opening our Store for sales (and thus for commissions), we have advanced certain sums to our representatives as advances on commissions to be earned. We can offer no assurance whether such advances on commissions will ever be offset by actually earned commissions.

We have developed and proofed a four-color, sixteen-page catalogue that we will make available to affinity groups for distribution to their members either via print or electronically via the Internet. We expect to begin distributing the catalogue to the affinity groups during June, 2001. During July, following the distribution of that catalogue, we will commence full scale operations.

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### Marketing Strategy to Merchants

We are assembling a unique sales force to market to merchants. Because of the extensive experience possessed by members of our senior management, this marketing formula is well-tested. Decision makers in various enterprises that sell to the public will be approached with regard to the premium incentive vouchers. If a merchant elects to enroll, he will deposit a sum of money with us to be drawn against by the merchant using the Internet to print and deliver vouchers. The actual purchase price of the voucher will be less than the face amount of the voucher, so the merchant will benefit from the perceived increased good will. The consumer who receives the voucher will visit the Redemption Center, where that consumer will again be exposed to the merchant's marketing messages. Upon selecting the desired premium, the consumer will acquire a desired item of merchandise (rather than one arbitrarily selected by the merchant). We plan to deliver a fully functional, individually branded, on-line redemption center to every merchant that has an Internet presence. We will be able to deliver the on-line redemption center to any merchant within 24 hours at a nominal branding cost of under \$50 per store. The beta version of our on-line redemption center is functional as of April 1, 2001.

### Processing Financial Transactions

Our enhanced software now processes the financial transaction involved when a customer purchases a product from the Store and then delivers the information relating to that transaction to Charter Pacific Bank. We have entered into an agreement with Charter to complete the processing of the financial transactions. Charter has significant experience in processing credit card transactions and offers a real-time payment processing system. Charter has been in the business

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of processing and administering financial transactions for several years and we believe Charter will offer the benefits of reliable, secure payment processing functionality. We hope to benefit from Charter's low incidence of customer charge-backs and credit card fraud. A further benefit to us is that we will not have to bear the cost of developing and maintaining complex systems, infrastructure, and overhead to process credit card transactions.

We believe the benefits of Charter's service are:

- o secure communication lines between us and Charter;
- o the customer payment information is encrypted to prevent alteration or tampering; and
- o the messages are authenticated to verify the identity of the parties sending and receiving the payment processing request.

Access to Charter's servers is secure, monitored and controlled 24 hours a day, seven days a week.

### Domain Name

We have registered our domain name "Netmaximizer.com" with Network Solutions, Inc. ("NSI"). NSI acts as a clearinghouse for web site domain names under license from the United States government.

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### Intellectual Property

We intend to rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of the date of this annual report, we do not own or otherwise control any registered patents, copyrights or trademarks, nor have we submitted any applications for trademark registration.

Our current logo consists of a gorilla and a tag line including the words "Netmaximizer.com", colored blue and red. Although we have a license to use it, we were advised that the present design of our mark may not be sufficiently unique to be protected as a trademark. We are currently having our logo and other related scripts and images custom designed so that there will be no conflict with existing caricatures and type styles. We intend to file to have that intellectual property trademark protected. If we determine that our business plan or any individual aspect of the way we are doing business is an asset whose value can be protected as intellectual property, we will attempt to protect that proprietary asset by applying for a patent, copyright or trademark.

We cannot assure you that our patents, once applied for, will be issued, that our trademark registrations will be approved or that our patents or trademarks will not be successfully challenged by others or invalidated. If our trademark registrations are not approved because third parties own these trademarks, our use of these trademarks would be restricted unless we entered into arrangements with the third-party owners, which might not be possible on reasonable terms.

Despite any efforts we may make in the future to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology or business model. Monitoring unauthorized use of our technology and business model is difficult and we cannot be certain that the steps we will take will prevent unauthorized use of our technology and business model.

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In addition, our business activities may infringe upon the proprietary rights of others, and, from time to time, we may receive, claims of infringement against us. Litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Any litigation could subject us to significant liability for damages and invalidation of our proprietary rights. These lawsuits, regardless of their success, would likely be time consuming and expensive to resolve and would divert management's time and attention away from our business. Any potential intellectual property litigation could also force us to do one or more of the following:

- o make significant changes to the structure and operation of our business;
- o attempt to design around a third party's patent; or
- o license alternative technology from another party.

Implementation of any of these alternatives could be costly and time consuming, and may not be possible. Accordingly, an adverse determination in any litigation that we are a party to would have a material adverse effect on our business, results of operations and financial condition.

In addition, we will endeavor to rely on trade secret laws and non-disclosure and confidentiality agreements with our employees and consultants who have access to our proprietary technology. We strictly control access to and distribution of our technologies, documentation and other proprietary

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information. Despite our efforts to protect our proprietary rights from unauthorized use or disclosure, parties may attempt to disclose, obtain or use our solutions or technologies.

We cannot assure you that the steps we have taken will prevent misappropriation of our solutions or technologies, particularly in foreign countries where laws or law enforcement practices may not protect our proprietary rights as fully as in the United States.

### Industry Overview - The Internet

The Internet is an increasingly significant global interactive medium for communications, content and commerce. Growth in Internet usage has been fueled by a number of factors, including:

- o the large and growing base of personal computers in the workplace and home;
- o advances in the performance of personal computers and modems;
- o improvements in network systems and infrastructure;
- o readily available and lower cost access to the Internet;
- o increased awareness of the Internet among businesses and consumers;
- o increased volume of information and services offered on the Web; and
- o reduced security risks in conducting transactions online.

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International Data Corporation estimates that the number of Internet users worldwide exceeded 97 million in 1998 and will grow to approximately 320 million by the end of 2002. International Data Corporation also estimates that worldwide commerce over the Internet will reach approximately \$426 billion by the end of 2002, up from approximately \$32 billion in 1998.

The availability of a broad range of content and the acceptance of electronic commerce has driven rapid Internet adoption by businesses and consumers alike, which has in turn stimulated the proliferation of additional content and electronic commerce.

We believe that the growing adoption of the Internet represents an enormous opportunity for businesses to conduct commerce electronically without borders over the Internet.

### E-commerce

The term "e-commerce" encompasses business to consumer transactions conducted over the Internet and the World Wide Web. As interest in the Web exploded during the mid-1990's and, as the number of consumers with access to the Internet at work or at home grew, companies that originally had established Web sites for marketing purposes (to promote their corporate or brand identity or to provide information about their products) soon became interested in using those sites for sales purposes. Businesses identified the Internet as a means to shorten the sales cycle.

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The information that is presented on a Web site is delivered in a focused manner to targets who are intentionally looking for that specific information. The Internet can reduce costs and level the playing field for small and large businesses, allowing them to extend their reach globally. The availability of sophisticated Internet and Web technology, stronger security mechanisms, and the increasing acceptance of the new communications medium are also fueling the use of e-commerce by businesses and consumers.

We believe that consumers' trust will increase with the number of successfully completed transactions. Studies are demonstrating that the consumers' attitudes are rapidly changing and that they are rapidly gaining confidence with transacting business over the Internet.

We believe that the way in which products and services will be directly or indirectly sold in the future will increasingly shift toward the Internet. Leading businesses throughout the world are developing their Web strategies to take advantage of this shift in the way consumers will receive product and service related information, and purchase goods and services.

### Competition

The online commerce market, particularly over the Web, is new, rapidly evolving and intensely competitive. Our current or potential competitors include:

- o online vendors of the types of products we currently offer in the Store or intend to offer in the future;
- o a number of indirect competitors, including Web portals and Web search engines such as Yahoo! and America OnLine, that are involved in online commerce either directly or in collaboration with other retailers;

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- o traditional brick and mortar distributors and retail vendors of the products we currently offer in the Store or intend to offer in the future, many of which possess significant brand awareness, sales volume and customer bases;
- o catalogue vendors; and
- o conventional retail outlets who currently sell, or who may sell, products or services through the Internet.

We believe that the principal competitive factors in the online, affinity-group centered, retailing market are:

- o breadth and depth of product selection and services;
- o number of affinity group members and the quality and frequency of the groups' contacts with their members;
- o size of groups' membership base;
- o accessibility to, and ease of use of, site;
- o quality of editorial and other site content;

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- o quality of search tools and transaction speed and security;
- o quality of service and personalized service;
- o technical expertise;
- o convenience and price; and
- o reliability and speed of fulfillment.

We expect competition to increase due to the lack of significant barriers to entry for online business generally, and for online direct marketing programs. Some of our current and potential competitors, such as Amazon.com, Outpost.com, and Buy.com, have longer operating histories, greater brand recognition, larger client and member bases, and significantly greater financial, technical and marketing resources than we do.

These advantages may enable them to respond more quickly to new or emerging technologies and changes in customer preferences. These advantages may also allow them to engage in more extensive research and development, undertake extensive and far-reaching marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to potential employees, strategic partners and advertisers. As a result, it is possible that our existing competitors or new competitors may rapidly acquire significant market share.

Increased competition may result in price reductions, reduced gross margin and loss of market share. We may not be able to compete successfully, and competitive pressures may affect our business, results of operations and financial condition.

### Governmental Regulation

We are subject to general business regulations and laws regarding taxation and access to online commerce. In addition, the Internet is subject to government

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obscenity and decency standards. Like all companies, we are subject to consumer protection laws and we are subject to compliance with Federal Trade Commission restrictions.

Because we permit our affinity groups and merchants to place their content on the Affinity Stores and the Redemption Centers, we may not have absolute control regarding all of the content that appears on those portals. Accordingly, there is a risk that we may have inappropriate content that could be viewed before we could remove it. Each of our Affinity Groups and merchant participants has signed an agreement in which they covenant not to put inappropriate material on the site.

### Employees

While we completed development of our web site and raised needed capital, we reduced our full time staff to two. We anticipate that number to expand rapidly during the next two months as we re-commence our warehouse and fulfillment operations, expand our customer service operations and begin our aggressive marketing campaign. From time to time, we may also retain consultants and consulting firms to provide us with special expertise in developing marketing, software and telecommunications technologies. The sales people who recruit affinity groups and the sales force that markets to merchants are not employees of the Company, but are independent contractors.

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### CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

#### We Have Only a Limited Operating History that Investors May Use to Assess Our Future Prospects

We have only a limited operating history. We have not and may never generate sufficient revenues to achieve profitability. We have limited experience addressing challenges frequently encountered by early-stage companies in the electronic commerce and direct marketing industries. You should evaluate our business in light of the risks and difficulties frequently encountered by early stage companies engaged in Internet commerce. For us, these risks include:

- o our significant dependence on selling products through the Internet, which thus far has only limited market acceptance;
- o our ability to develop and upgrade our infrastructure, including internal controls, transaction processing capacity, data storage and retrieval systems and Web site;
- o our need to manage changing operations as the number of our products and purchasers increase;
- o our reliance upon strategic relationships, such as:
  - a. American Sales Industry Lease and Purchasing Agreements: If American Sales Industries were to discontinue providing purchasing services we might not be able to buy our goods as cheaply. If we were to lose our lease, then we would have to move our warehousing and fulfillment functions to another location or find a qualified provider of these services.
  - b. Network 2001: If Network were to abandon developmental efforts, we would have to obtain an alternative contractor to develop the planned enhancements to our site, thereby causing delay in implementation.

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- c. Affinity Groups' Participation: If the current Affinity Groups were to stop promoting their members' purchasing through our Store, then we would have to find replacement Affinity Groups.
- o regulatory risks associated with our business, particularly with regard to the possibility of our having to determine and collect state taxes for sales conducted over the Internet; and
- o our dependence upon and need to hire key personnel, for example a Chief Operating Officer, a Director of Customer Service, a Director of Purchasing, a Director of Shipping & Fulfillment and a Director of Computer Operations.

We may not be successful in addressing these risks, and our business strategy may not be successful. Our revenue and income potential is unproven and our business model is still emerging. We cannot assure you that we will continue to attract affinity group participants or achieve significant revenues or operating margins in future periods. In addition, we have never operated during a general economic downturn in the United States, which typically adversely affects retail sales. Accordingly, our limited operating history does not provide investors with a meaningful basis for evaluating our business, our prospects or an investment in our common stock.

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### We Have a History of Losses and these Losses May Continue Until August 31, 2001

We have never operated profitably and, given our planned level of operating expenses, we expect to continue to incur losses for the foreseeable future. Although we project revenue growth to begin during June or July, such growth may not be achieved or if it is achieved, such growth may not be sustainable at a rate sufficient to achieve and maintain profitability. We plan to increase our operating expenses as we continue to build infrastructure and inventory to support the expansion of our business. We anticipate needing \$2,100,000 to sustain our operations for the next year, not including the lines of credit and other capitalization which we intend to employ to fund our inventory. Our losses may increase in the future, and even if we achieve our revenue targets, we may not be able to sustain or increase profitability on a quarterly or annual basis. If our revenues grow more slowly than we anticipate, or if our operating expenses exceed our expectations and cannot be adjusted accordingly, our business, results of operations and financial condition will be materially and adversely affected.

### Our Prospects for Obtaining Additional Financing Are Uncertain and Failure to Obtain Needed Financing Could Affect Our Ability to Pursue Future Growth

We will need to raise additional funds to develop or enhance our services, to fund expansion, to respond to competitive pressures or to acquire complementary products, businesses or technologies. Although we intend to use "just-in-time" shipping and "drop shipping" for much of our sales, we intend to finance certain items in inventory using capital. We cannot assure you that additional financing will be available on terms favorable to us, or at all. If additional funds are raised through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders would be reduced and these securities might have rights, preferences or privileges senior to those of our current stockholders. If adequate funds are not available on acceptable terms, our ability to fund our expansion, take advantage of unanticipated opportunities, develop or enhance services or products, or otherwise respond to competitive pressures would be significantly limited. Our business, results of operations



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and financial condition could be materially adversely affected by this limitation.

### Permanent Injunction Against Our President

In June 1993, following the filing of a complaint by the Federal Trade Commission, David Saltreli, our President and director, (and other individuals and entities not affiliated with Netmaximizer.com, Inc.) entered into a Stipulated Permanent Injunction and Final Judgment with the FTC. The Injunction was entered by the United States District Court for the Middle District of Florida, Orlando Division. In the proceedings leading up to the Injunction, allegations were made that (a) consumers acquired travel-related services and products (both as incentives and as direct purchases) from telemarketing entities either controlled by or affiliated with Mr. Saltreli; (b) that the descriptions of and disclosures regarding these travel-related products or services were inadequate; (c) that consumers were at times required to pay undisclosed fees or increased costs with regard to the travel-related products to services; and (d) that on occasion the travel-related products or services were not available at the times or on the terms advertised. Mr. Saltreli denied all material allegations contained in the FTC's complaint. He agreed to the injunction, without trial or adjudication of any issue of law or fact, to resolve all matters in dispute between him and the FTC. See "Item 5. Directors and Executive Officers - Other Information - FTC Injunction."

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The Injunction enjoins Mr. Saltreli, as well those acting with him or participating in his activities, from supplying travel-related services and products for use in telemarketing and from assisting in the telemarketing of any travel-related product or service. The Injunction also states that, in connection with the advertising, promotion, marketing, distribution, offering for sale or sale of travel-related products or services (including premiums and incentives), Mr. Saltreli and the related parties are permanently enjoined from, among other things, failing to disclose or misrepresenting in any manner any restriction, limitation or condition on any consumer's use of a travel-related product or service, or failing to provide to each consumer who obtains such travel-related product or service the exact trip, product or service as was represented to the consumer.

Netmaximizer.com, Inc. had beginning on November 4, 1999 and prior to March 1, 2000, provided travel-related premiums and incentives to affinity group members to promote the sale of products, albeit never in a telemarketing context. As of March 1, 2000, we eliminated all use of travel-related incentives, as we determined that our affinity group members relate better to a more tangible, name-product incentive. Nonetheless, if the FTC were to determine that Mr. Saltreli, as our President, or Netmaximizer.com itself had violated the terms of the Injunction between November 4, 1999 and March 1, 2000, by engaging in prohibited conduct, it may seek to enforce the Injunction directly against us. Should this or any other regulatory action lead to civil or criminal charges against Netmaximizer.com, Inc., we may be subject to negative publicity, the costs of litigation, the diversion of management time and other negative effects, even if we ultimately prevail.

Our Quarterly Operating Results May Be Subject to Fluctuations,  
which Could Affect Our Stock Price

We hope to grow rapidly and our revenue and operating results may vary significantly from quarter to quarter due to a number of factors, some of which are outside of our control. As a result, our operating results may be below the expectations of public market analysts and investors. In this event, the price

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of our common stock may fall.

The factors most likely to produce varied results include:

- o changes in marketing and advertising costs that we incur to attract and retain affinity groups and their members;
- o our rate of acquiring affinity groups and the level of activity of new and existing members of groups;
- o changes in the prices we pay for the goods we sell or the availability of such goods in the quantity and variety we require to retain our members;
- o the exercise of a substantial number of options or warrants to acquire shares of our common stock at prices below the prevailing market;

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- o the introduction of new products and services by us or by our competitors;
- o changes in the costs of warehousing or delivering our goods;
- o changes in our pricing policies, the pricing policies of our competitors or the pricing policies for Internet retail sales generally;
- o unexpected costs and delays relating to the expansion of our operations; and
- o the occurrence of technical difficulties or unscheduled system downtime.

Due to these factors, revenues and operating results are difficult to forecast and investors should not rely on period to period comparisons of results of operations as an indication of our future performance. Any significant shortfall in revenues in relation to our expenses would have a material adverse effect on our business, results of operations and financial condition.

### Our Operating Results May Be Subject to Seasonal Fluctuations that Could Impact Our Growth and Affect Our Stock Price

We believe that our revenues will be subject to seasonal fluctuations as a result of general patterns of retail buying, which are typically higher during the fourth calendar quarter. In addition, expenditures by consumers tend to be cyclical, reflecting general economic conditions, holidays, vacation periods and the beginning and end of school. The extent of these seasonal fluctuations in any period may be difficult to predict and, if the fluctuations are higher than our expectations, they could have a material adverse effect on our business, results of operations and financial condition. A downturn in the general economy or a shift in consumer buying patterns could harm our results of operations.

### We Hope to Grow Rapidly, and the Failure to Manage Our Growth Could Adversely Affect Our Business

As we continue to increase the scope of our operations, we may not have an effective planning and management process in place to implement our business plan successfully. We plan to expand our warehousing and fulfillment and our

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customer service operations very rapidly. We plan to continue the expansion of our sales, marketing and administrative functions. We received our first application from an affinity group in September 1999. As of April 6, 2001, we had accepted a total of more than 1,500 applications. We have accepted them in increments over time and intend to continue to do so. This growth may strain our management systems and resources. We anticipate the need to continue to improve our financial and managerial controls and our reporting systems. In addition, we will need to expand, train and manage our growing work force. Our business, results of operations and financial condition will be materially and adversely affected if we are unable to manage our expanding operations effectively.

### Our Success Depends In Part On Our Ability to Maintain and Expand an Active Membership Base

Our success largely depends on our ability to maintain and expand an active membership base. Although we initially accepted applications for participation by 15 affinity groups representing approximately 171,490 members and have subsequently expanded our membership base to more than 1,500 affinity groups with more than 5,000,000 families that are members, this industry typically has

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generated the majority of its revenues from a small percentage of its members, and we cannot assure you that the percentage of active members will increase in our case. In addition, we cannot be certain that our membership growth will continue at current rates or increase in the future.

### Our Success Also Depends In Part On Our Ability to Recruit and Maintain an Active Merchant Base

We believe the preliminary testing of our Redemption Store concept has proven the viability of that plan. Nonetheless, if we are unable to recruit a sufficient number of merchant participants or, having recruited them, if the merchants do not use the premium incentive vouchers, that aspect of our operations will not be successful.

### Our Business Will Suffer If the Acceptance of Online Purchasing Does Not Continue

Our future success will depend substantially upon continued growth in the use of the Internet and in the acceptance and volume of commerce transactions on the Internet. Our potential customers will likely accept and adopt the Internet as a medium to conduct business only if the Internet provides them with greater efficiencies, lower prices and avoided costs, all in a secure environment. However, the number of Internet users may not continue to grow, and commerce over the Internet may not become more accepted or widespread.

As this is a new and rapidly evolving industry, the ultimate demand and market acceptance for Internet-related services is subject to a high level of uncertainty. The Internet may not prove to be a viable commercial marketplace for a number of reasons, including:

- o lack of acceptable security technologies,
- o lack of access and ease of use,
- o congestion of traffic, whether created in due course by regular market activity or artificially by computer "hackers",

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- o inconsistent quality of service,
- o lack of availability of cost-effective, high-speed service,
- o potentially inadequate development of the necessary infrastructure,
- o excessive governmental regulation,
- o uncertainty regarding intellectual property ownership or timely development, and
- o commercialization of performance improvements, including high speed modems.

A necessity of online commerce and communications is the secure transmission of confidential information over public networks. Our security measures may not prevent security breaches. Any failure to prevent security breaches could harm our business. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication technology to effect

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secure transmission of confidential information, including customer credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography, or other developments may result in a compromise or breach of the technology used by us to protect customer transaction data. Any compromise of our security could harm our reputation and, therefore, our business.

### We Are Assuming Merchandising, Inventory Management and Fulfillment Responsibilities

We plan to handle our own merchandising, inventory management and order fulfillment. Our failure to perform these functions efficiently and in a timely manner could result in the disruption of our operations, including shipment delays. In addition, changing trends in consumer tastes in the products we offer subject us to inventory risks. It is important to our success that we accurately identify and predict these trends and, to the extent that we do not obtain products by "just-in-time" shipping, do not overstock unpopular products. The demand for specific products can change between the time inventory quantities are ordered and the date of receipt. If products do not achieve sufficient consumer acceptance, we may be required to take inventory markdowns, which could reduce our sales and gross margins. We believe that to the extent that demand for our products increases over time and we are not able to achieve satisfactory delivery times using "just-in-time" methodologies, we may be forced to increase inventory levels.

### Our Business Will Suffer If Affinity Group Marketing Does Not Succeed

The success of our business model will depend on our ability to attract and retain affinity groups and their members. We cannot assure you that our marketing efforts and the quality of each member's experience, including the number and availability of the products we provide, will generate sufficient satisfied members. To the extent that our products, prices and incentives programs do not achieve market acceptance among groups and their members, our business would be materially and adversely affected.

Any member of an affinity group who is dissatisfied with the quality of an experience with our company for reasons within or outside of our control could damage our reputation and/or cause the termination of participation by the entire affinity group. Any damage to our reputation and/or termination of

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participation by an entire affinity group could have a material adverse effect on our business, results of operations and financial condition.

### If Our Affinity Groups Fail to Effectively Promote Their Sites, Our Revenues Could Suffer

Our business model is substantially dependent upon the promotional efforts of our affinity groups. For example, if our groups do not prominently display the availability of their sites to make sales or do not work with us to create promotional offers that are attractive and understandable to the members of the affinity groups, their promotions may not be successful, and as a result, we may not be successful. We cannot assure present or potential investors that our affinity groups will allocate sufficient technical resources and promotional budgets and efforts to make regular sales through their sites and other promotions successful. If our groups' sales programs are not successful, our revenues could suffer.

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### Credit Card Fraud Could Cause Us Losses in the Future

Under current credit card practices, a merchant is liable for fraudulent credit card transactions when that merchant does not obtain a cardholder's signature, as is the case with the transactions we process. We may not be able to adequately control fraudulent credit card transactions.

### We Face Intense Competition, and the Failure to Compete Effectively Could Adversely Affect Our Market Share and Results of Operations

We face intense competition from both traditional and online retailing businesses. We expect competition to increase due to the lack of significant barriers to entry for online business generally. As we expand the scope of our product and service offerings, we may compete with a greater number of companies across a wide range of retailing services. Our ability to generate significant revenue from sales will depend on our ability to differentiate ourselves through the goods and prices we provide and the revenues we generate for affinity groups. The attractiveness of our program to current and potential members and affinity groups depends in part on the attractiveness of the incentives or rewards that we offer. Currently, several companies offer competitive online products or services, including MyPoints.com, CyberGold and Netcentives. We also expect to face competition from established online portals and community web sites that engage in direct marketing and loyalty point programs, as well as from traditional advertising agencies and direct marketing companies that may seek to offer online products or services.

Many of our current competitors and potential new competitors (for example, Amazon.com; eToys.com; Outpost.com; ValueAmerica.com and Buy.com) have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical and marketing resources than we do. These advantages may allow them to respond more quickly to new or emerging technologies and changes in customer requirements. It may also allow them to engage in more extensive research and development, undertake more far-reaching marketing campaigns, adopt more aggressive pricing policies, and make more attractive offers to potential employees, strategic partners and advertisers.

In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to increase the ability of their products or services to address the needs of our prospective customers. As a result, it is possible that new competitors may emerge and rapidly acquire significant market share. Increased competition may result in

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price reductions, reduced gross margins and loss of our market share. We may not be able to compete successfully, and competitive pressures may materially and adversely affect our business, results of operations and financial condition. See "Business -- Competition."

### We Depend On the Services of Our Executive Officers to Manage Our Growth, and There Is No Assurance We Can Retain Their Services

Our future success depends on the continued service of our key senior management, David Saltrelli, our President and Chief Executive Officer, and Peter Schuster, our Secretary and Treasurer. The loss of either of these persons could have a material adverse effect on our business. We do not have either employment contracts with or key-person insurance on any of our employees.

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Our success depends on our ability to attract, retain and motivate highly skilled employees. Competition for employees in our industry is intense. We may be unable to retain our key employees or to attract, assimilate and retain other highly qualified employees in the future. We anticipate difficulty from time to time in attracting the personnel necessary to support the growth of our business in the future.

### We Depend Upon Third Party Support

We are dependent upon third parties to provide maintenance to our Internet site and to others to provide us with the necessary access to the Internet with sufficient capacity and bandwidth so that our Store can properly function and remain "online." Any restrictions or interruption in our connection to the Internet may cause significant revenue loss.

We also depend upon our accountants, St. John and Landon of Boca Raton, Florida, for book keeping and related financial control support. We have no in-house accounting or comptroller support and so the loss of our accountants would disrupt our business operations until they could be replaced.

### We Are Vulnerable To System Failures Which Could Cause Interruptions or Disruptions In Our Service

Our success depends on the capacity, reliability and security of our networking hardware, software and telecommunications infrastructure. We maintain our own hardware for warehousing, purchasing and administrative functions and also rely on Network 2001, Inc. for hardware support. Despite precautions taken by us and the host of our Web site, our system is susceptible to natural and man-made disasters such as earthquakes, fires, floods, power loss and vandalism. Telecommunications failures, computer viruses, electronic break-ins or other similar disruptive problems could adversely affect the operation of our systems. Any such technical failure or security problems could harm our business, financial condition and results of operations. Our insurance policies may not adequately compensate us for any losses that may occur due to any damages or interruptions in our systems. We could be required to make capital expenditures in the event of damage.

Periodically, we may experience unscheduled system downtime that may result in our web site being inaccessible to members, or we may experience slow response times that may result in decreased traffic to our web site. If these problems arise, it could materially and adversely affect our business, results of operations and financial condition.

### Our Business Will Suffer If We Are Unable To Keep Pace

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### With Rapid Technological Changes In Our Industry

Our market is characterized by rapidly changing technologies, frequent new product and service introductions, short development cycles and evolving industry standards. The recent growth of the Internet and intense competition in our industry exacerbate these market characteristics. The introduction of products and services embodying new technologies, the emergence of new industry standards and changing consumer needs and preferences could render our existing services obsolete and unmarketable. Our future success will depend in part on our ability to respond effectively to rapidly changing technologies, industry

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standards and customer requirements by adapting and improving the performance features and reliability of our services. We may experience technical difficulties that could delay or prevent the successful development, introduction or marketing of new products and services. In addition, any new enhancements to our products and services must meet the requirements of our current and prospective users. We may experience technical difficulties that could delay or prevent the successful development, introduction or marketing of new products and services. We could incur substantial costs to modify our services or infrastructure to adapt to rapid technological change.

#### Continued Development and Use of the Internet Infrastructure Is Critical To Our Ability To Offer Our Services

Our affinity groups and their members depend on Internet service providers for access to our web site. Internet service providers and web sites have experienced significant outages in the past, and could experience outages, delays and other difficulties due to system failures unrelated to our systems. If outages or delays occur frequently in the future, Internet usage, as well as electronic commerce and the usage of our products and services, could grow more slowly or decline, and this could have an adverse effect on our business.

A number of factors may inhibit Internet usage, including inadequate network infrastructure, security concerns, inconsistent quality of service, and lack of availability of cost-effective, high-speed service. If Internet usage grows, the Internet infrastructure may not be able to support the demands placed on it by this growth and its performance and reliability may decline.

#### Future Regulation of the Internet Could Affect Our Operations

Laws and regulations that apply to the Internet may become more prevalent in the future. The laws governing the Internet and email services remain largely unsettled. There is no single governmental body overseeing our industry, and many state laws that have been enacted in recent years have different and sometimes inconsistent application to our business.

The governments of foreign countries may also attempt to regulate electronic commerce. New laws could dampen the growth in use of the Internet generally and decrease the acceptance of the Internet as a commercial medium. In addition, existing laws such as those governing intellectual property and privacy may be interpreted to apply to the Internet. In the event that foreign governments, the federal government, state governments or other governmental authorities adopt or modify laws or regulations relating to the Internet, our business, results of operations and financial condition could be materially and adversely affected.

#### Some States May Impose a New Sales Tax On Our Business

A 1992 Supreme Court decision confirmed that the commerce clause of the United

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States Constitution prevents a state from requiring the collection of its sales and use tax by a mail-order company unless such company has a physical presence in the state. However there continues to be uncertainty due to inconsistent application of the Supreme Court decision by state and federal courts. While there is no case law on the issue, we believe that this analysis could also apply to our online business.

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We attempt to conduct our operations consistent with our interpretation of the applicable legal standard, but there can be no assurance that such compliance will not be challenged. In recent challenges, various states have sought to require companies to begin collection of sale and use taxes and/or pay taxes from previous sales. As of the date of this Annual Report, we have not received assessments from any state. We currently collect and forward sales tax on all shipments to Florida.

The Supreme Court decision also established that Congress has the power to enact legislation which would permit states to require collection of sales and use taxes by mail-order companies. Congress has from time to time considered proposals for such legislation. We anticipate that any legislative change, if adopted, would be applied on a prospective basis.

Recently, several states and local jurisdictions have expressed an interest in taxing e-commerce companies who do not have any contacts with their jurisdictions other than selling products online to customers in such jurisdictions. The Internet Tax Freedom Act imposed a moratorium on new taxes or levies on e-commerce for a three-year period due to expire in October 2001. However, there is a possibility that Congress may not renew this legislation. Any such taxes could have an adverse effect on online commerce, including our business.

### We Face Risks Associated With Third Party Claims and Protection of Our Intellectual Property Rights, and Any Litigation Relating To Intellectual Property Rights Could Harm Our Business

Our business activities may infringe upon the proprietary rights of others, and other parties may assert infringement claims against us. An adverse determination in any litigation of this type could require us to make significant changes to the structure and operation of our affinity sales or online rewards program, attempt to design around a third party's patent, or license alternative technology from another party. Implementation of any of these alternatives could be costly and time consuming, and might not be possible. Accordingly, an adverse determination in any litigation that might ensue between a third party and us could have a material adverse effect on our business, results of operations and financial condition. In addition, any intellectual property litigation, even if successfully defended, would result in substantial costs and diversion of resources and management attention and could therefore have a material adverse effect on our business, results of operations and financial condition.

Our success and ability to compete depends on our internally developed technologies and trademarks, which we will seek to protect through a combination of patent, copyright, trade secret and trademark laws. Despite actions we take to protect our proprietary rights, it may be possible for third parties to copy or otherwise obtain and use our proprietary information without authorization or to develop similar technology independently. In addition, legal standards relating to the validity, enforceability and scope of protection of proprietary rights in Internet-related businesses are uncertain and still evolving. We cannot give any assurance regarding the future viability or value of any of our



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proprietary rights. In addition, we cannot give any assurance that the steps taken by us will prevent misappropriation or infringement of our proprietary information. Any infringement or misappropriation, should it occur, could have a material adverse effect on our business, results of operations and financial condition. See "Business -- Intellectual Property."

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### Substantial Control Will Remain With Our Management and Major Stockholders and This Could Delay or Prevent a Change of Control

As of April 6, 2001, our executive officers, directors and 5% stockholders together beneficially owned approximately 41.69% of our outstanding common stock. These stockholders, if they vote together, will retain substantial control over matters requiring approval by our stockholders, such as the election of directors and approval of significant corporate transactions. This concentration of ownership might also have the effect of delaying or preventing a change in control. See "Security Ownership of Certain Beneficial Owners and Management."

### Future Sales of Our Common Stock Could Cause the Price of Our Shares To Decline

As of April 6, 2001, we have 39,957,149 shares of common stock outstanding. Of these shares, 20,705,770 are transferable without restriction or registration under the Securities Act of 1933, or pursuant to the volume and other limitations of Rule 144 promulgated under the Securities Act. An offering of a substantial number of shares of our common stock into the public market could cause its price to decline. This is particularly the case because a substantial portion of our outstanding shares of common stock are held by persons who purchased their shares at prices significantly below the current market price.

As of April 6, 2001, 859,149 shares of common stock are subject to lock-up agreements between the holders of those shares and us. Under those agreements, the holders have agreed not to offer, sell, contract to sell, grant any option to purchase or otherwise dispose of their common stock until a managing underwriter of a public offering releases the holders from the lockup agreements. Following the release, those shares subject to the lock-up agreements will become available for immediate resale in the public market subject, in some instances, to the volume and other limitations of Rule 144.

As of April 6, 2001, we had outstanding options to purchase an aggregate of 7,809,600 shares of common stock which were granted under our stock option plan. Holders of such options, as those options continue to vest, are likely to exercise them when we might obtain additional capital on terms more favorable than those provided by the options. Further, while options are outstanding, our ability to obtain additional financing on favorable terms may be adversely affected. See also Item 3, Legal Proceedings.

As of April 6, 2001, we had outstanding warrants to purchase an aggregate of 2,424,728 shares of common stock which were issued pursuant to various private placements of our securities. Holders of such warrants are likely to exercise them when we might obtain additional capital on terms more favorable than those provided by the warrants. Further, while the warrants are outstanding, our ability to obtain additional financing on favorable terms may be adversely affected. See also Item 5, Recent Sales of Unregistered Securities.

### We Must Comply with the OTC Bulletin Board Eligibility Rule

In January of 1999, the SEC granted approval to the NASD OTC Bulletin Board Eligibility Rule 6530 which requires a company listed on the OTC Bulletin Board

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to be a reporting company and current in its reports filed with the SEC. As a result of this rule change, we filed a Registration Statement on Form 10 with the SEC in order to become a full reporting company. That Registration Statement

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became effective on February 7, 2000. Following the effective date, we filed an annual report on Form 10K for the year ended December 31, 1999, and thereafter have filed regular quarterly reports on Form 10-Q, all pursuant to the Securities Exchange Act of 1934, as amended and the rules and regulations of the SEC promulgated thereunder. The SEC reporting requirements will add additional expenses to our operations.

### There Is No Assurance That a Public Market For Our Common Stock Will Continue To Develop

There has only been a limited public market for our common stock. We cannot predict the extent to which investor interest in our common stock will lead to the development of a trading market or how liquid that market might become.

### Our Stock Price Could Be Volatile

The stock market has experienced significant price and volume fluctuations, and the market prices of technology companies, particularly Internet-related companies, have been highly volatile. Investors may not be able to resell their shares at or above the current OTCBB price. In addition, our results of operations during future fiscal periods might fail to meet the expectations of stock market analysts and investors. This failure could lead the market price of our common stock to decline and cause us to become the subject of securities class action lawsuits.

### We Do Not Intend To Pay Future Cash Dividends

We currently do not anticipate paying cash dividends on our common stock at any time in the near future. Any decision to pay dividends will depend upon our profitability at the time, cash available and other factors. We may never pay cash dividends or distributions on our common stock.

## ITEM 2. PROPERTIES

We currently lease our principal business office at 4400 North Federal Highway, Boca Raton, Florida pursuant to a series of leases, each of which is approximately one year in duration. The total monthly rent payments under the leases are approximately \$6,000, plus tax, which includes our pro rata share of common area expenses such as insurance, cleaning services, and maintenance related to the space we rent.

As of February 1, 2000, we began leasing approximately 9,000 square feet of warehouse space at 3560 Investment Lane, Suite 201, Riviera Beach, Florida, pursuant to a lease that expired on January 31, 2001. Since January 31, we have continued to lease that facility on a month-to-month basis. The monthly rental payments for the lease are \$5,000. We pay all of our own utilities, maintenance and cleaning for the warehouse space we lease, but pay no share of expenses for any other or common areas.

Other than described above, we do not presently own or lease any other real property.

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### ITEM 3. LEGAL PROCEEDINGS

On January 9, 2001, Charles Aker filed suit against the Company, alleging that he is owed compensation under an agreement dated June 7, 1999, pursuant to which Mr. Aker was to have enhanced the Company's image and promoted the Company's stock for a minimum period of twelve months. The compensation in the agreement, as amended by an addendum dated the same date as the original agreement, called for the issuance of options to purchase up to 276,432 (pre-split) shares of our common stock at a purchase price of \$10.00 per share, a monthly fee of \$6,000 plus reimbursement of expenses. (Giving effect to the three-for-one stock split that has subsequently occurred, this would equate to 829,296 shares at an exercise price of \$3.33 per share.) The stock options were never issued, however, which is the likely reason Mr. Aker is seeking "specific performance" of the promise to issue the options. Specific performance is an equitable remedy, against which the Company has asserted the complete defense of unclean hands, based on Mr. Aker's alleged fraud. The Company has counterclaimed for fraudulent inducement and breach of contract, seeking rescission of the contract and restitution of all funds previously paid to Mr. Aker. No formal discovery has yet been done on the merits, if any, of Mr. Aker's claims. Although the Company believes that Mr. Aker's claims are wholly without merit, at this early state of the litigation, management cannot assess the likely outcome of the litigation or whether the outcome will materially impact the Company's financial condition or results of operations. The Company intends to vigorously prosecute its action against Mr. Aker and to vigorously defend the actions against it by Mr. Aker.

From time to time, the Company is a party to routine litigation incidental to its business. Management does not believe that any of these pending legal proceedings and that listed above, individually or in the aggregate, will materially impact the Company's financial condition or results of operations.

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

During the fourth quarter of 2000, the issuer did not submit any matters to the vote of its security holders.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On June 18, 1998, our common stock was approved for trading on the OTCBB under the symbol "RLNR" (reflecting our former name, RLN Realty Associates, Inc.). On March 1, 1999, we changed our name to "Netmaximizer.com, Inc.", and our OTCBB symbol was changed to "MAAX". The following table sets forth, for the periods indicated, the range of the high and low bid quotations (as reported by NASD). There were no trades of our securities on the OTCBB prior to March 11, 1999.

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The bid quotations set forth below, reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions:

OTCBB

| 2000        | High    | Low     |
|-------------|---------|---------|
| ----        | ----    | ---     |
| 1st Quarter | \$17.70 | \$15.80 |

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|             |         |         |
|-------------|---------|---------|
| 2nd Quarter | \$18.60 | \$17.40 |
| 3rd Quarter | \$14.90 | \$11.30 |
| 4th Quarter | \$6.40  | \$2.90  |

As of April 6, 2001, there were 31 holders of record of our common stock.

In January of 1999, the SEC granted approval to the NASD OTC Bulletin Board Eligibility Rule 6530 which requires a company listed on the OTC Bulletin Board to be a reporting company and current in its reports filed with the SEC. As a result of this rule change, we filed a Registration Statement on Form 10 in order to become a full reporting company. That Registration Statement became effective on February 7, 2000. Subsequently, we have filed all our reports in a timely fashion.

We have not declared or paid any cash dividends on our common stock since our inception, and our Board of Directors currently intends to retain all earnings for use in the business for the foreseeable future. Any future payment of dividends will depend upon our results of operations, financial condition, cash requirements and other factors deemed relevant by our Board of Directors.

### Recent Sales of Unregistered Securities

On March 8, 1999, after our name was changed to Netmaximizer.com, Inc., but before our shares were being quoted on the OTCBB, we sold 12,000,000 (pre-split) shares of our common stock for \$0.001 per share to raise \$12,000 in cash. This private placement was made to ten investors, including David Saltrelli and Peter Schuster, and was fully subscribed. The placement was not underwritten, but was conducted with the advice of the Venture Law Corporation. This sale was exempt from registration in reliance upon Rule 504 under Regulation D promulgated under the Securities Act. The aggregate offering price did not exceed \$1,000,000, and the offering was otherwise in compliance with Rules 501 and 502 promulgated under the Securities Act.

On March 23, 1999, we sold 16,000 (pre-split) shares of our common stock for \$3.125 per share to raise \$50,000 in cash. Our shares had begun to be quoted at this point, but the price was very volatile, ranging between \$1.06 and \$12.00 during the month of March 1999 for no apparent reason. As there were no trades on March 23, 1999, this offering was made to one non-affiliated subscriber at the negotiated and agreed "fair value" of \$3.125 per share. The offering was not underwritten. This sale was exempt from registration in reliance upon Rule 504 under Regulation D promulgated under the Securities Act. The aggregate offering price did not exceed \$1,000,000, and the offering was otherwise in compliance with Rules 501 and 502 promulgated under the Securities Act.

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On September 27, 1999, we issued 1,170 (pre-split) shares of our common stock for \$14.531 per share to raise \$17,000 in cash. On September 30, 1999, we issued 13,115 (pre-split) shares of our common stock for \$15.250 per share to raise \$200,000 in cash. On October 20, 1999, we issued 1,832 (pre-split) shares of our common stock for \$16.375 per share to raise \$30,000 in cash. These sales were made to one, non-affiliated purchaser, Monavia, Ltd. The price paid by Monavia on each of those dates was equal to the closing bid price on the date of sale of the shares to Monavia. These offerings were not underwritten and were exempt from registration in reliance upon Section 4(2) of the Securities Act because they did not involve a public offering.

The Company accounted for the sales of restricted stock issued in both March and September of 1999 by recording common stock and additional paid in capital for the total of the proceeds received.

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On February 8, 2000, we issued a non-negotiable, 9% promissory note due February 7, 2003 plus a three-year warrant to purchase 681,987 shares of our common stock at an exercise price of \$15.00 per share (the market price on the date of the warrant). This sale was made to Monavia. Ltd. This offering was not underwritten. The sale was exempt from registration in reliance upon Section 4(2) of the Securities Act since it did not involve a public offering.

On July 21, 2000, we issued a non-negotiable, 9% promissory note due July 20, 2003 plus a three-year warrant to purchase 321,932 shares of our common stock at an exercise price of \$16.50 per share (the market price on the date of the warrant). This sale was made to Monavia. Ltd. This offering was not underwritten. The sale was exempt from registration in reliance upon Section 4(2) of the Securities Act since it did not involve a public offering.

On September 13, 2000, we entered into an agreement with Carousel Finance Limited to issue up to 1,000,000 units, each comprised of one share of our common stock and one warrant to purchase an additional share of our common stock, for a purchase price of \$5.00 per unit. The warrant entitles the holder to purchase the common stock at an exercise price of \$10 for a term of five years. The following purchases of Units were made pursuant to that agreement:

| Date<br>---- | Amount<br>----- | Number of Units<br>----- |
|--------------|-----------------|--------------------------|
| 9/18/2000    | \$100,000       | 20,000                   |
| 10/02/2000   | \$50,000        | 10,000                   |
| 10/26/2000   | \$50,500        | 10,100                   |
| 11/06/2000   | \$161,885       | 32,377                   |
| 12/29/2000   | \$75,000        | 15,000                   |

The sale was exempt from registration in reliance upon Section 4(2) of the Securities Act since it did not involve a public offering.

On February 14, 2001, we entered into an agreement with Consensus Investments Limited to issue 666,666 shares of our common stock and warrants to purchase an additional 1,333,332 shares of our common stock, for a purchase price of \$1,000,000.00. The warrant entitles the holder to purchase the common stock at an exercise price of \$1.875 for a term of five years. The sale was exempt from registration in reliance upon Section 4(2) of the Securities Act since it did not involve a public offering.

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### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data regarding our operating results and financial position. The data has been derived from our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"). See "Management's Discussion and Analysis of Financial Condition and Results of Operation." The following selected financial data is qualified in its entirety by, and should be read in conjunction with, the financial statements and notes thereto included elsewhere in this Annual Report.

|              | Year Ended<br>December 31,<br>----- |              |              |  |
|--------------|-------------------------------------|--------------|--------------|--|
| 2000<br>---- | 1999<br>----                        | 1998<br>---- | 1997<br>---- |  |

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|                                   | \$          | [Restated]<br>\$ | \$    | \$  |
|-----------------------------------|-------------|------------------|-------|-----|
| Net Revenue                       | 18,763      | 15,002           | nil   | nil |
| General & Administrative Expenses | 1,854,557   | 612,025          | 900   | nil |
| Non-cash Compensation             |             |                  |       |     |
| Stock Options                     | 200,000     | 6,163,321        | nil   | nil |
| Net Income (Loss)                 | (3,983,139) | (6,819,904)      | (900) | nil |
| Net Income (Loss) per Share       | (.10)       | (.17)            | nil   | nil |

|                                   | December 31, |                  |       |       |
|-----------------------------------|--------------|------------------|-------|-------|
|                                   | 2000         | 1999             | 1998  | 1997  |
|                                   | -----        | -----            | ----- | ----- |
|                                   | \$           | [Restated]<br>\$ | \$    | \$    |
| Total Assets                      | 934,701      | 415,127          | nil   | nil   |
| Total Liabilities                 | 2,318,412    | 1,566,531        | 900   | nil   |
| Shareholders' Equity (Deficiency) | (1,383,711)  | (546,483)        | (900) | nil   |
| Long-Term Obligations             | 1,566,531    | 810,000          | nil   | nil   |
| Cash Dividends                    | nil          | nil              | nil   | nil   |

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's results of operations and financial position should be read in conjunction with the Selected Financial Data and the Company's financial statements, including the notes thereto, appearing elsewhere in this Annual Report.

Overview

We were incorporated in the State of Florida on June 29, 1995 under the name "RLN Realty Associates, Inc." with an authorized share capital of 7,500 shares of common stock with a \$1.00 par value per share. On June 9, 1998, we filed Articles of Amendment to amend our Articles of Incorporation to increase our authorized share capital to 50,000,000 shares of common stock with a \$.001 par value per share. In addition to increasing our authorized capital, we authorized a split of our 5,000 outstanding shares of common stock on a 200-for-one basis effective on June 9, 1998.

On February 26, 1999, David Saltreli replaced the sole board member and became our President. On March 1, 1999, we amended our Articles of Incorporation to change our name to "Netmaximizer.com, Inc." to reflect our new e-commerce focus, and Peter Schuster joined the board and became our Secretary and Treasurer. March 1, 1999 also marks the beginning of the development of our new business plan. On March 8, 1999, David Saltreli and Peter Schuster each purchased

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2,430,000 shares of our common stock for cash at a purchase price of \$.001 per share (a total of \$2,430 each) as part of the private placement of 12,000,000 shares of our common stock. The remainder of the 12,000,000 shares offered during this placement were sold for cash at the same purchase price of \$.001 per share to accredited investors not affiliated with Netmaximizer.com, Inc. (see "Recent Sales of Unregistered Securities").

On October 19, 1999, we authorized a split of our 13,049,170 then-outstanding shares of common stock on a 3-for-1 basis effective as of November 1, 1999.

On April 10, 2000 we filed an amendment to our Articles of Incorporation increasing the total number of shares that we may issue to 77,000,000, consisting of 75,000,000 shares of common stock, par value \$.001 per share and 2,000,000 shares of "blank check" preferred stock, par value \$.001 per share.

Our primary objective will be Internet development, marketing and merchandising to provide (i) turnkey, individually branded, e-commerce department stores to affinity groups such as churches, schools and unions and (ii) redemption centers for recipients of premiums from various merchants.

During the next twelve months, we intend to increase the number of affinity groups and numbers of merchants for which we develop Affinity Stores and Redemption Centers, respectively.

### Material Changes in Results of Operations

We remain a development stage company. As of December 31, 2000, the Company continued organizational activities, the development of a strategic plan and raising capital. Full operations, as defined by our strategic plan, have not

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commenced. Prior to June 1999, we had no active business operations and from June 1999 through December 31, 2000 there have been no material or substantive transactions or results of operations. As a result, no meaningful comparison can be made between our present operations and our operations during the years ended December 31, 1994 to December 31, 1999.

### Material Changes in Financial Condition

Our total assets were approximately \$935,000 at December 31, 2000 compared with \$1,019,000 at September 30, 2000, \$934,000 at June 30, 2000, \$1,078,000 at March 31, 2000 and \$415,000 at December 31, 1999. During this fourth quarter, our inventory, property and equipment have remained relatively constant. Most of the decline in total assets is attributed to amortization of our web site design and, to a lesser degree, our comprehensive, on-line marketing and Power Point™ presentation. Our cash and short-term investments were approximately \$80,000 as of December 31, 2000, compared with \$9,000 at September 30, 2000, \$30,000 at June 30, 2000, \$202,000 at March 31, 2000 and \$39,000 at December 31, 1999. Our current liabilities were approximately 752,000 as of December 31, 2000, compared with \$507,000 at September 30, 2000, \$504,000 at June 30, 2000, \$217,000 at March 31, 2000, and 152,000 at December 31, 1999. This increase was principally the result of operating costs and deposits received on stock to be issued.

For the twelve months ended December 31, 2000 we had revenues from operations of \$18,763, \$5,800 during the fourth quarter, \$3,625 during the third quarter, \$5,055 during the second quarter, and \$4,283 during the first quarter. During the twelve months ended December 31, 2000 we had no active business operations. As a result, we had no material transactions or results of operations that require a comparison to our operations during the twelve-month period ended

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December 31, 1999. Because we have not begun actual operations as of this date, we consider these revenue numbers to be immaterial. During the twelve months ended December 31, 2000, we incurred direct costs and total expenses of \$4,001,902 (includes \$200,000 stock options issued for services), as compared to \$6,834,906 (includes \$6,163,321 stock options issued for services), for the twelve months ended December 31, 1999. The costs and total expenses incurred were primarily to continue the development of an infrastructure to operate the business pursuant to our business plan. The components of the costs and total expenses for the twelve months ended December 31, 2000 in the amount of \$4,001,902 are as follows: payroll, casual labor and related benefits \$696,776; professional fees \$271,039; commissions \$214,656; consulting fees \$278,805; rent \$192,011; interest on promissory notes \$600,480; amortization of web site design and comprehensive, on-line marketing and Power Point™ presentation costs \$387,680; and deferred compensation expense in connection with employee stock options \$964,972; telephone \$78,999; office supplies \$30,763; travel and related costs \$68,299; advertising \$30,848; depreciation \$13,647; equipment lease expense \$15,912; insurance costs \$24,884; marketing costs \$8,624; other operating costs \$123,507.

### Liquidity and Capital Resources

During the period December 1, 1999 through March 31, 2000, we raised an aggregate of \$1,333,975 in a financing transaction that was begun on December 1, 1999, and completed on February 8, 2000. We received approximately \$9,300 from our operations during the six-month period ending June 30, 2000. During the period June 30, 2000, through September 30, 2000, we raised an additional

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\$746,964 in financing, and received approximately \$3,625, in cash from our operations. During the period September 30, 2000 through December 31, 2000 we raised additional financing in the amount of \$337,388, and we generated approximately \$5,800 from operations. For the year ended December 31, 2000 we have generated cash from financing of approximately \$2,265,000. During the same time period we have used cash of approximately \$1,634,000, for operating activities, and we have used cash of approximately \$589,000 for investments in fixed assets, web site and a comprehensive, on-line Power Point™ presentation.

As of December 31, 2000, we had \$80,448 in cash. We intend to raise the additional \$2.1M in capital we require for the remainder of the year through additional sales of unregistered shares of our common stock conducted under exemptions provided by the Securities Act or by the rules of the SEC. We also intend to fund a portion of our inventory expansion by using lines of credit, which may be secured by such inventory. There can be no assurance that we will be able to raise additional capital or obtain line-of-credit financing on favorable terms and in the time required. If we are unable to meet the requirements necessary to finance our inventory expansion, our implementation plans could be severely and adversely impacted, and it is questionable whether we could continue as a going concern. We anticipate that our cash requirements will continue to increase during the remainder of calendar year 2001 as a result of salaries, professional fees and related expenses associated with the anticipated expansion of our operations. There can be no assurance that our actual expenditures for such periods will not exceed our estimated operating budget. Actual expenditures will depend upon a number of factors, some of which are beyond our control, including, among other things, reliability of the assumptions of management in estimating costs and timing, and the time expended by professionals and consultants and fees associated therewith.

### Recent Financing



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Our business activities and operations have been partially funded to date through issuance of shares of our common stock. The following transactions had been completed as of December 31, 2000:

On February 8, 2000, we obtained more than \$1.3 Million in a financing transaction with Monavia, Limited, a corporation organized and legally existing under the laws of the Isle of Man. Monavia received our non-negotiable, 9% promissory note due February 7, 2003 plus a three-year warrant to purchase 681,987 shares of our common stock at an exercise price of \$15.00 per share (the market price on the date of the warrant).

On July 21, 2000, we issued a non-negotiable, 9% promissory note due July 20, 2003 plus a three-year warrant to purchase 321,932 shares of our common stock at an exercise price of \$16.50 per share (the market price on the date of the warrant). This sale was made to Monavia, Ltd. This offering was not underwritten. The sale was exempt from registration in reliance upon Section 4(2) of the Securities Act since it did not involve a public offering.

On September 13, 2000, we entered into an agreement with Carousel Finance Limited to issue up to 1,000,000 units, each comprised of one share of our common stock and one warrant to purchase an additional share of our common stock, for a purchase price of \$5.00 per unit. The warrant entitles the holder to purchase the common stock at an exercise price of \$10 for a term of five years. The following purchases of Units were made pursuant to that agreement:

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| Date       | Amount    | Number of Units |
|------------|-----------|-----------------|
| ----       | -----     | -----           |
| 9/18/2000  | \$100,000 | 20,000          |
| 10/02/2000 | \$50,000  | 10,000          |
| 10/26/2000 | \$50,500  | 10,100          |
| 11/06/2000 | \$161,885 | 32,377          |
| 12/29/2000 | \$75,000  | 15,000          |

The sale was exempt from registration in reliance upon Section 4(2) of the Securities Act since it did not involve a public offering.

Subsequent to the end of the year, on February 14, 2001, we entered into an agreement with Consensus Investments Limited to issue 666,666 shares of our common stock and warrants to purchase an additional 1,333,332 shares of our common stock, for a purchase price of \$1,000,000.00. The warrant entitles the holder to purchase the common stock at an exercise price of \$1.875 for a term of five years. The sale was exempt from registration in reliance upon Section 4(2) of the Securities Act since it did not involve a public offering.

### New Accounting Pronouncements

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB 101 provides guidance for revenue recognition under certain circumstances, and is effective for the fourth quarter of 2000. The Company does not expect SAB 101 to have a material effect on its results of operations, financial position or cash flows.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires companies to recognize all derivatives contracts as either assets or liabilities in the balance sheet and to measure them at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the

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objective of which is to match the timing of the gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change. On June 30, 1999 the FASB issued SFAS No. 137 "Accounting for Derivative Instruments and Hedging Activities Deferred as of the Effective Date of FASB Statement No. 133." SFAS No. 133, as amended by SFAS 137, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes. Accordingly, the Company does not expect adoption of the new standard on January 1, 2000 to affect its financial statements.

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### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

None.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data to be provided pursuant to this Item 8 are included under Item 14 of this report.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

We retained Rachlin Cohen & Holtz (RCH) as our independent accountants to audit our financial statements effective as of October 7, 1999. Subsequent to that date, in connection with their audits of our financial statements, there were no disagreements with RCH on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures.

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

#### Directors and Officers

Both of our directors are elected annually by the shareholders and hold office until the next annual general meeting of shareholders or until their successors are duly elected and qualified, unless they sooner resign or cease to be directors in accordance with our Articles and Bylaws. Our executive officers are appointed by and serve at the pleasure of our Board of Directors.

As of April 6, 2001, the following persons were our directors and/or executive officers:

| Name and present office held                   | Director and Officer since |
|--|----------------------------|
| David Saltrelli, President, Director           | March 1999                 |
| Peter Schuster, Secretary, Treasurer, Director | March 1999                 |

The following is a brief biographical information on each of the officers and directors of listed:

DAVID SALTRELLI. Age 52. David Saltrelli holds a Masters in Business Administration (MBA) from the Simon School of Business at the University of

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Rochester where he majored in Finance & Economics. After completing four years in the United States Navy, David went on to become a leading stock and commodity broker for the Investment Firms of Merrill Lynch and Prudential Bache where he pioneered computerized commodity trading. He went into the Real Estate Development business in 1981 when he became President of Pantra Investments and quickly became one of the largest Developers of Vacation Timeshare Property in

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the United States with sales totaling over \$50,000,000. Realizing the need for up to the minute marketing and sales techniques David went on to build a successful direct mail and premium incentive company that serviced many of the Fortune 500 companies. David's companies employed over 200 full time employees that concentrated in traffic building for over 1,000 companies nationwide. His newest endeavors have been focused on delivering downloadable online premiums and incentives that can be used to generate large amounts of traffic (hits) to web sites on the Internet. He brings his over 30 years of direct marketing to Netmaximizer.com, Inc. and he concentrates his efforts in building vast amounts of online traffic for the company and linking webmasters as well.

PETER SCHUSTER. Age 54. Peter Schuster, subsequent to completing undergraduate and graduate degrees in Rochester, New York, began a career in the telecommunications industry during which he held numerous managerial positions at the largest independent operating telco including Customer Service Manager, Operations Manager, and finally Personnel Manager during which he was responsible for all corporate employment, human resource planning, management training, and organization development. As a business leader, Schuster served as a director of the Monroe County Industrial Development Council where he was responsible for the approval of all bank submitted proposals for commercial development in Monroe County (Rochester, N.Y.) applying for tax exempt revenue bonds. As an independent real estate developer, completing several commercial and residential rehab projects, Schuster received the "Best Rehab Conversion" award for historical preservation properties, and subsequently developed numerous commercial properties within the Interval Ownership industry. He brings years of corporate organizational and human resource skills along with entrepreneurial development and marketing background to Netmaximizer.com, Inc. and focuses principally on building and managing the human resource infrastructure.

### Other Information

The Board of Directors is elected by our shareholders. Currently, both of our Directors review significant developments affecting our company and act on matters requiring Board approval. Although the Board of Directors may delegate many matters to others, it reserves certain powers and functions to itself.

Our directors do not receive any salary for their services as directors or as members of committees of the Board of Directors. Directors may also serve our company in other capacities as an officer, agent or otherwise, and may receive compensation for their services in such other capacity.

Neither of our directors or executive officers is a party to any arrangement or understanding with any other person pursuant to which he was elected as a director or officer.

Neither of our directors or executive officers has any family relationship with the other officer or director.

We presently have no agreements with anyone to serve as an independent director and can offer no assurance that we will obtain the agreement of any individual

to serve as an independent director. Accordingly, we have no audit committee.

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#### Injunction

In June 1993, following the filing of a complaint by the Federal Trade Commission, David Saltreli, our President and director, (and other individuals and entities not affiliated with Netmaximizer.com, Inc.) entered into a Stipulated Permanent Injunction and Final Judgment with the FTC. The Injunction was entered by the United States District Court for the Middle District of Florida, Orlando Division. In the proceedings leading up to the Injunction, allegations were made that (a) consumers acquired travel-related services and products (both as incentives and as direct purchases) from telemarketing entities either controlled by or affiliated with Mr. Saltreli; (b) that the descriptions of and disclosures regarding these travel-related products or services were inadequate; (c) that consumers were at times required to pay undisclosed fees or increased costs with regard to the travel-related products to services; and (d) that at times the travel-related products or services were not available at the times or on the terms advertised. Mr. Saltreli denied all material allegations contained in the FTC's complaint. He agreed to the injunction, without trial or adjudication of any issue of law or fact, to resolve all matters in dispute between him and the FTC.

The Injunction enjoins Mr. Saltreli, as well those acting with him or participating in his activities, from supplying travel-related services and products for use in telemarketing and from assisting in the telemarketing of any travel-related product or service. The Injunction also states that, in connection with the advertising, promotion, marketing, distribution, offering for sale or sale of travel-related products or services (including premiums and incentives), Mr. Saltreli and the related parties are permanently enjoined from, among other things, failing to disclose or misrepresenting in any manner any restriction, limitation or condition on any consumer's use of a travel-related product or service, or failing to provide to each consumer who obtains such travel-related product or service the exact trip, product or service as was represented to the consumer.

During its initial testing phase beginning on November 4, 1999 and continuing to March 1, 2000, the Company offered premiums and incentives including Airchecks, hotel vouchers and merchandise to affinity group members to promote the sale of products, albeit never in a telemarketing context. As of March 1, 2000, we eliminated the use of travel-related incentives, as we determined that our affinity group members relate better to a more tangible, name-product incentive. Nonetheless, if the FTC were to determine that Mr. Saltreli, as our President, or Netmaximizer.com itself had violated the terms of the Injunction between November 4, 1999 and March 1, 2000, by engaging in prohibited conduct, it may seek to enforce the Injunction directly against us.

The Injunction gives the FTC the right to access during normal business hours the premises of any businesses which Mr. Saltreli is involved in, including the offices of Netmaximizer.com, Inc. Until June of 2000, Mr. Saltreli was required to disclose the existence and contents of the Injunction to any of his employees, agents, independent contractors, distributors or sales persons engaged in the marketing, distribution or sale of any travel-related products or services or premiums or incentives.

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### IRS Tax Liens

The Internal Revenue Service has filed several federal tax liens against David Saltreli relating to unpaid federal income taxes. One lien covers the periods beginning with the tax year ending December 31, 1979 and continuing through the tax year ending December 31, 1982 in the aggregate amount of \$902,889.20. The second covers tax years 1993, 1994 and 1995 in the aggregate amount of \$36,721.98. These tax liens should have no effect on Netmaximizer.com, Inc.

Except for the foregoing, neither of our officers or directors have been involved in the past five years in any of the following: (1) bankruptcy proceedings; (2) subject to criminal proceedings or convicted of a criminal act; (3) subject to any order, judgment or decree entered by any court limiting in any way his or her involvement in any type of business, securities or banking activities; or (4) subject to any order for violation of federal or state securities laws or commodities laws.

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors and persons who own more than 10% of the Company's Common Stock (collectively, the "Reporting Persons") to file reports of ownership and changes in ownership with the Securities and Exchange Commission and to furnish the Company with copies of these reports. Based on our review of these reports and written representations from the persons required to file them, we believe each of our directors and executive officers timely filed all the required reports during fiscal year ended December 31, 2000.

### ITEM 11. EXECUTIVE COMPENSATION

Our President received total cash compensation from us of \$30,920 for 1999, and \$180,000 for 2000. Our Secretary received total cash compensation from us of \$24,379 for 1999 and \$144,000 for 2000. No cash compensation was paid to either our President or Secretary prior to September 30, 1999. Our intent going forward is to pay to our President a monthly salary of \$15,000 and to our Secretary a monthly salary of \$12,000. Additionally, our two executive officers, Peter Schuster and David Saltreli, were granted stock options on April 5, 1999 as set forth on the table below. No grants of stock options to executive officers and directors were made prior or subsequent to April 5, 1999.

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### Stock Options

We reserved 7,809,600 shares of common stock for issuance pursuant to the 1999 Employee Stock Option Plan. On April 5, 1999, we granted stock options for 7,809,600 shares of common stock to our officers, employees and consultants. No grants of stock options were made prior to April 5, 1999 and no stock appreciation rights were granted to these individuals. The grants to consultants were compensation for services rendered in connection with the web site design, sales platform design, affinity group program design, and other similar services. See also Item 3, Legal Proceedings.

Pursuant to the Plan, the following stock options were issued on April 5, 1999 to our executive officers. The table shows the hypothetical gains or "option

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spreads" that would exist for the respective options. These gains are based on assumed rates of annual compound stock price appreciation of five percent (5%) and ten percent (10%) from the date the options were granted over the full term of the options.

INDIVIDUAL GRANTS

| NAME                 | NUMBER OF<br>SECURITIES<br>UNDERLYING OPTIONS<br>GRANTED<br>(#) (1) | PERCENT OF TOTAL<br>OPTIONS GRANTED<br>TO EMPLOYEES<br>(2) | EXERCISE<br>PRICE<br>(\$/SH) (3) | EXPIRATION<br>DATE | P<br>VAL<br>R<br>APP |
|----------------------|---|--|----------------------------------|--------------------|----------------------|
| David A. Saltrelli.. | 1,815,648   | 48.6%  | 2.00                             | 04/05/04           | \$4,                 |
| Peter G. Schuster... | 1,815,648   | 48.6%  | 2.00                             | 04/05/04           | \$4,                 |
| TOTAL                | 3,631,296   | 97.2%  |                                  |                    | \$9,                 |

- (1) Each of the options listed in the table is currently exercisable. The initial grant was for options to purchase 605,216 shares. The number indicated in the chart reflects the effect of our stock split. Each of the options has a five-year term.
- (2) Options were issued to purchase a total of 7,809,600 shares of our common stock under our 1999 Employee Stock Option Plan. Of that, 4,178,304 were issued to consultants.
- (3) The exercise price is equal to the OTCBB closing price for shares of our stock on April 4, 1999 (\$6.00), adjusted for the stock split. The exercise price may be paid in cash or by check or through a cashless exercise procedure.
- (4) The dollar amounts under these columns represent the potential tangible value, before income taxes, of each option assuming that the market price of the common stock appreciates in value from fair market value at the date of grant to the end of the option term at five percent (5%) and ten percent (10%) annual rates and therefore are not intended to forecast possible future appreciation, if any, of the price of the common stock.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the number of shares of our common stock owned beneficially as of April 6, 2001 by: (i) each person (including any group) known to us to own more than five percent (5%) of any class of our voting securities, (ii) each of our directors and officers, and (iii) officers and directors as a group. Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

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| Title of Class<br>----- | Name and Address of<br>Beneficial Owner<br>-----                              | Amount and Nature of<br>Beneficial Ownership<br>----- | Perce<br>----- |
|-------------------------|---|---|----------------|
| Common Stock            | David Saltrelli<br>4400 N. Federal Highway, Suite 307<br>Boca Raton, FL 33431 | 9,065,648(2)  |                |
| Common Stock            | Peter Schuster<br>4400 N. Federal Highway, Suite 307<br>Boca Raton, FL 33431  | 9,105,648(2)  |                |
| Common Stock            | Steven Howell<br>437 West Bockman Way<br>Sparta, TN 38583                     | 4,371,303(3)  |                |
| Common Stock            | Acuff Wilson Acuff Nisbet P.C.<br>101 South Jefferson<br>Cookeville, TN 38501 | 3,348,000(4)  |                |
| Common Stock            | Martin Leigh<br>Room E61 Suite 42533<br>Freeport Bahamas                      | 2,250,000(4)  |                |
| Common Stock            | All executive officers and<br>directors as a group (2 persons)                | 18,171,296  |                |

(1) Based on an aggregate of 39,957,149 shares outstanding as of April 6, 2001, and, with respect to each holder of options exercisable, or notes convertible, within 60 days of April 6, 2001, the shares issuable under such instruments.

(2) Includes 1,815,648 shares of common stock for David Saltrelli and 1,815,648 shares of common stock for Peter Schuster that may be purchased pursuant to the exercise of vested stock options within 60 days.

(3) As disclosed in the Schedule 13D filed by Steven Howell ("Howell") on May 12, 2000, Mr. Howell has sole voting power and sole investment power with respect to all of the reported shares. Includes 56,655 shares of common stock owned by Network 2001, Inc., a corporation solely owned by Howell, and 1,614,648 shares of common stock that may be acquired upon the exercise of vested stock options.

(4) Based solely upon the report of transfer agent dated as of April 6, 2001.

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### Changes in Control

We are not aware of any arrangement that might result in a change in control in the future.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Effective March 31, 1999, we entered into an agreement with Network 2001, Inc. ("Network") for the design and development of our web site. Network is a

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corporation wholly-owned by Mr. Steven Howell, one of our shareholders who owns more than 5% of our outstanding shares of common stock. We have subsequently and continue to be supported in our software development efforts by Network. For a discussion of the subsequent transactions, please see "Development of our Website" under the section entitled "Development of the Business."

As discussed above under "Recent Shares of our Unregistered Securities, Monavia, Limited, purchased two promissory notes plus warrants to acquire 1,003,919 shares of our common stock for cash in transactions during February, 2000 and July, 2000. At the time of those transactions, Monavia was a shareholder holding less than 0.1% of our outstanding shares.

Except for the ownership of our securities and the development of our web site that we have disclosed above, none of our directors, executive officers, holders of five percent (5%) of our outstanding shares of common stock, or any associate or affiliate of such person, have, to our knowledge, had a material interest, direct or indirect, during the three fiscal years ended December 31, 1998, 1999 and 2000 in any proposed transaction which may materially affect us.

### PART IV

#### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as a part of this Report.

(1) Financial Statements:

|   |     |
|---|-----|
| Report of Independent Certified Public Accountants..... | F-1 |
| Balance Sheets.....                                     | F-2 |
| Statements of Operations.....                           | F-3 |
| Statements of Stockholders' Equity (Deficiency.....)    | F-4 |
| Statements of Cash Flows                                | F-5 |
| Notes to Financial Statements.....                      | F-7 |

(2) Financial Statement Schedules:  
Not applicable.

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(3) Exhibits filed as part of this Report:

| Exhibit<br>Number<br>----- | Description<br>-----   |
|----------------------------|--|
| *                          | 3.1 Articles of Incorporation of RLN Realty Associates, Inc. effective June 29, 1995.                          |
| *                          | 3.2 Articles of Amendment to RLN Realty Associates, Inc. filed on June 9, 1998.                                |
| *                          | 3.3 Articles of Amendment to RLN Realty Associates, Inc. filed on March 1, 1999.                               |
| *                          | 3.4 Bylaws of Netmaximizer.com, Inc.   |
| **                         | 10.1 Lease Agreement by and between Netmaximizer.com, Inc. and Sanctuary of Boca, Inc. dated January 3, 2000.  |
| **                         | 10.2 Lease Agreement by and between Netmaximizer.com, Inc. and Sanctuary of Boca, Inc. dated January 20, 2000. |
| **                         | 10.3 Lease Agreement by and between Netmaximizer.com, Inc. and Sanctuary of Boca, Inc. dated March 3, 2000.    |
| **                         | 10.4 Warehouse Lease Agreement by and between Netmaximizer.com,  |



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- \*\* 10.5 Inc. and American Sales Industries dated February 1, 2000. Purchasing Agreement by and between Netmaximizer.com, Inc. and American Sales Industries dated March 14, 2000.
- \*\* 10.6 Non-negotiable 9% Promissory Note from Netmaximizer.com, Inc. to Monavia, Limited, dated as of February 8, 2000.
- \*\* 10.7 Monavia, Limited, Warrant to Purchase 681,987 Shares of Common Stock of Netmaximizer.com, Inc. dated February 8, 2000.
- 10.8 Carousel Finance Limited Securities Purchase Agreement dated September 13, 2000
- 10.9 First Amendment to Carousel Finance Limited Securities Purchase Agreement dated October 1, 2000
- 10.10 Form of Warrant to purchase shares of Netmaximizer.com, Inc. common stock issued to Carousel Finance Limited between September and December, 2000
- 10.11 Subscription Agreement from Consensus Investments Limited dated February 12, 2001, for \$1,000,000.
- 10.12 Warrant to purchase shares of Netmaximizer.com, Inc. common stock issued to Consensus Investment Limited on February 12, 2001

\* Previously filed as an exhibit to the Company's Registration Statement on Form 10, dated December 7, 1999 and incorporated by reference.

\*\* Previously filed as an exhibit to the Company's Amendment No. 1 to Registration Statement on Form 10, dated April 6, 2000 and incorporated by reference.

(b) The following reports on Form 8-K have been filed by the Company during the last quarter of the period covered by this report: None

(c) The Financial Statements and Schedules to this Form 10-K begin on page F-1 of this Form 10-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Netmaximizer.com, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 12, 2001

NETMAXIMIZER.COM, INC.  
(Registrant)

By: /s/ David A. Saltreli

-----  
David A. Saltreli, President

Each person whose signature appears below hereby constitutes and appoints David Saltreli his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying all that said attorney-in-fact and agent or his substitute or substitutes, or any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this

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report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| SIGNATURE<br>-----                                   | TITLE<br>-----  | DATE<br>-----  |
|--|---|----------------|
| /s/David A. Saltrelli<br>-----<br>David A. Saltrelli | President and Director<br>(Principal Executive<br>Officer)            | April 12, 2001 |
| /s/Peter G. Schuster<br>-----<br>Peter G. Schuster   | Secretary, Treasurer and<br>Director (Principal<br>Financial Officer) | April 12, 2001 |

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

FINANCIAL STATEMENTS

DECEMBER 31, 2000, 1999 AND 1998

=====

NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

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INDEX TO FINANCIAL STATEMENTS  
-----

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| FINANCIAL STATEMENTS                               |            |
| Balance Sheets                                     | F-2        |
| Statements of Operations                           | F-3        |
| Statements of Stockholders' Deficiency             | F-4        |
| Statements of Cash Flows                           | F-5        |
| Notes to Financial Statements                      | F-6 - F-21 |

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
-----

Board of Directors and Stockholders  
Netmaximizer.com, Inc.  
Boca Raton, Florida

We have audited the accompanying balance sheets of Netmaximizer.com, Inc. (a development stage enterprise) as of December 31, 2000 and 1999, and the related statements of operations, stockholders' deficiency and cash flows for each of the three years in the period ended December 31, 2000, and cumulative from inception. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Netmaximizer.com, Inc. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 and cumulative from inception, in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the financial statements, the Company is subject to certain risks and uncertainties, which conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are also

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described in Note 2 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of these risks and uncertainties.

As discussed in Note 3 to the financial statements, an error in accounting for payments made on behalf of the Company by certain stockholders and an obligation to issue options to purchase common stock granted pursuant to a certain agreement was discovered by management. Accordingly, an adjustment has been made to properly reflect this transaction in the accompanying financial statements.

RACHLIN COHEN & HOLTZ LLP

Fort Lauderdale, Florida  
February 16, 2001

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

BALANCE SHEETS

|  | 2000     |
|--|----------|
| ASSETS   |          |
| -----  |          |
| Current Assets:  |          |
| Cash, including restricted cash of \$1,272 and \$683           | \$ 80,4  |
| Inventories  | 158,2    |
|  | -----    |
| Total current assets   | 238,7    |
| Property and Equipment   | 80,6     |
| Web Site Design, Net of Amortization of \$413,611 and \$50,000 | 521,3    |
| Other Assets   | 93,9     |
|  | -----    |
| Total assets   | \$ 934,7 |
|  | =====    |
| LIABILITIES AND STOCKHOLDERS' DEFICIENCY                       |          |
| -----  |          |
| Current Liabilities:   |          |
| Accounts payable and accrued liabilities:                      |          |
| Accrued interest, stockholder                                  | \$ 134,9 |
| Related parties  | 113,4    |
| Other  | 475,7    |
| Due to officer/stockholder                                     | 23,0     |
| Note payable, other  | 4,6      |
|  | -----    |

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|  |  |   |
|--|--|---|
| Total current liabilities  |  | 751,8                                       |
| <hr style="border-top: 1px dashed black;"/>  |  |   |
| Long-Term Debt and Other Obligations:  |  |   |
| Notes payable, stockholder, net of unamortized discount of \$1,519,421<br>in 2000  |  | 461,5                                       |
| Deposits on stock to be issued   |  | 437,3                                       |
| Obligation related to stock options to be issued   |  | 660,0                                       |
| Note payable, other  |  | 7,6   |
|  |  | <hr style="border-top: 1px dashed black;"/> |
|  |  | 1,566,5                                     |
| <hr style="border-top: 1px dashed black;"/>  |  |   |
| Commitments, Contingencies and Subsequent Events   |  |   |
| Stockholders' Deficiency:  |  |   |
| Preferred stock, \$.001 par value; authorized 2,000,000 shares;<br>none issued and outstanding                           |  |   |
| Common stock, \$.001 par value; authorized 75,000,000 shares;<br>issued and outstanding 39,203,006 and 39,153,006 shares |  | 39,2  |
| Additional paid-in capital   |  | 9,386,0                                     |
| Deficit accumulated during the development stage   |  | (10,808,9                                   |
| Deferred compensation  |  |   |
| Total stockholders' deficiency   |  | <hr style="border-top: 1px dashed black;"/> |
| Total liabilities and stockholders' deficiency   |  | (1,383,7                                    |
|  |  | <hr style="border-top: 1px dashed black;"/> |
|  |  | \$ 934,7                                    |
| <hr style="border-top: 3px double black;"/>  |  |   |

See Notes to financial statements

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

### STATEMENTS OF OPERATIONS

|   |   | Year Ended December 31,                     |   |
|---|---|---|---|
|   | 2000  | 1999  | 19  |
|   |   | (Restated)                                  |   |
|   | \$  | \$  | \$  |
|   | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Revenue                                       | 18,763                                      | 15,002                                      |   |
| Costs and Expenses:                           |   |   |   |
| Direct costs of revenue                       | 18,292                                      | 9,560                                       |   |
| Stock and options issued for services         | 200,000                                     | 6,163,321                                   |   |
| General and administrative                    | 1,854,557                                   | 612,025                                     |   |
| Amortization of deferred compensation expense | 964,972                                     | --  |   |
| Amortization of web site design               | 363,601                                     | 50,000                                      |   |
| Amortization of debt discount                 | 461,518                                     | --  |   |
| Interest expense, stockholder                 | 138,962                                     | --  |   |
|   | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |

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|  |                |                |             |
|--|----------------|----------------|-------------|
|  | 4,001,902      | 6,834,906      | -----       |
| Net Loss                               | \$ (3,983,139) | \$ (6,819,904) | \$ -----    |
| Net Loss Per Share - Basic and Diluted | \$ (0.10)      | \$ (0.17)      | \$ -----    |
| Weighted Average Shares Outstanding    | 39,166,705     | 39,066,446     | 3,000 ----- |

See Notes to financial statements

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

STATEMENTS OF STOCKHOLDERS' DEFICIENCY

|  | Common Stock<br>----- |                 | Additional<br>Paid-In<br>Capital<br>-----<br>(Restated) | De<br>Accu<br>Duri<br>Devel<br>St<br>--<br>(Res |
|--|-----------------------|-----------------|---|---|
|  | Shares<br>-----       | Amount<br>----- |   |   |
| Inception (June 29, 1995) to December 31, 1995   | --                    | \$ --           | \$ --   | \$ --   |
| Balance, December 31, 1995   | --                    | --              | --  | --  |
| Year Ended December 31, 1996:  |                       |                 |   |   |
| Stock issued for services (\$.0017 per share)  | 3,000,000             | 3,000           | 2,000   |   |
| Net loss   | --                    | --              | --  |   |
| Balance, December 31, 1996   | 3,000,000             | 3,000           | 2,000   |   |
| Year Ended December 31, 1997:  |                       |                 |   |   |
| Net loss   | --                    | --              | --  |   |
| Balance, December 31, 1997   | 3,000,000             | 3,000           | 2,000   |   |
| Year Ended December 31, 1998:  |                       |                 |   |   |
| Net loss   | --                    | --              | --  |   |
| Balance, December 31, 1998   | 3,000,000             | 3,000           | 2,000   |   |
| Year Ended December 31, 1999:  |                       |                 |   |   |
| Sale of common stock, proceeds of which were<br>remitted directly to web site developer: |                       |                 |   |   |
| Issuance of common stock (\$.001 per share)  | 36,000,000            | 36,000          | (24,000)  |   |

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|   |            |           |              |          |
|---|------------|-----------|--------------|----------|
| Issuance of common stock (\$1.04 per share)                                   | 48,000     | 48        | 49,952       |          |
| Sale of common stock for cash:  |            |           |              |          |
| Issuance of common stock (\$4.84 per share)                                   | 3,510      | 3         | 16,997       |          |
| Issuance of common stock (\$5.08 per share)                                   | 39,345     | 39        | 199,961      |          |
| Issuance of common stock (\$5.46 per share)                                   | 5,496      | 6         | 29,994       |          |
| Issuance of common stock for web site development services (\$5.08 per share) | 56,655     | 57        | 287,943      |          |
| Options granted for services  | --         | --        | 6,468,293    |          |
| Credit for officer compensation   | --         | --        | 150,000      |          |
| Consulting fees paid by stockholder on behalf of Company                      | --         | --        | 24,000       |          |
| Net loss  | --         | --        | --           | (6,8     |
|   | -----      | -----     | -----        | -----    |
| Balance, December 31, 1999  | 39,153,006 | 39,153    | 7,205,140    | (6,8     |
| Year Ended December 31, 2000:   |            |           |              |          |
| Amortization of deferred compensation   |            |           |              |          |
| Discount on notes payable, stockholder  |            |           | 1,980,939    |          |
| Issuance of common stock for services   | 50,000     | 50        | 199,950      |          |
| Net loss  | --         | --        | --           | (3,9     |
|   | -----      | -----     | -----        | -----    |
| Balance, December 31, 2000  | 39,203,006 | \$ 39,203 | \$ 9,386,029 | \$ (10,8 |
|   | =====      | =====     | =====        | =====    |

See Notes to financial statements

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

STATEMENTS OF CASH FLOWS

|   | Year Ended December 31, |                |
|---|-------------------------|----------------|
|   | 2000                    | 1999           |
|   | ----                    | ----           |
|   | (Restated)              |                |
| Cash Flows from Operating Activities:                                       |                         |                |
| Net loss  | \$ (3,983,139)          | \$ (6,819,904) |
| Adjustments to reconcile net loss to net cash used in operating activities: |                         |                |
| Amortization of deferred compensation                                       | 964,972                 | --             |
| Options granted for services  | --                      | 6,163,321      |
| Common stock issued for services  | 200,000                 | --             |
| Officer compensation  | --                      | 150,000        |
| Consulting fees paid by stockholder on behalf of Company                    | --                      | 24,000         |
| Depreciation and amortization   | 401,327                 | 54,755         |
| Amortization of discount  | 461,518                 | --             |
| Changes in operating assets and liabilities:                                |                         |                |
| Inventories   | (128,401)               | (29,886)       |
| Other assets  | (37,216)                | (11,542)       |
| Accounts payable and accrued liabilities                                    | 351,938                 | 122,890        |
| Accrued interest , stockholder  | 134,961                 | --             |

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|   |             |            |
|---|-------------|------------|
| Net cash used in operating activities                                       | (1,634,040) | (346,366)  |
| Cash Flows from Investing Activities:                                       |             |            |
| Web site design costs   | (535,000)   | --         |
| Expenditures for property and equipment                                     | (49,647)    | (9,739)    |
| Other   | (4,774)     | (1,840)    |
| Net cash used in investing activities                                       | (589,421)   | (11,579)   |
| Cash Flows from Financing Activities:                                       |             |            |
| Proceeds from long-term debt, stockholder                                   | 1,830,939   | 150,000    |
| Proceeds from sales of common stock   | 437,388     | 247,000    |
| Repayments on notes payable, other  | (3,473)     | --         |
| Net cash provided by financing activities                                   | 2,264,854   | 397,000    |
| Net Increase in Cash  | 41,393      | 39,055     |
| Cash, Beginning   | 39,055      | --         |
| Cash, Ending  | \$ 80,448   | \$ 39,055  |
| Non-Cash Investing and Financing Transactions:                              |             |            |
| Purchase of equipment in exchange for note payable                          | \$ 15,794   | \$ --      |
| Common stock issued for web site development services                       | \$ --       | \$ 288,000 |
| Proceeds from sales of common stock remitted directly to web site developer | \$ --       | \$ 62,000  |
| Equipment purchased from officer in exchange for debt                       | \$ --       | \$ 23,859  |

See Notes to financial statements

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000, 1999 AND 1998

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Capitalization

The Company was incorporated under the laws of the state of Florida on June 29, 1995 under the name RLN Realty Associates, Inc.

Initially the Board authorized 7,500 shares of \$1.00 par value common stock of which 5,000 shares were issued in exchange for services in 1996. On June 9, 1998, the Company filed amended Articles of Incorporation to change the par value to \$.001 and increase the authorized number of shares of common stock to



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50,000,000 shares. On June 9, 1998, the Board of Directors authorized a 200 for 1 stock split, which increased the issued and outstanding shares to 1,000,000.

On March 1, 1999, the Articles of Incorporation were amended to reflect the change in corporate name to "Netmaximizer.com, Inc."

On October 19, 1999, the Board of Directors authorized a 3 for 1 stock split, effective November 1, 1999, which increased the then issued and outstanding shares to 39,153,006.

On April 10, 2000, the Articles of Incorporation were amended increasing the total number of shares that the Company may issue to 77,000,000 shares, consisting of 75,000,000 shares of common stock, par value \$.001 per share and 2,000,000 shares of "blank check" preferred stock, par value \$.001 per share.

The effect of all these actions has been reflected retroactively in the accompanying financial statements.

### Business

The Company is an Internet marketing and merchandising company that sells an array of products via an e-commerce site. The Company provides access to an e-commerce department store primarily to members of affinity groups such as churches, schools and unions.

### Development Stage Enterprise

As described above, the Company was incorporated on June 29, 1995, and, since that time, has been primarily involved in organizational activities, developing a strategic plan for the marketing of its products, and raising capital. Planned operations, as described above, have not commenced to any significant extent. Accordingly, the Company is considered to be in the development stage, and the accompanying financial statements represent those of a development stage enterprise.

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Use of Estimates

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the balance sheet and operations for the period. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

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### Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company maintains its cash, which consists primarily of demand deposits, with high quality financial institutions, which the Company believes limits this risk.

### Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash, accounts payable, and long-term debt with a related party. The carrying amounts of such financial instruments, as reflected in the balance sheet, approximate their estimated fair value as of December 31, 2000 and 1999. The estimated fair value is not necessarily indicative of the amounts the Company could realize in a current market exchange or of future earnings or cash flows.

### Inventories

Inventories, comprised primarily of consumer products held for sale, are stated at the lower of cost or market. Cost is determined on the first in, first out basis.

### Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Gain or loss on disposition of assets is recognized currently. Repairs and maintenance which do not extend the lives of the respective assets are charged to expense as incurred. Major replacements or betterments are capitalized and depreciated over the remaining useful lives of the assets.

### Web Site Design

Web site design includes costs incurred by the Company to develop the Company's web site. Pursuant to Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," the Company has capitalized the costs incurred to develop the web site and is amortizing such costs over the estimated life of the web site (thirty-six months) (see Note 4).

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Other Assets

The Company developed a marketing presentation which is being used to market the Company. The cost of the presentation, which is being amortized over twenty-four months, was incurred to a company owned

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by an employee and is included in other assets in the amount of approximately \$80,000 as of December 31, 2000.

### Income Taxes

The Company accounts for its income taxes using Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," which requires recognition of deferred tax liabilities and assets for expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

### Revenue Recognition

The Company recognizes revenue, including shipping and handling fees, when the merchandise is shipped to customers. Allowances for estimated returns are provided when sales are recorded. Costs associated with shipping and handling are included with direct costs of revenue.

### Advertising Costs

Advertising costs are expensed as incurred. Advertising costs incurred for 2000, 1999, and 1998 were not material.

### Stock-Based Compensation

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"), and related interpretations, in accounting for its employee stock options rather than the alternative fair value accounting allowed by SFAS No. 123, "Accounting for Stock-Based Compensation." APB No. 25 provides that the compensation expense relative to the Company's employee stock options is measured based on the intrinsic value of the stock option. SFAS No. 123 requires companies that continue to follow APB No. 25 to provide a pro-forma disclosure of the impact of applying the fair value method of SFAS No. 123.

The Company follows SFAS No. 123 in accounting for stock options issued to non-employees.

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Loss Per Common Share

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The Company computes loss per share in accordance with SFAS No. 128, "Earnings Per Share." This standard requires dual presentation of basic and diluted earnings per share on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the diluted earnings per share computation.

Net loss per common share (basic and diluted) is based on the net loss divided by the weighted average number of common shares outstanding during the year.

The Company's potentially issuable shares of common stock pursuant to outstanding stock options are excluded from the Company's diluted computation as their effect would be anti-dilutive.

### Recent Accounting Pronouncements

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB 101 provides guidance for revenue recognition under certain circumstances, and is effective for the fourth quarter of 2000. The implementation of SAB 101 did not have a material effect on the Company's results of operations, financial position and cash flows.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires companies to recognize all derivatives contracts as either assets or liabilities in the balance sheet and to measure them at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of the gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that is attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change. On June 30, 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 133 as amended by SFAS No. 137 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133 as amended by SFAS No. 137 and 138 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000.

Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes. Accordingly, adoption of the new standard during fiscal year 2000 did not have a material effect on the Company's financial statements.

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

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## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Recent Accounting Pronouncements (Continued)

In March 2000, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation - an Interpretation of APB Opinion No. 25" ("FIN 44"). FIN 44 clarifies the application of APB Opinion No. 25 and, among other issues, clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequences of various modifications to the terms of previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 was effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. The Company adopted FIN 44 in the third quarter of 2000 and there was no material impact on the Company's results of operations or financial position.

### NOTE 2. SUMMARY OF CERTAIN RISKS AND UNCERTAINTIES

#### Governmental Regulation and Injunction

The activities of the Company are governed by the Federal Trade Commission ("FTC"). In 1993, the FTC secured a permanent injunction against the Company's president (who is also a director and major stockholder), and other entities not related to the Company, enjoining them, directly or indirectly, from supplying travel-related services and products for use in telemarketing and from assisting in the telemarketing of any travel-related product or service.

The injunction also states that, in connection with the advertising, promotion, marketing, distribution, offering for sale or sale of travel-related products or services, all named parties are permanently enjoined from participating in or assisting others that participate in (a) misrepresenting in any manner, any restriction, limitation or condition on any consumer's use of a travel-related product or service; (b) failing to disclose in writing any material fact regarding any such restriction; (c) misrepresenting the total cost any consumer must pay to use such travel-related product or service; and (d) misrepresenting the consumer's right to any refund. The injunction also restricts activities in connection with the use of travel-related products or services, whether as a premium or incentive or otherwise. Beginning November 4, 1999 and continuing to March 1, 2000, the Company offered airchecks and hotel vouchers as a premium or incentive to customers to promote the sale of products and, therefore, certain aspects of the Company's business could fall within the scope of the activities addressed in the injunction. As of March 1, 2000, the Company eliminated the use of travel-related incentives.

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### NOTE 2. SUMMARY OF CERTAIN RISKS AND UNCERTAINTIES (Continued)

##### Governmental Regulation and Injunction (Continued)

The injunction gives the FTC the right to access during normal business hours the premises of any businesses which the Company's president is involved in, including the business of the Company. Until June 2000, the Company's president was required to disclose the existence and contents of the injunction to any of his employees, agents, independent contractors, distributors or sales persons engaged in the marketing, distribution or sale of any travel-related products or services or premiums or incentives.

As a result of the injunction, it may be possible for the FTC to enforce the injunction against the Company if the FTC determined that the Company had violated the terms of the injunction by engaging in prohibited conduct.

##### Going Concern Considerations

The accompanying financial statements have been presented in accordance with generally accepted accounting principles, which assume the continuity of the Company as a going concern. However, as discussed above, the Company is in the development stage and, therefore, has generated virtually no revenue to date, has incurred substantial net losses in 2000 and 1999, partially as the result of the issuance of certain stock options, and reflects a stockholders' deficiency (liabilities in excess of assets) as of December 31, 2000. The Company has also used substantial amounts of cash in operating activities and investing activities, primarily web site design costs, which cash outflows have been funded primarily by long-term borrowings from a stockholder and sales of common stock. Additionally, the Company is subject to the impacts, if any, of the injunction put in place by the FTC against the Company's president, as described above. These conditions raise substantial doubt as to the ability of the Company to continue as a going concern.

Management's plans with regard to these matters include:

- o The adoption of a business plan intended to address the Company's strategy for growth and expansion of the affinity group membership base;
- o Raising additional capital through a Securities Purchase Agreement executed during 2000 (see Note 11);
- o Debt financing from a stockholder (see Note 6).
- o Additional equity financing (see Note 12).

The eventual success of management's plans cannot be ascertained with any degree of certainty.

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 2. SUMMARY OF CERTAIN RISKS AND UNCERTAINTIES (Continued)

#### Summary

The accompanying financial statements do not include any adjustments that might result from the outcome of the risks and uncertainties described above.

### NOTE 3. PRIOR PERIOD ADJUSTMENT

As more fully described below, management determined that an error had occurred in the accounting for payments made on behalf of the Company by stockholders and the liability for options to be granted to purchase common stock pursuant to a compensation agreement entered into on June 7, 1999. The accompanying financial statements for 1999 have been restated for the correction of this error in order to reflect the consulting fees incurred measured by the sum of the cash paid by stockholders on the Company's behalf (\$24,000) and the fair value of the stock options which would have vested if they were issued (\$660,000), a total of \$684,000 (\$\_\_\_\_\_ per share).

On June 7, 1999, the Company entered into a compensation agreement in connection with financial relations consulting services to be rendered to the Company. The agreement, which is for a term of twelve months provided for, among other things, fees of \$6,000 payable monthly, expense reimbursements, and incentive stock options for 829,296 shares (giving effect to the 3-for-1 split described in Note 1) of common stock. The options were to have an exercise price of \$3.33 per share (giving effect to the 3-for-1 split described in Note 1), a minimum 5 year expiration term and were to be registered. The options were to vest in four equal tranches, based upon (a) execution of a definitive Engagement Agreement; (b) acquiring four new marketmakers for the Company; (c) attaining a total of 500 round lot owners for the purpose of assisting the Company to successfully apply for NASDAQ listing; and (d) achieving 250,000 shares of trading activity within 60 days, all as described and defined in the agreement.

Certain stockholders paid the monthly fee on behalf of the Company for the initial four months. In the fourth quarter of 1999, the Company terminated the contract for nonperformance, among other things. The contract does not specifically provide for termination for cause.

On January 9, 2001, the consultant filed a legal claim alleging bad faith on the part of the Company, seeking unpaid fees of \$48,000, specific performance of the stock options and damages, attorney's fees and costs.

The Company has filed a counterclaim for breach of contract, alleging that the consultant failed to uphold any part of his obligation and that the consultant, by failing to disclose prior felony convictions, fraudulently induced the Company into entering into the contract. Management intends to defend and prosecute this litigation vigorously.

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It is not possible to predict the probable outcome with any degree of certainty at this time.

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NETMAXIMIZER.COM, INC.  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 3. PRIOR PERIOD ADJUSTMENT (Continued)

The 1999 financial statements have been restated to record as an expense the consulting fees of \$684,000 relating to cash and stock options, and the corresponding increase in additional paid-in capital and an obligation for stock options to be issued. At such time as the outstanding claims are settled or resolved, additional consulting fees or costs to be paid, if any, will be recorded in the financial statements at that time.

NOTE 4. WEB SITE DESIGN COSTS

Web site design costs are comprised of the following fees aggregating \$935,000 paid to a consultant, which is owned and controlled by a major stockholder:

|   |           |
|---|-----------|
| Cash  | \$597,000 |
| Accounts payable and accrued liabilities  | 50,000    |
| 56,655 shares of common stock valued at the market value of such stock on the date of issuance (\$5.08 per share) (see Note 10) | 288,000   |
|   | -----     |
|   | \$935,000 |
|   | =====     |

The following is an analysis of web site design costs by Phase as of December 31, 2000:

|                          | Phase One<br>----- | Phase Two<br>----- | Phase Three<br>----- | Phase Four<br>----- |
|--------------------------|--------------------|--------------------|----------------------|---------------------|
| Cost                     | \$350,000          | \$330,000          | \$155,000            | \$100,000           |
| Accumulated amortization | 350,000            | 55,000             | 8,611                | --                  |
|                          | -----              | -----              | -----                | -----               |
| Unamortized cost         | \$ --              | \$275,000          | \$146,389            | \$100,000           |
|                          | =====              | =====              | =====                | =====               |

Phase One of the web site was available for use on November 4, 1999, and the Company commenced amortizing the cost of Phase One (\$350,000) over an estimated useful life of fourteen months as of that date. Phases Two and Three were placed in service during 2000 and are being amortized over an estimated useful life of thirty-six months. Phase Four of the web site has not been placed in service as of December 31, 2000 and, as a result, is not being amortized. The Company will commence amortizing those costs when Phase Four is placed in service (see Note 12).



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### NOTE 5. PROPERTY AND EQUIPMENT

|                               | Estimated<br>Useful Lives | 2000     | 1999     |
|-------------------------------|---------------------------|----------|----------|
| Furniture and Equipment       | 5-7 years                 | \$90,966 | \$33,597 |
| Leasehold improvements        | 7 years                   | 8,073    | --       |
|                               |                           | 99,039   | 33,597   |
| Less accumulated depreciation |                           | 18,402   | 4,755    |
|                               |                           | \$80,637 | \$28,843 |

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

### NOTE 6. RELATED PARTY TRANSACTIONS

#### Long-Term Debt, Stockholder

On February 8, 2000, the Company issued a promissory note in the amount of \$1,333,975 to a stockholder in exchange for cash. This note bears interest at 9%, with principal due February 7, 2003. As of December 31, 1999, the Company had received an advance of \$150,000 against the total funds to be received in consideration for the promissory note. The remaining \$1,183,975 proceeds of the note payable were received by February 8, 2000.

In connection with the promissory note, the Company issued warrants to purchase 681,987 shares of common stock at \$15.00 per share, the market price of the Company's common stock on the date of issuance of the warrant. These warrants can be exercised at any time before February 7, 2003.

On July 21, 2000, the Company issued an additional promissory note in the amount of \$646,964 to this stockholder in exchange for cash. The note bears interest at 9%, with principal due July 20, 2003. Prior to June 30, 2000, the Company received an advance of \$200,000 against the total funds to be received in consideration for the promissory note. The remaining \$446,964 proceeds of the note payable were received by July 21, 2000.

In connection with the second promissory note, the Company issued warrants to purchase 321,932 shares of common stock at \$16.50 per share, the market price of the Company's common stock on the date of issuance of the warrant. These warrants can be exercised at any time before July 21, 2005.

The Company estimated the fair value of the warrants issued in connection with these promissory notes at the grant date by using the Black-Scholes option-pricing model with the following weighted-average assumptions; no dividend yield; an expected life of three or five years; 100% expected volatility; and 6.00% risk

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free interest rate.

The total estimated fair value of the warrants exceeded the face amounts of the promissory notes individually. As a result, the Company recorded discounts in the amount of the face value of the notes (\$1,980,939) and is amortizing these discounts as interest expense (additional costs of financing) over the three-year term of the promissory notes in the accompanying financial statements.

|                      | Note 1<br>----- | Note 2<br>----- | Total<br>----- |
|----------------------|-----------------|-----------------|----------------|
| Promissory note      | \$1,333,975     | \$646,964       | \$1,980,939    |
| Unamortized discount | 926,370         | 593,051         | 1,519,421      |
|                      | -----           | -----           | -----          |
|                      | \$ 407,605      | \$ 53,913       | \$ 461,518     |
|                      | =====           | =====           | =====          |

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 6. RELATED PARTY TRANSACTIONS (Continued)

Officer/Employees Compensation

The officer/employees received no compensation for the period from March to August 1999, other than stock options issued (see Note 8). Compensation expense was recorded in the amount of \$150,000 for this period with a corresponding increase in additional paid-in capital. During the period from September to December 1999, these officer/employees received \$55,229 of cash compensation.

Web Site Design Costs

See Notes 4 and 12 regarding payments made to a consultant, which is owned and controlled by a major stockholder.

NOTE 7. INCOME TAXES

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." SFAS No. 109 is an asset and liability approach for computing deferred income taxes.

A reconciliation of income tax computed at the statutory federal rate to income tax expense (benefit) is as follows:

|   | 2000<br>----   | 1999<br>----   |
|---|----------------|----------------|
| Tax provision at the statutory rate of 34%    | \$ (1,354,000) | \$ (2,319,000) |
| State income taxes, net of federal income tax | (119,000)      | (204,000)      |
|   |                | (Restated)     |

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|                               |              |          |
|-------------------------------|--------------|----------|
| Change in valuation allowance | (17,978,000) | 19,105,  |
| Stock options not exercised   | 19,281,000   | (16,582, |
| Amortization of discount      | 170,000      |          |
|                               | -----        | -----    |
|                               | \$ --        | \$       |
|                               | =====        | =====    |

The net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes are reflected in deferred income taxes. Significant components of the Company's deferred tax assets are as follows:

|   |              |
|---|--------------|
|   | De           |
|   | 2000         |
|   | ----         |
| Benefit of net operating loss carryforwards | \$ 1,053,000 |
| Stock options issued for services           | -            |
| Stock issued for compensation               | 74,000       |
| Less valuation allowance                    | (1,127,000)  |
|   | -----        |
| Net deferred tax asset                      | \$ -         |
|   | =====        |

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 7. INCOME TAXES (Continued)

At December 31, 2000, the Company had net operating loss carryforwards for federal income tax purposes of approximately \$2,845,000, which are available to offset future federal taxable income, if any, through 2020.

As of December 31, 2000, sufficient uncertainty exists regarding the realizability of these deferred tax assets and, accordingly, a 100% valuation allowance has been established.

In accordance with certain provisions of the Tax Reform Act of 1986, a change in ownership of greater than 50% of a corporation within a three year period will place an annual limitation on the corporation's ability to utilize its existing tax benefit carryforwards. Such a change in ownership occurred in 1999. However, based upon the amount of the taxable loss incurred to March 19, 1999 (approximately \$6,000), the Company estimates that no annual limitation will apply to the net operating loss carryforward existing as of that date.

NOTE 8. STOCK OPTION PLAN

In April 1999, the Board of Directors of the Company (the "Board")

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authorized the 1999 Employee Stock Option Plan (the "Stock Option Plan") for those employees, consultants, and advisors (the "Participants") of the Company who, in the judgment of the Administrator (defined below) are or will become responsible for the direction and financial success of the Company. The adoption of the Stock Option Plan was ratified by the stockholders on September 30, 1999. The purpose of the Stock Option Plan is to provide the Participants with an increased incentive to make significant contributions to the long-term performance and growth of the Company. Under the Stock Option Plan, the Participants may only receive awards of non-qualified stock options. A maximum of 2,603,200 shares of common stock are subject to the Stock Option Plan.

The Stock Option Plan may be administered by the Board, or in the Board's sole discretion, by the Compensation Committee of the Board (the "Committee," and with the Board, the "Administrator") or such other committee as may be specified by the Board to perform the functions and duties of the Committee under the Stock Option Plan.

The Participants in the Stock Option Plan may include officers and directors who are also employees of the Company.

The exercise period for stock options and stock appreciation rights will be determined by the Administrator, but no stock option or stock appreciation right may be exercisable prior to the expiration of six months from the date of grant or after 10 years from the date of grant, subject to certain conditions and limitations.

The Stock Option Plan may be abandoned or terminated at any time by the Board. Unless sooner terminated, the Stock Option Plan will terminate on the date ten years after its adoption by the Board. The termination of the Stock Option Plan will not affect the validity of any stock option, stock appreciation right, or restricted stock outstanding on the date of termination.

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NETMAXIMIZER.COM, INC.  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

### NOTE 8. STOCK OPTION PLAN (Continued)

The Company has issued options to purchase a total of 7,809,600 shares of common stock (3,631,296 to employees and 4,178,304 to consultants) out of the shares of common stock provided for in the Stock Option Plan, at an exercise price of \$2.00 per share, the price at which the stock was trading as of the day of the grant of the options (giving effect to the stock splits described in Note 1). These options are for a term of five years and contain an anti-dilution provision. The options issued to employees were, among other things, in lieu of compensation for services provided during this organizational stage when no salary was paid to officer/employees prior to September 30, 1999 (see Note 6).

Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation", requires the Company to

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provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's employee stock options has been determined in accordance with the fair value based method prescribed in SFAS 123.

The fair value of the options granted to consultants in 1999 has been recorded as a charge to operations in the accompanying financial statements over the period in which they vest. As of December 31, 1999, \$964,972 has been reflected as deferred compensation, representing the unamortized portion of the options which vest in October 2000, and is presented as a reduction of stockholders' equity.

The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1999 (no options were granted prior to 1999 or in 2000); no dividend yield; an expected life of five years; 100% expected volatility, and 6.00% risk free interest rate.

The option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, valuation models require the input of highly subjective assumptions including the expected price volatility. Since the Company's stock options have characteristics significantly different from those of traded options, and since variations in the subjective input assumptions can materially affect the fair value estimate, the actual results can vary significantly from estimated results.

Under the accounting provisions of SFAS 123, the Company's net loss and loss per share would have been adjusted in connection with options issued to employees to the pro forma amounts indicated below:

|                                     | 2000<br>----  | 1999<br>----<br>(Restated) |
|-------------------------------------|---------------|----------------------------|
| Net loss:                           |               |                            |
| As reported                         | \$(3,983,139) | \$ (6,819,904)             |
| Pro forma                           | \$(3,983,139) | \$(12,291,000)             |
| Loss per share - basic and diluted: |               |                            |
| As reported                         | \$(0.10)      | \$(0.17)                   |
| Pro forma                           | \$(0.10)      | \$(0.31)                   |

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

### NOTE 8. STOCK OPTION PLAN (Continued)

A summary of the status of options under this plan and additional options, granted outside of the plan (if any), as of December 31, 2000

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and changes during the year ended on that date are presented below:

|                            | Shares<br>----- | Weighted Average<br>Exercise Price<br>----- |
|----------------------------|-----------------|---|
| Balance, January 1, 1999   | --              | --  |
| Options granted            | 7,809,600       | \$2.00                                      |
| Options exercised          | --              | --  |
| Options expired            | --              | --  |
|                            | -----           |   |
| Balance, December 31, 1999 | 7,809,600       | \$2.00                                      |
| Options granted            | --              | --  |
| Options exercised          | --              | --  |
| Options expired            | --              | --  |
| Balance, December 31, 2000 | 7,809,600       | \$2.00                                      |
|                            | =====           |   |

Note: No options were granted prior to 1999.

The following table summarizes information about options under the plan which are outstanding at December 31, 2000 after giving effect to the November 1, 1999 stock split:

| Range of<br>Exercise<br>Prices<br>----- | Options Outstanding<br>-----                                 |  |   | Options Exe<br>-----   |
|---|--|--|---|--|
|   | Number<br>Outstanding<br>at<br>December 31,<br>2000<br>----- | Weighted<br>Average<br>Remaining<br>Contractual<br>Life<br>----- | Weighted<br>Average<br>Exercise<br>Price<br>----- | Number<br>Exercisable<br>at<br>December 31,<br>2000<br>----- |
| \$2.00<br>=====                         | 7,809,600<br>=====   | 3.5<br>===   | \$2.00<br>=====                                   | 7,809,600<br>=====   |

NOTE 9. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases operating facilities under one year operating leases expiring through January 2002. Monthly rent expense, including cost reimbursements, aggregates approximately \$6,000 per month.

The Company leases equipment under an operating lease which expired December 2000. Monthly payments were approximately \$1,200.

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NETMAXIMIZER.COM, INC.  
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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### NOTE 9. COMMITMENTS AND CONTINGENCIES (Continued)

#### Operating Leases (Continued)

Beginning February 2000, the Company leased warehouse space from the entity which serves as the purchasing agent for the Company. The lease expired January 31, 2001, after which the Company occupied these premises on a month-to-month basis. The monthly rent is \$5,300.

The future minimum lease payments pursuant to these leases are as follows:

Year ending December 31:

|      |          |
|------|----------|
| 2001 | \$70,000 |
| 2002 | 3,000    |
|      | -----    |
|      | \$73,000 |

#### Merchant Service Agreement

In connection with the hosting of its interactive on-line store, the Company entered into a Yahoo! Store Merchant Service Agreement ("YSMA"). In exchange for a monthly fee, Yahoo! grants the Company a non-exclusive license to use its Yahoo! store software which enables the Company to process its on-line e-commerce transactions. The YSMA, among other things, is for a term of ninety days, automatically renews, and may be terminated by either party with thirty days notice.

#### Fulfillment Provider

In the ordinary course of business, the Company has established an arrangement with a fulfillment and warehouse provider. This provider maintains custody of the products purchased by the Company and ships the products to the ultimate consumer once they are ordered. No written contract exists between the Company and this fulfillment provider for these services. The Company pays \$2,000 per month plus a per product fee ranging from \$.50 to \$1.00 for these services. Effective March 2000, the Company ceased using this provider and began doing fulfillment in-house.

#### Affinity Group Agreements

The Company has entered into agreements with certain affinity groups such as churches, schools and unions whereby the Company has agreed to pay a commission to the group of 15% of the purchase price of products purchased as defined. In addition, the Company agreed to pay \$.30 per free product, as defined. Each agreement is cancelable without notice by either party.

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NETMAXIMIZER.COM, INC.  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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### NOTE 9. COMMITMENTS AND CONTINGENCIES (Continued)

#### Merchant Banking Agreement

In April 1999, the Company entered into an agreement with a banking institution for the processing and collection of credit card transactions. The agreement defines, among other things, various fees and chargebacks, which may be applicable to the Company, and requires that a merchant reserve account be established to cover potential chargebacks or other loss resulting from transactions deposited into the merchant account. As of December 31, 2000, the Company had established a reserve account of \$1,272. The agreement may be terminated by either party with thirty days notice.

#### Non-Exclusive Purchasing Agent Agreement

The Company has entered into an agreement, commencing March 14, 2000, with an unrelated party to act as the Company's purchasing agent. The purchasing agent will receive a fee per unit purchased ranging from \$.50 to \$1.00 determined by the cost of the units purchased. The agreement may be canceled by either party.

### NOTE 10. COMMON STOCK

During March 1999, the Company raised capital through two private placements of equity securities. The private placements of equity securities were exempt from registration in reliance on Rule 504 under Regulation D promulgated under the Securities Act of 1933. The common stock was offered by the Company without the services of a placement agent.

These sales of common stock resulted in the following: 36,000,000 shares were issued at \$.001 per share for proceeds of \$12,000; and 48,000 shares were issued at \$1.08 per share for proceeds of \$50,000. The combined proceeds of \$62,000 were remitted directly to the consultant for web site design by the investors.

On September 27, 1999, the Company issued 3,510 shares of common stock for proceeds of \$17,000.

On September 30, 1999, the Company issued 39,345 shares of common stock for proceeds of \$200,000.

On September 30, 1999, the Company issued 56,655 shares of common stock pursuant to an agreement with the web site design consultant in payment for web site development services of \$288,000.

On October 20, 1999, the Company issued 5,496 shares of common stock for proceeds of \$30,000.

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NETMAXIMIZER.COM, INC.  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)



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### NOTE 10. COMMON STOCK (Continued)

On September 18, 2000 the Board of Directors authorized the issuance of 50,000 shares of Company common stock as compensation for consulting services. These shares were recorded as consulting expense in the accompanying financial statements. The consulting expense was measured using the fair value of the common shares issued, amounting to \$200,000.

### NOTE 11. DEPOSITS ON STOCK TO BE ISSUED

On September 13, 2000 the Company entered into an agreement to issue up to 1,000,000 units, comprised of one share of Company common stock and one warrant, for \$5.00 per unit for total proceeds of up to \$5,000,000. The warrant entitles the holder to purchase one share of Company common stock for \$10.00 for a term of five years. As of December 31, 2000, the Company received \$437,388 for the purchase of 87,477 units. Since these shares were not formally issued as of December 31, 2000, the amounts received are classified as deposits on stock to be issued in the accompanying financial statements.

### NOTE 12. SUBSEQUENT EVENTS

#### Web Site Design

In January 2001, the Company incurred an additional \$525,000 in costs associated with the web site design. The web site designer is a Company owned and controlled by a major stockholder. These costs were substantially paid in February 2001.

#### Loan and Consulting Fees - Stockholder

In January 2001, the Company received \$125,000 in loans from a stockholder and the Company incurred \$75,000 in consulting fees with a company owned by that stockholder. In February 2001, the Company paid the stockholder \$200,000 as repayment of loans and for consulting services rendered.

#### Sale of Units

On February 12, 2001, the Company entered into an agreement to sell 666,666 units, comprised of one share of Company common stock and two warrants, for \$1.50 per unit for total proceeds of \$1,000,000. The warrant entitles the holder to purchase two shares of Company common stock for \$1.875 per share for a term of five years. The Company received \$1,000,000 of proceeds on February 14, 2001.

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### Exhibit Index

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|   | Exhibit<br>Number | Description   |
|---|-------------------|---|
|   | -----             | -----   |
| * | 3.1               | Articles of Incorporation of RLN Realty Associates, Inc. effective June 29, 1995. |
| * | 3.2               | Articles of Amendment to RLN Realty Associates, Inc. filed on                     |

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June 9, 1998.

- \* 3.3 Articles of Amendment to RLN Realty Associates, Inc. filed on March 1, 1999.
  - \* 3.4 Bylaws of Netmaximizer.com, Inc.
  - \*\* 10.1 Lease Agreement by and between Netmaximizer.com, Inc. and Sanctuary of Boca, Inc. dated January 3, 2000.
  - \*\* 10.2 Lease Agreement by and between Netmaximizer.com, Inc. and Sanctuary of Boca, Inc. dated January 20, 2000.
  - \*\* 10.3 Lease Agreement by and between Netmaximizer.com, Inc. and Sanctuary of Boca, Inc. dated March 3, 2000.
  - \*\* 10.4 Warehouse Lease Agreement by and between Netmaximizer.com, Inc. and American Sales Industries dated February 1, 2000.
  - \*\* 10.5 Purchasing Agreement by and between Netmaximizer.com, Inc. and American Sales Industries dated March 14, 2000.
  - \*\* 10.6 Non-negotiable 9% Promissory Note from Netmaximizer.com, Inc. to Monavia, Limited, dated as of February 8, 2000.
  - \*\* 10.7 Monavia, Limited, Warrant to Purchase 681,987 Shares of Common Stock of Netmaximizer.com, Inc. dated February 8, 2000.
  - 10.8 Carousel Finance Limited Securities Purchase Agreement dated September 13, 2000
  - 10.9 First Amendment to Carousel Finance Limited Securities Purchase Agreement dated October 1, 2000
  - 10.10 Form of Warrant to purchase shares of Netmaximizer.com, Inc. common stock issued to Carousel Finance Limited between September and December, 2000
  - 10.11 Subscription Agreement from Consensus Investments Limited dated February 12, 2001, for \$1,000,000.
  - 10.12 Warrant to purchase shares of Netmaximizer.com, Inc. common stock issued to Consensus Investment Limited on February 12, 2001
- \* Previously filed as an exhibit to the Company's Registration Statement on Form 10, dated December 7, 1999 and incorporated by reference.
- \*\* Previously filed as an exhibit to the Company's Amendment No. 1 to Registration Statement on Form 10, dated April 6, 2000 and incorporated by reference.