NEW MILLENNIUM MEDIA INTERNATIONAL INC
Form 10KSB/A
March 20, 2002

As filed with the Securities and Exchange Commission on March 18, 2002

Registration No. ________

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB
(Amended)

[x] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2000.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES AND EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission File Number 0-29195

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.
(Name of Small Business Issuer in Its Charter)

| | | |
|---|---|---|
| Colorado | (7310) | 84-1463284 |
| (State or jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

200 9th Avenue North, Suite 210
Safety Harbor, Florida 34695
(727) 797-6664
(Address and Telephone Number of Principal Executive Offices and Principal Place of Business)

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

John D. Thatch, President
New Millennium Media International, Inc.
200 9th Avenue North, Suite 210
Safety Harbor, Florida 34695
(Name, Address and Telephone Number of Agent for Service)

1

Securities registered under Section 12(b) of the Exchange Act: None

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

The issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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. [X] Yes [ ] No

Check if disclosure of delinquent filers in response to Item 405 of Regulation

S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

The issuer's revenues for its most recent fiscal year ended December 31, 2000 were $149,400.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which common equity was sold, or the average bid and asked price of such common equity, as of September 30, 2001 was $9,414, 871 (calculated by excluding restricted shares, which includes shares owned beneficially by affiliates, directors and officers). See Item 11. The total number of shares of issuer's common equity outstanding as of September 30, 2001 was 8,181,861 shares.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. As of September 30, 2001, the registrant had 8,181,861 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into the following parts of this Form 10-KSB: certain information required in Part I of this Form 10-KSB is incorporated from the issuer's Registration Statement for Small Business Issuers filed September 13, 2000, as amended by Post Effective Amendment that was filed October 24, 2001 and a Post Effective Amendment that is filed contemporaneously herewith, amended Form 10-KSB that was filed October 24, 2001, amended Form 10-QSB that was filed October 24, 2001, and certain information required in Parts I and II of this Form 10-KSB is incorporated from its Definitive Proxy Statement, filed June 29, 2000 and its Form S-8 filed June 4, 2001.

Transitional Small Business Disclosure Format (Check one): Yes ___ No _X_

PART I

ITEM 1. DESCRIPTION OF BUSINESS

BRIEF HISTORY

New Millennium Media International, Inc. is a Colorado corporation organized on April 21, 1998. NMMI's principal place of business is located at 200 9th Avenue North, Suite 210, Safety Harbor, Florida 34695. NMMI is the successor by merger to Progressive Mailer Corp. (hereafter "PMC"), a corporation organized in Florida on February 5, 1997. In March 1997 and April 1998, PMC conducted offerings of its common stock pursuant to the exemption from registration

2

afforded by Rule 504 of Regulation D under the Securities Act of 1933, as amended. On November 3, 1997, PMC received clearance from the NASD to have its common stock listed on the OTC Bulletin Board.

Effective April 8, 1998, pursuant to an Asset Purchase Agreement, PROGRESSIVE MAILER CORPORATION, a publicly traded Florida corporation, in consideration for six million four hundred thousand (6,400,000) shares of Progressive Mailer Corporation common stock, purchased certain designated assets of Lufam Technologies, Inc., a privately held California corporation. These acquired assets of LUFAM TECHNOLOGIES were valued at the net fair market value that is not a business combination under SFAS 141 as no exchange of control occurred. On November 3, 1997 PMC received clearance from the NASD to have its common stock listed on the OTC Electronic Bulletin Board pursuant to PMC's application submitted to the NASD pursuant to NASD Rule 6740 and Rule 15c2-11 under the securities Exchange Act of 1934.

Effective April 27, 1998, pursuant to a merger agreement, PROGRESSIVE MAILER CORPORATION, a publicly trading Florida corporation, merged with NEW MILLENNIUM MEDIA INTERNATIONAL, INC., a privately held Colorado corporation (NMMI). This merger qualified as a statutory merger and provided for all of the issued and outstanding shares of stock in Progressive Mailer Corporation to be converted on a one for one ratio for common stock of NMMI. It was further provided that NMMI would be the surviving entity. As a part of this merger the domicile of Progressive Mailer Corporation was authorized to be changed from Florida to Colorado.

Effective August 31, 1999 UNERGI, INC., a privately held Nevada corporation, merged into NEW MILLENNIUM MEDIA, INC., a wholly owned subsidiary of NMMI, which merger qualified as a tax free reorganization under section 368(a) of the Internal Revenue Code of 1986 as amended. The merger required that New Millennium, Inc. be the surviving entity and all of the issued and outstanding shares of stock in Unergi, Inc. be prorata converted to 16,566,667 shares of common stock of NMMI.

Effective March 9, 2000 SCOVEL CORPORATION, a Delaware corporation, merged into NMMI in a transaction intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986 as amended. Prior to the merger Scovel Corporation had filed with the Securities and Exchange Commission a registration statement in form 10-SB which became effective pursuant to the Securities Exchange Act of 1934 on February 9, 2000 and was at the time of merger a reporting company pursuant to Section (g) hereunder. At the time of the merger Scovel Corporation had timely filed and was current on all reports required to be filed by it pursuant to Section 13 of the Securities Exchange Act of 1934. NMMI was the surviving entity resulting from the merger. All of the issued and outstanding shares of Scovel Corporation were converted into 500,000 shares of restricted common shares of NMMI. No assets were transferred to NMMI from Scovel other than goodwill that was valued based upon the fair value of the 500,000 shares of NMMI stock because of the lack of marketability of the stock under FAS 141.

NMMI is a fully reporting company which common stock is traded on the OTC Bulletin Board operated by NASDAQ under the symbol NMMG.

BUSINESS OVERVIEW

For years the billboard industry has seen several consolidations with large corporate owners acquiring smaller (fewer than 50 billboards) independent operators. The purpose of these consolidations is to provide a platform for the corporate owners to attract large regional and national advertisers. Billboard advertising has evolved from painted signs without lights, to



lighted signs, to vinyl covered signs, to prism boards (three sided boards which rotate three ads), to LED (light emitting diode) signs. Presently the plasma signs are used indoors and generally do not have a screen size larger than 48 inches. Advertisers soon learned that rotating signs attract the attention of viewers more effectively than static signs. The most prominent LED display sign is in Times Square in New York City. Despite the effectiveness of LED outdoor advertising, the billboard industry is moving slowly to the LED display sign because most large companies have a substantial investment in static signs. The cost to change a traditional static board to an LED display is approximately

$1,000.000 to $2,000.000 depending on the size of the LED sign. This, of course, includes the electronics necessary to operate the sign from remote locations. In many instances, because of the additional weight of the LED sign, it is necessary to erect an entire new foundation along with accompanying supports. Another reason is that LED signs may only be installed in certain traffic areas because many cities and states have regulations that prohibit LED and prism signs on the basis that the signs may be distracting to passing drivers and may lead to an increase in the number of traffic accidents. NMMI has targeted markets where this may not be an issue.

There are two reasons for the changes in outdoor advertising. First, technological improvements have made the prism and LED boards affordable. Second, moving ads have a much greater impact on viewers than static ads. In a digital society there must be an effective way for advertisers to display their product in its true form. The competition in indoor advertising is limited. Most indoor companies sell single poster board advertisements of different sizes and place them in theaters, malls, airports and other similar venue locations.

NMMI provides several types of visual advertising: The Illumisign-Eyecatcher front-lit movable display boards, the "EyeCatcher Powered by Insight" back-lit scrolling movable display boards, plasma screens and LED display boards. We retain ownership of all types of the machines and sell the advertising space on a monthly basis.

NMMI has United States distribution and manufacturing rights of the IllumiSign-Eyecatcher front-lit movable display boards. This board is steel encased, front lighted, and displays poster type ads. These mechanical devises come in various sizes ranging from 11 inches by 17 inches to 4 feet by 6 feet. Each machine is capable of rotating up to 24 posters at preprogrammed intervals ranging from 3 seconds to one hour.

Additionally, NMMI has the exclusive U.S. rights to an indoor backlit advertising board designed and manufactured by AMS Controls, Inc. called the "EyeCatcher Powered by Insight". There are a few minor exceptions to this exclusivity that relate to accounts with which the manufacturer had an existing business relationship at the time of contracting with NMMI. We are marketing this new product as "EyeCatcher Powered by Insight". This is a patented product, which ranges in poster size from 18" X 24" to 40" X 60". These signs can display from 10 to 20 scrolling advertising images. Each rotation can be set to run from three seconds to one hour. Because the poster material in both of these machines is critical to the functionality as well as the longevity of the poster, it is necessary for the advertisers to rely on our graphic arts department to develop and supply the necessary posters. These motion displays are then placed in various sites in stores, shopping malls, movie theaters and anywhere else where indoor poster type advertising is feasible. NMMI is the owner of the registration of the trademark, "IllumiSign-Eyecatcher" for electric sign products in the United States Department of Commerce, Patent and Trademark Office.

The LED display boards are generally placed out doors either freestanding or affixed onto the sides of buildings or located in athletic stadiums. The LED boards range in size from 8 feet by



10 feet to 20 feet by 30 feet and even larger in customized designs. They are capable of displaying a near infinite number of stationary or full motion images. Because the images need to be programmed into the LED boards, it is necessary that our graphic arts department be involved in both the design and set up of the intended displays.

NMMI has a strategic relationship with E-Vision LED, Inc., a U.S. based company whose affiliates manufacture these high quality LED units (See above heading Risk Factors, subheading Strategic Relationships). E-Vision will sell the LED boards to NMMI for a less than retail price and will share in the revenues that the LED boards produce. This allows NMMI to procure the highest quality LED display boards at a greatly reduced cost. Because these LED boards can run any commercial format on any sized board, we feel that NMMI has a strong competitive advantage over other similar display boards for which the visual display must be reformatted. Formatting often takes weeks. E-Vision LED displays will run consistent color quality and clarity. These LED boards have the potential to display countless images in full color both static and full motion. Color quality and clarity are very important to national advertisers who want consistency of colors on all boards. E-Vision will assist NMMI with training and support from the first board and with ongoing assistance in all aspects of programming, technical and software support. Because of this strategic relationship, E-Vision and its affiliates will supply NMMI, free of charge, software upgrades as they become available.

In relation to these various types of display media, NMMI is capable of providing advertisers with visual communications and media services in both indoor and outdoor environments. We offer a comprehensive range of visual movable board solutions designed to improve clients' advertising needs and processes including professional services such as strategic site location, consulting and analysis as well as poster design and development. This enables us to locate boards and sell advertising on a national level that will benefit NMMI in placing boards throughout the United States.

NMMI signed a one-year with option for eight additional one-year terms marketing agreement with Carson-Jensen-Anderson Enterprises, Inc. d/b/a EyeCatcher Marketing Company through which agreement the Illumisign-Eyecatcher display boards were to be marketed throughout the 50 United States. Effective May 10, 2001 NMMI and EyeCatcher Marketing Company reached an agreement whereby their contractual relationship was terminated and NMMI received some of the assets of EyeCatcher Marketing Company. The major advantage to NMMI of this settlement was the cancellation of the marketing agreement that now allows NMMI to do all marketing in-house. All marketing is now under the direct supervision and control of the Company which is now equipped to oversee the marketing function.

EMPLOYEES

NMMI has twelve full time employees. None of our employees is represented by a labor union. We consider our relations with our employees to be good. Because a major portion of our business involves nationwide site location and procurement as well as sales and marketing of advertising space, it is advantageous for us to outsource this segment of our business through strategic partnering and subcontracting distributors. We intend to utilize in-house employees and plan to add additional staff as needed to handle all other phases of our business including graphic arts, warehousing, distribution, purchasing, distribution, shipping, accounting and bookkeeping.

5

ITEM 2. DESCRIPTION OF PROPERTY

NMMI owns no real estate. On March 29, 2001 the Company signed a lease with Safety Harbor Centre for five years with an option for five additional years. The lease became effective August 27, 2001, the date that the Company began occupancy of the new facility. This leased facility is slightly larger than the prior leased premises and will support a more efficient use of the floor space as well as additional space for expansion. Many of the machines will continue to be shipped directly to the site location and for those machines that require more detailed installation such as the LED boards, the machines will be shipped directly to the installer. Machines that are in need of repair will be repaired on-site whenever possible. Those machines that are not repairable on-site will be repaired in-house at the Safety Harbor, Florida facility.

ITEM 3. LEGAL PROCEEDINGS

The Company is a defendant in a lawsuit filed on November 5, 1999 in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida, Case Number 99-26073 CA 10. The plaintiff, Joseph Maenza, is seeking to collect payment of a promissory note in the principal amount of $50,000 plus interest from February 1999 and attorney fees. January 24, 2001 the parties agreed to a settlement by making periodic payments. The settlement was reduced to a judgment on January 17, 2002 on which there is a balance owed of approximately $16,000. This balance owed is recognized as a liability of the Company.

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

There were no matters submitted to security holders for a vote during the course of the fourth quarter of the last fiscal year. May 7, 2001 the shareholders voted to amend the Articles of Incorporation to decrease the number of authorized shares of common stock from 75,000,000 to 15,000,000, the 1:5 split. This amendment to the Articles of Incorporation became effective May 18, 2001 and the Company trading symbol was changed from NMMI to NMMG. See the Definitive Proxy Statement filed April 18, 2001 for additional information.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

NMMI is a fully reporting company which common stock is traded on the OTC Bulletin Board operated by NASDAQ under the symbol NMMG. Prior to May 18, 2001 the Company's common stock traded under the symbol "NMMI". The shares have historically not been eligible for listing on any securities exchange or under the NASDAQ system. As of December 31, 2001, we reported 8,610,047 outstanding shares of common stock, $.001 par value and no outstanding shares of preferred stock. There were in excess of 500 shareholders and reported beneficial owners of record of the Company's common stock listed by the Company's transfer agent as of December 31, 2001.



For additional information relating to Common Equity and Related Stockholder Matters please see hereafter in this filing Notes to the Financial Statement, December 31, 1999 and 2000, sections 4. RELATED PARTY TRANSACTIONS, 6. EQUITY TRANSACTIONS, AND 7. STOCK OPTIONS AND WARRANTS.

We have not paid any dividends on our common stock since inception. We expect to continue to retain all earnings generated by our operations for the development and growth of our business and do not anticipate paying any cash dividends to our shareholders in the foreseeable future. The payment of future dividends on the common stock and the rate of such dividends, if any, will be determined by our Board of Directors in light of our earnings, financial condition, capital requirements and other factors.

The table below sets forth the high and low bid prices of our common stock for each quarter for the four quarters of 1999, 2000 and 2001. The quotations set forth below reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

| Year | High Bid | Low Bid |
|---|---|---|

| | | |
|---|---|---|
| 1999 | | |
| First Quarter | .313 | .313 |
| Second Quarter | .406 | .406 |
| Third Quarter | .125 | .125 |
| Fourth Quarter | .120 | .120 |
| 2000 | | |
| First Quarter | .875 | .875 |
| Second Quarter | 1.000 | 1.000 |
| Third Quarter | .650 | .430 |
| Fourth Quarter | .350 | .220 |
| 2001 | | |
| First Quarter | .080 | .080 |
| Second Quarter* | 1.700 | 1.350 |
| Third Quarter | 1.170 | 1.110 |
| Fourth Quarter | .580 | .470 |

*Note: On May 18,2001 the issuer shares split 5:1. The second quarter prices reflect the post split prices.

There are outstanding warrants to purchase 242,274 (post split number of shares) shares of our common stock at a price of $1.50 per share and may be reset every 6 months thereafter. These warrants were issued to Swartz on March 21, 2000 (200,000 shares), April 17, 2001 (16,796 shares) and July 17, 2001 (25,478 shares) in consideration of Swartz's commitment to enter into the Investment Agreement. The warrants expire on May 25, 2004, April 17, 2006 and July 17, 2006, respectively. By contract, the holders of the warrants have the right to have the common stock issuable upon exercise of the warrants included on any registration statement we file, other than a registration statement covering an employee stock plan or a registration statement filed in connection with a business combination or reclassification of our securities. The shares

7

of common stock to support these warrants are included in the SB-2 registration statement filed September 13, 2000 and as amendment filed October 24, 2001.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

GENERAL

Management's discussion and analysis contains various "forward looking statements." Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate," or "continue" or use of negative or other variations or comparable terminology.

We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those contained in the forward-looking statements, that these forward-looking statements are necessarily speculative, and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements.

OVERVIEW

The Company is no longer a development stage company as defined in Statement of Financial Accounting Standards No. 7, "Accounting and Reporting by Development

Stage Enterprises." We have generated our cash needs through equity financings and loans from officers and stockholders. As an operational company, we devote substantially all of our efforts to securing and establishing new business. We have engaged in limited activities in the advertising business, but no significant revenues have been generated to date. The primary activity of the Company currently involves several types of visual advertising: The Illumisign-Eyecatcher front-lit movable display board, "EyeCatcher Powered by Insight" back-lit movable display boards, plasma screens and LED display boards. We retain ownership of all types of the machines and sell the advertising space on a monthly basis. The Company is continuing to devote substantially all of its present efforts to implementing its operational and marketing plans designed to establish new business accounts for its mobile LED boards and the motion display boards. The Company presently conducts all marketing in-house and continues to use the EyeCatcherPlus logo, marketing material and website. Using this business model, management feels that there will be a net effect of "cutting out the middle man" and increasing Company revenues.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, we have funded our operations and investments in equipment through cash from equity financings and borrowing from related parties; however, there is no assurance that there will be proceeds from these sources in the future.

The attached Balance Sheet shows that our Stockholders' Equity has increased from ($600,223) to $750,208, an increase of $1,350,431 from calendar year 1999 to year 2000. This is due primarily to a reduction of liabilities and a gradual accumulation of additional motion display boards for leasing. The reduction of liabilities from $1,810,536 to $813, 228 is principally due to the repayment of the debts owed by the Company to Troy Lowrie and Investment Management of America, Inc. These two debts were paid by the issuance of stock to these two creditors. The increase from 1999 to 2000 of Additional Paid in Capital from $448,991 to $2,746,684 is primarily from the sale of stock. For a further explanation of these transactions please see hereafter in this filing Notes to the Financial Statement, December 31, 1999 and 2000, section 7. STOCK OPTIONS AND WARRANTS.



The Company is intending to receive additional financing through the Swartz equity line; however, there can be no assurance that we will receive financing from Swartz. On May 19, 2000 the Company entered into an investment agreement with Swartz Private Equity, LLC to raise up to $25 million through a series of sales of common stock. The dollar amount of each sale is limited by the trading volume and a minimum period of time must occur between sales. In order to sell shares to Swartz, there must be an effective registration statement on file with the SEC covering the resale of the shares by Swartz and we must meet certain other conditions. The agreement is for a three-year period ending May 2003. We believe that our available equity financing arrangement with Swartz will be sufficient to meet our working capital and capital expenditure liquidity requirements for at least the next two years. However, there can be no assurance that we will receive financing from Swartz, that we will not require additional financing within this time frame or that such additional financing, if needed, will be available on terms acceptable to us, if at all. A detailed description of the Swartz equity line agreements can be found in the SB-2 Registration Statement filed September 13, 2000 and amendment thereof filed October 24, 2000.

Generally, the Company has thus far been funded by proceeds from common stock transactions that are not necessarily isolated transactions. A compilation of these stock transactions appears in the Statement of Cash Flows and Note 4 (Related Party Transactions) and Note 6 (Equity Transactions).

RESULTS OF OPERATIONS

Income

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The revenue for the calendar year 1999, $49,176, when compared to calendar year 2000, $149,400 shows an increase of approximately 204 percent. This increase is due primarily to receipt of additional revenues from the mobile LED truck unit that continues to increase event bookings. Also, as the Company installs additional EyeCatcher display boards, additional advertisements are sold. Generally, this is cumulative, i. e., as the display boards are placed, the advertisements are sold for a term of several months or yearly. Even though the advertisement contracts expire, many are renewed with a minimal amount of sales effort and the display board continues to produce revenue with no additional effort necessary to place the display board because it remains in place at the host venue so long as it continues to produce revenue for the host venue.

General and Administrative Costs and Expenses

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There was an increase in the General and Administrative Costs and Expenses of $577,025 (153%) for the 2000 calendar year compared to calendar 1999. This increase is due primarily to the Company becoming fully operational in year 2000. This category in the Costs and Expenses includes all operational expenses other than interest and depreciation expenses. By the Company being fully operational this line item includes such items as rent, salaries, office expenses and sales expenses.

Interest Expense

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Interest Expense decreased by $31,795 from 1999 to 2000 (33%). This interest expense decreased primarily as a result of the Company negotiating equity financing for debt transactions.

Depreciation and Amortization

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Depreciation and Amortization increased dramatically from 1999 to 2000, an increase of $117,822 (511%). A major basis of this increase is because, starting in year 2000, the Company's policy changed from including the EyeCatcherPlus display machines in the

9

Inventory line item to including them in Furniture, Fixtures and Equipment. This change accounts for the marked increase in the amounts shown in this line item from 1999 to 2000. The increase is due primarily to an increase in the number of machines and depreciable equipment purchase by the Company.

Total Costs and Expenses

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The Total Costs and Expenses have increased by $663,052, an increase of 134%, from 1999 to 2000. The following discussion describes management's analysis of the salient issues relating to these Costs and Expenses.

Basic and Fully Diluted Loss Per Common Share

The Basic and Fully Diluted Loss Per Common Share difference from 1999 to 2000 calendar years is a 33% increase. The loss per common share is a function of the Costs and Expenses versus Income. In the opinion of management, this is a positive trend the basis of which is discussed item-by-item immediately above. A major portion of the Costs and Expenses are non-reoccurring costs. We are now fully staffed and producing income. We are continuing to concentrate on establishing new business and increasing sales relating to the IllumiSign-Eyecatcher, the "EyeCatcher Powered by Insight" backlit display board and the LED display sign truck.

TRENDS AND EVENTS

In May of 2001 we changed our operations model primarily in that we have regained the marketing role in-house. Management feels that this is a positive change in that the Company now has total control of all marketing activities. The Company continues to allocate geographical areas to distributors who, in turn, focus on their respective areas.

The Company outgrew its leased office and warehouse space and in August 2001 moved to new quarters that has sufficient space for growth. The new expanded warehouse area now has sufficient space to handily store the various type and size display boards as well as a work area for refurbishing and repairing. When the mobile LED screen truck is not in use, it is placed in a specially built truck bay within the new warehouse area.

Although there is no real assurance that this trend will continue, in the opinion of management, the cumulative effect of these events as described above is a positive trend notwithstanding the 33% ($0.01) increase in the Basic and Fully Diluted Loss Per Common Share.

ITEM 7. FINANCIAL STATEMENTS

Financial Statements are incorporated by reference herein and attached as an exhibit.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The following are officers and directors of the Company.



| Name | Age | Position |
|---|---|---|
| John Thatch | 40 | Chief Executive Officer, President and Director |
| Jennifer Freeman | 28 | Corporate Secretary |

All directors hold office until the next annual meeting of shareholders of the Company and until their successors are elected and qualified. Officers hold office until the first meeting of directors following the annual meeting of shareholders and until their successors are elected and qualified, subject to earlier removal by the Board of Directors.

John "JT" Thatch, President/CEO and Director

Mr. Thatch, age 39 years, has served as President, Chief Executive Officer and Director of New Millennium Media International since January 2000. During this time he has overseen all functions of the company, including day-to-day operations. Mr. Thatch has over 15 years of entrepreneurial business experience that includes over 7 years as the principal in Bay Area Auto Sales, an automotive dealership, that specialized in sales of reconditioned vehicles. He was the founder and General Partner for Last Chance Finance, Ltd. that owned and operated over 18 offices specializing in alternative vehicle financing. Over the past 10 years Mr. Thatch has been President and majority shareholder of Superior

Management of Tampa, Inc., a privately owned company, that owns property and commercial leases. Other than for nominal time spent on corporate and personal real estate holdings that have no business relationship with NMMI, Mr. Thatch dedicates his full time to his current position. He brings leadership, marketing and strong management skills to the company.

ITEM 10. EXECUTIVE COMPENSATION

The following table lists the cash remuneration paid or accrued during 1999 and 2000 to John Thatch, president and CEO. Except for John Thatch, none of our executive officers and directors received compensation of $100,000 or more in 1999 and 2000.

SUMMARY COMPENSATION TABLE

| | | | | | Long Term Compensation | | | |
|---|---|---|---|---|---|---|---|---|
| | | Annual Compensation | | | Awards | | Payouts | |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | |
| Name and Principle Position | Year | Salary ($) | Bonus ($) | Other Annual Compensation ($) | Restricted Stock Award(s) ($) | Securities Underlying Options/SARs (#) | LTIP Payouts ($) | All Comp |
| John Thatch, Pres./CEO | 2000 | 140,000 | | 10,000 expenses | 10% of all issued common stock | Stock option to be determined by Board | | Per 500 500 250 |

Director Compensation
No Director is specially compensated for the performance of duties in that capacity or for his/her attendance at Director meetings.

11

Employment Agreements
NMMI has one written employment agreement, John Thatch, President and CEO, see Item 12, below.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of our common stock as of the date of this filing by: (i) each shareholder known by us to be the beneficial owner of 5% or more of the outstanding common stock, (ii) each of our directors and (iii) all directors and executive officers as a group. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Shares of common stock issuable upon exercise of options and warrants that are currently exercisable or exercisable within 60 days of filing this document have been included in the table.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class (1) |
|---|---|---|
| John Thatch President/CEO and Director | 828,186 | 10% |
| Investment Management of America, Inc.(2) | 1,576,416 | 19% |
| Officers and Directors (John "JT" Thatch) | 828,186 | 10% |

(1) Based upon September 30, 2001 shareholder list, 8,181,861 outstanding shares of common stock.
(2) Gerald Parker, Andrew Badolato and Antonio Gomes are officers, directors and majority shareholders in Investment Management of America, Inc. and were officers and directors of NMMI until January 2001.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company was originally incorporated April 21, 1998 in Colorado under the name New Millennium Media International, Inc. April 30, 1998 Progressive Mailer Corp., a Florida corporation, merged into NMMI. August 31, 1999 NMMI acquired Unergi, Inc., a Nevada corporation, ("Unergi") The Unergi acquisition was to obtain certain goodwill; after this acquisition Unergi was liquidated. The valuation was determined by, in part, NMMI stock and certain debt. This was a forward acquisition with the surviving company being NMMI. Unergy shareholders received 70% of NMMI shares. As a part of this merger, two founders and major shareholders of Unergi, Mark Western and Cole Leary, were to receive a total of 3,000,000 shares of NMMI restricted common stock. In anticipation of a buy-back of these shares from the two individuals, NMMI conveyed the shares intended for these two individuals to another individual. NMMI failed to consummate the buy-back of these shares from the two individuals and consequently found it necessary to acquire 3,000,000 shares of restricted common stock to satisfy the obligation to the two individuals. Toward this objective NMMI exchanged with Investment Management of America, Inc. (hereafter "IMA") 3,000,000 shares of NMMI's Series



A Preferred stock for 3,000,000 shares of common stock owned by IMA with the understanding that the 3,000,000 shares of Series A Preferred stock will be granted voting rights and be convertible on a 1:1 ratio for shares of registered common stock which common stock were included in the SB-2 registration statement. The re-exchange of these shares has occurred and NMMI replaced the 3,000,000 IMA Series A Preferred shares with 3,000,000 shares of common stock. These transactions occurred pre-split and the 3,000,000 shares of common stock are pre-split. The post-split amount is 600,000 shares of common stock that were included in the SB-2 registration.

On November 2, 1999 NMMI signed an executive employment contract with John Thatch employing that individual as President and Chief Executive Officer for three years with a salary of $140,000 for the first year and $120,000 for the second and third years. As an inducement to encourage the executive to become employed with NMMI, it was in the best interest of NMMI to include in the employment package a provision in the executive employment contract giving John Thatch the option to purchase, at a price of par value, 10% of any and all additionally authorized and issued shares of stock. To date John Thatch has purchased 328,186 shares of restricted common stock under this option.

ITEM 13. EXHIBITS AND REPORTS

Indemnification of Directors and Officers
The Colorado General Corporation Act provides that each existing or former director and officer of a corporation may be indemnified in certain instances against certain liabilities which he or she may incur, inclusive of fees, costs and other expenses incurred in connection with such defense, by virtue of his or her relationship with the corporation or with another entity to the extent that such latter relationship shall have been undertaken at the request of the corporation; and may have advanced such expenses incurred in defending against such liabilities upon undertaking to repay the same in the event an ultimate determination is made denying entitlement to indemnification. The Company's bylaws incorporate the statutory form of indemnification by specific reference. The Company has never acquired or applied for any policy of directors' and officers' liability insurance as a means of offsetting its obligation for indemnity.

Reports to Shareholders
We intend to voluntarily send annual reports to our shareholders, which will include audited financial statements. We are a reporting company, and file reports with the Securities and Exchange Commission (SEC), including this Form 10-KSB as well as quarterly reports under Form 10-QSB. The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The company files its reports electronically and the SEC maintains an Internet site that contains reports, proxy and information statements and other information filed by the company with the SEC electronically. The address of that site is http://www.sec.gov.

The company also maintains an Internet site, which contains information about the company, news releases and summary financial data. The address of that site is http://www.nmmimedia.com.

13

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements of the Company, which are furnished herein as of March 20, 2001, have been audited by Richard J. Fuller, CPA, Clearwater, Florida, independent auditors, as described in its reports with respect thereto.

The following list sets forth a brief description of each of the Company's financial statements and exhibits being filed as a part of this Form 10 KSB, as well as the page number on which each statement or exhibit commences:

Audited Fiscal Year End December 31, 2000

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 18, 2002 New Millennium Media International, Inc.

By: /s/ John Thatch

John "JT" Thatch, President/CEO



NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

FINANCIAL STATEMENTS

as of year end December 31, 2000

INDEX





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholders
New Millennium Media International, Inc.
Safety Harbor, Florida

We have audited the balance sheets of New Millennium Media International, Inc. as of December 31, 1999 and 2000, and the related statements of operations, stockholders' (deficit) equity and cash flows for the years then ended. 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 audit.

We conducted our audit 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 audit provides 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 New Millennium Media International, Inc. at December 31, 1999 and 2000 and the results of its operations and its cash flows for the years then ended, 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 discussed in Note 1 to the financial statements, the Company has incurred losses for the years ended December 31, 1999 and 2000. This condition raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Richard J. Fuller, CPA, PA
Clearwater, Florida

March 20, 2001

16

NEW MILLENNIUM MEDIA INTERNATIONAL, INC

BALANCE SHEETS

DECEMBER 31, 1999 AND DECEMBER 31, 2000

| | 1999 | 2000 (Restated) |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash | $ 2,063 | $ -- |
| Accounts receivable | -- | 16,636 |
| Inventories | 548,862 | 3,255 |
| Prepaid expenses | -- | 9,096 |
| Total Current Assets | 550,925 | 28,987 |
| Furniture and Equipment | | |
| Furniture, fixtures and equipment,net | 3,964 | 924,148 |
| Other Asssets | | |
| Goodwill, net | 655,007 | 610,301 |
| Other intangibles | 417 | -- |
| Total Other Assets | 655,424 | 610,301 |

| | | |
|---|---|---|
| | $ 1,210,313 | $ 1,563,436 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities | | |
| Accounts payable | $ 85,235 | $ 81,556 |
| Accrued expenses payable | 129,289 | 73,562 |
| Related payables | 1,596,012 | 658,110 |
| Total Current Liabilities | 1,810,536 | 813,228 |
| Long-term Liabilities | -- | -- |
| Stockholders' (Deficit) Equity | | |
| Common stock, par value $.001; 25,000,000 and 75,000,000 shares authorized, 24,099,881 and 28,440,614 shares issued and outstanding, respectively, 1999 and 2000 | 24,100 | 28,451 |
| Common stock warrants (1,000,000 issued and outstanding; exercisable at $.30 expiring March 21, 2005) | -- | 57,200 |
| Preferred stock, par value $.001; shares authorized, 10,000,000 no shares issued and outstanding | -- | -- |
| Additional paid in capital | 448,991 | 2,746,684 |
| Deficit | (1,073,314) | (2,082,127 |
| Total Stockholders' (Deficit) Equity | (600,223) | 750,208 |
| | $ 1,210,313 | $ 1,563,436 |

17

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

STATEMENT OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 2000

| | 1999 | 2000 (RESTATED) |
|---|---|---|
| Income | $ 49,176 | $ 149,400 |
| Costs and Expenses: | | |
| General and administrative | $ 141,847 | $ 798,732 |
| General and administrative -related | 234,860 | 155,000 |
| Interest expense - related | 95,382 | 63,587 |
| Depreciation and amortization | 23,072 | 140,894 |
| Total costs and expenses | 495,161 | 1,158,213 |
| Loss from Operations | (445,985) | (1,008,813) |
| Net Loss | $ (445,985) | $ (1,008,813) |
| Basic and Diluted Loss Per Common Share | $ (0.03) | $ (0.04) |
| Weighted average common shares outstanding | 15,559,940 | 26,275,250 |

18

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

STATEMENT OF STOCKHOLDERS' (DEFICIT) EQUITY

FOR THE PERIOD FROM JANUARY 1, 1999 THROUGH DECEMBER 31, 2000

| | COMMON STOCK SHARES | COMMON STOCK AMOUNT | COMMON STOCK WARRANTS | ADDIT PAID CAPI |
|---|---|---|---|---|
| Balance, January 1, 1999 | 7,020,000 | $ 7,020 | $ 0 | $ 40 |
| Fair value of shares issued to Unergi | 16,566,667 | 16,567 | | |
| Shares issued for cash | 513,214 | 513 | | 4 |
| Net loss for the period ended December 31, 1999 | -- | -- | -- | |
| Balance, December 31, 1999 | 24,099,881 | $ 24,100 | $ 0 | $ 44 |
| Fair value of shares issued for services to officers - net of rescission | (1,020,419) | (1020) | | |
| Fair value of 1,000,000 warrants issued to investment bankers | -- | -- | 57,200 | |
| Shares issued: | | | | |
| Fair value of stock issued in settlement of debt to stockholders/officers in accordance with FASB 123 | 3,641,152 | 3,641 | | 1,48 |
| Fair value of equipment (LED truck $450,000) net of debt ($107,000) | 200,000 | 200 | | 34 |
| Fair value of stock issued for goodwill of Scovel Management, Inc. | 500,000 | 500 | | |
| Proceeds of stock issued for cash | 1,030,000 | 1,030 | | 46 |
| Net loss for the period ended December 31, 2000 | -- | -- | -- | |
| Balance, December 31, 2000 - (Restated) | 28,450,614 | $ 28,451 | $ 57,200 | $ 2,74 |

19

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 2000

| | 1999 |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net income (loss) | $ (445,985) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | |
| Depreciation and amortization | 23,072 |
| Fair value of shares issued for services of officers - net of recission | -- |
| Fair value of warrants issued to investment bankers | -- |
| Loss on disposition of fixed assets | 5,891 |
| (Increase) decrease in accounts receivable | -- |
| (Increase) decrease in inventories | (66,946) |
| (Increase) decrease in prepaid expenses | -- |
| Increase (decrease) in accounts payable and accrued expenses | 139,337 |
| Increase (decrease) in related parties payable | 296,033 |
| Net cash provided by (used in) operating activities | (48,598) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of fixed assets | (2,539) |
| Net provided by (used in) investing activities | (2,539) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Proceeds from common stock transactions | 46,389 |
| Net cash provided by (used in) financing activities | 46,389 |
| Increase (Decrease) in cash and cash equivalents | $ (4,748) |
| Cash and cash equivalents at beginning of period | 6,811 |
| Cash and cash equivalents at end of period | $ 2,063 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | |
| Cash paid during the year for interest | -- |
| Cash paid during the year for income taxes | -- |
| Supplemental schedule of noncash investing and financing activities: | |
| Fair value of common stock (500,000 shares) issued for goodwill of Scovel Management, Inc. | $ -- |
| Fair value of common stock (16,566,667 shares) issued for goodwill of Unergi, Inc. ($677,594 net of debt assumed of $661,027) | 16,567 |
| Fair value of equipment (LED truck, $450,000 net of debt assumed of $107,000; 200,000 common stock shares issued) | -- |
| Fair value of common stock (3,641,152 shares )issued in settlement of related party debt based upon debt of $1,491,044 | -- |



NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000

1. Organization and summary of significant accounting policies

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Nature of Business

The Company is in the business of developing and marketing advertising space in special movable advertising display machines and LED display boards. The Company provides two types of visual advertising including movable display boards and LED display boards. NMMI sells advertising space while retaining ownership of the boards.

The Company is no longer considered to be in the development stage for 2000. In prior years, the Company had been in the development stage.

Basis of presentation

The financial statements have been prepared using the accrual method of accounting. Revenues are recognized when earned and expenses when incurred. Revenues are earned when services have been performed and advertising equipment has been leased to customers during a period of time in which services have been rendered, the price for services is fixed and determinable and collectibility is reasonably assured.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Going Concern Uncertainty

The Company has incurred recurring operating losses and negative cash flows and has negative working capital. The Company has financed itself primarily through the sale of its stock and related party borrowings. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

There can be no assurance that the Company will be successful in implementing its plans, or if such plans are implemented, that the Company will achieve its goals.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amount and classification of liabilities that might result from the outcome of this uncertainty.





Organization and summary of significant accounting policies - Cont'd.

Comprehensive Income
--------------------

Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, SFAS No. 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company does not have any items requiring disclosure of comprehensive income.

Segments of Business Reporting
------------------------------

Statement of Financial Accounting Standards (SFAS) No. 131 establishes standards for the way that public companies report information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customer. SFAS 131 defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has evaluated this SFAS and does not believe it is applicable at this time.

Intangible assets
-----------------

In accordance with SOP 98-5, the Company currently expenses startup-up costs including organization costs as incurred. Organization costs incurred prior to the effective date of SOP 98-5, were amortized using the straight-line method over their estimated useful lives of five years and are stated at cost less accumulated amortization.

Under the purchase method of accounting, tangible and identifiable intangible assets acquired and liabilities assumed are recorded at their estimated fair values. The Company classifies the excess of the purchase price, including estimated fees and expenses related to the merger, over the net assets acquired as goodwill. The estimated fair values and useful lives of assets acquired and liabilities assumed are based on a preliminary valuation and are subject to final valuation adjustments which may cause some of the intangibles to be amortized over a shorter life than the goodwill amortization period of 15 years. The Company reviews for the impairment of long-lived assets and certain identifiable intangibles annually. No such impairment losses have been identified by the Company for the years presented.

22

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000

Organization and summary of significant accounting policies - Cont'd.
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Inventories
-----------

Inventories consist primarily of supplies related to advertising machines and are carried at the lower of cost (first-in, first-out) or market. Once the advertising machines are available for rental and placed in service, depreciation is recognized. During the year, the advertising machines of $545,483 included in inventory for 1999 were removed from inventory and made available for lease. When placed in boards available for lease, they are no longer included in inventories. Starting in 2000, the Company's policy is to lease all boards and they are included in furniture, fixtures and equipment.

Furniture and equipment

Furniture and equipment is stated at cost and depreciated using the straight-line method, over the estimated useful lives of five to seven years.

Income Taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109 (SFAS No. 109). Under SFAS No. 109, deferred income tax assets and liabilities are determined based upon differences between financial reporting and tax basis of assets and liabilities and are measured using currently enacted tax rates. SFAS No. 109 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Basic and Diluted Loss Per Common Share

Basic loss per common share is based on the weighted average number of shares outstanding during the period. The computation of diluted loss per common share is similar to basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. Diluted loss per common share is not presented since the result is antidilutive.

Fair Value of Financial Instruments

All financial instruments are held for purposes other than trading. The following methods and assumptions were used to estimate the fair value of each financial instrument for which it is practicable to estimate that value:

For cash, cash equivalents and notes payable, the carrying amount is assumed to approximate fair value due to the short-term maturities of these instruments.

Cash Equivalents

The Company considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

23

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000

Organization and summary of significant accounting policies - Cont'd.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash. The Company places its cash with high quality financial institutions. At times during the year, the balance at any one financial institution may exceed FDIC limits.

During the year, the Company negotiated the ability to manufacture the advertising machines previously supplied principally by one foreign vendor.

2. Furniture, fixtures and equipment

Furniture, fixtures and equipment is summarized as follows:

| | 1999 | 2000 |
|---|---|---|
| Boards available for lease | $ 545,483 | $ 545,483 |
| Equipment | -- | 468,730 |
| Furniture & fixtures | 4,249 | 5,490 |
| | 549,732 | 1,019,703 |
| Less accumulated depreciation | (285) | (95,555) |
| Net | $ 549,447 | $ 924,148 |

Furniture, fixtures and equipment are depreciated over an estimated useful life of 7 years using the straight-line method of depreciation. Once boards are available for lease, they continue to be depreciated even if not under contract for a period of time.

In regards to equipment, the acquisition of the LED truck is included at fair value of the truck ($450,000) which was more reliably measurable and therefore was the basis used in accordance with FAS 123.

3. Goodwill

On August 31, 1999 the Company acquired all the outstanding stock of Unergi, Inc. In accordance with APB 16, the following is disclosed. The acquisition was accounted for as a purchase. Consideration for the purchase was the issuance of 16,566,667 shares of $.001 par value stock of the Company and the assumption of debt in the amount of $661,027. Because the sum of the fair value of tangible and identifiable intangible assets was negligible, the cost of Unergi has been recorded as goodwill. No other identifiable assets or operations were received. The purchase price exceeded the fair value of the net assets acquired by $677,594 that has been recorded as goodwill in accordance with FAS 123 and, in accordance with APB 17 has been amortized over 15 years using the straight-line method.





Organization and summary of significant accounting policies - Cont'd.

On March 9, 2000, the Company acquired 100% of the issued and outstanding common stock of Scovel, Inc. in exchange for 500,000 shares of the Company in order to obtain goodwill of Scovel valued at $500 in accordance with FASB No. 123.

Goodwill consists of the following:

| | 1999 | 2000 |
|---|---|---|

| | | |
|---|---|---|
| Goodwill in connection with acquisition of Fair value of stock in exchange for Unergi, Inc. accounted for as a purchase with 16,566,667 common shares issued at $.001 par value given limited trading and marketability of approximately 70% of stock ($16,567) and the assumption of debt of $661,027. | $ 677,594 | $ 677,594 |
| Fair value of stock in exchange for Scovel Management, Inc. accounted for as a purchase with 500,000 common shares issued at $.001 par value given limited trading value of stock and agreed upon value of shell company (Scovel) whose Intangible value included listing on OTC BB | -- | 500 |
| | 677,594 | 678,094 |
| Less accumulated amortization | (22,587) | (67,793) |
| Net | $ 655,007 | $ 610,301 |

All assets were intangible with goodwill providing value in accordance with APB No. 16 amortized over 15 years. No other assets were acquired other than the fair market value adjustment of goodwill determined based upon fair value of debt assumed and par value of stock given the limited trading market for NMMI stock.





4. Related party transactions

Related party payables consists of the following:

| | 1999 | 2000 |
|---|---|---|
| Note due stockholder/former officer at 10% | $ 641,152 | $ -- |
| Accounts payable to stockholders, non-interest bearing | 954,860 | 249,860 |
| $100,000 convertible note payable, with interest accrued @10%, (convertible $1.00 of debt into common stock) | -- | 102,500 |
| $125,000 convertible note payable, with interest accrued @ 15%, secured by equipment (convertible $1.00 of debt into common stock) | -- | 143,750 |
| $162,000 convertible note payable, with | | |

| | | |
|---|---|---|
| interest accrued @ 8%, to officer/stockholder (convertible $.10 of debt into preferred stock) | -- | 162,000 |
| | $1,596,012 | $ 658,110 |

During the year 2000, the Company issued common stock at fair value in settlement of certain debt owed to stockholders and a former officer. The Company issued 641,152 shares in settlement of the debt owed to a stockholder/officer, in the principal amount of $641,152 plus accrued interest of $154,204 totaling $795,356. Further, the Company issued 670,000 shares in settlement of the debt owed to a stockholder, in the principal amount of $670,000 plus settlement charges of $25,688 totaling $695,688. Fair value of stock issued was book value of the debt relieved plus accrued interest and settlement charges totaling $1,491,044 in accordance with FAS 123. Excess of par value in the amount of $1,487,403 was recorded as additional paid in capital.

Also, during the year 2000, the Company was successful in a lawsuit against prior officers of the Company to rescind 3,520,419 shares. No gain or loss was recognized on this rescission and the Company issued 2,500,000 shares to its present officer/director. Fair value of the common stock issued has been reported net of rescission under FAS 123.

The Company disputes a payable to a prior officer, but has recorded the debt for financial statement purposes as a related party liability in the amount of $249,860 based upon the full amount of the prior officer's demand.

26

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000

## 5. Income Taxes

The Company has available net operating loss carryforwards of $1,950,000 that expire through 2020.

After consideration of all the evidence, both positive and negative, management has determined that a full valuation allowance is necessary to reduce the deferred tax assets to the amount that will more likely than not be realized. Accordingly, components of the Company's net deferred income taxes are as follows:

| | 1999 | 2000 |
|---|---|---|
| Deferred tax assets: | | |
| Net operating loss carryforwards | $ 870,000 | $ 1,950,000 |
| Valuation allowance for deferred tax asset | (870,000) | (1,950,000) |
| | $ -- | $ -- |

## 6. Equity Transactions

On August 31, 1999, pursuant to an Agreement and Plan of merger, the Company acquired all the issued and outstanding stock of Unergi, Inc. (a Nevada company) in exchange for fair value of 16,566,667 shares of the Company's $.001 par value common stock. Unergi was liquidated and the goodwill of $677,594 was capitalized and amortized over 15 years.

On March 9, 2000, the Company acquired 100% of the issued and outstanding common stock of Scovel, Inc. (a Delaware company) office in the amount of $500 in exchange for fair value of 500,000 shares of the Company.

On May 19, 2000, the Company entered into an agreement with Swartz Private Equity (Swartz) to provide an equity line of up to $25,000,000 during the three-year period following the effective date of September 28, 2000 of the registration statement covering the Swartz Agreement. The Company may sell stock to Swartz under a put right. The Company is required to issue and deliver to Swartz additional warrants to purchase a number of shares of common stock equal to 10% of the common shares issued to Swartz in each applicable put. Each additional warrant will be exercisable at a price that will initially equal 110% of the market price for that put and thereafter may be reset every six months. The warrants are immediately exercisable and have a term expiring 5 years thereafter. Certain provisions of the Agreement provide that Swartz shall receive the additional warrants so that the sum of commitment warrants and additional warrants may equal up to 4.0% of the fully diluted shares of the Company's common stock. As part of this agreement, and in accordance with FAS 123, the following information is disclosed. The Company has issued 1,000,000 initial commitment warrants, expiring March 21, 2005 to purchase 1,000,000 shares of the Company's common stock. The initial exercise price of these commitment warrants is $.30 per share of common stock. Utilizing the Black Scholes formula, assuming a 5-year life, no expected dividends, volatility of 35% and interest rate of 6%, the Company determined that the fair value of commitment warrants issued at the grant date (as to 250,000 warrants the grant date of March 21, 2000, 500,000 warrants as of 10 days subsequent and as to 250,000 warrants upon the effectiveness of the Registration Statement) to be $57,200 that was charged to expense in 2000.

27

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000

Equity Transactions - Cont'd

of commitment warrants issued to be $57,200 that is charged to expense in 2000.

7. Stock options and warrants

On June 26, 2000, the Company's Board of Directors adopted the New Millennium Media International, Inc. 2000 Stock Option Plan (the "Plan"). The Plan provides for the issuance of incentive stock options (ISO's) to any individual who has been employed by the Company for a continuous period of at least six months. The Plan also provides for the issuance of Non Statutory Options (NSO's) to any employee who has been employed by the Company for a continuous period of at least six months, any director or consultant to the Company. The total number of shares of common stock authorized and reserved for issuance under the Plan is 3,000,000 shares. The Board shall determine the exercise price per share in the case of an ISO at the time an option is granted and shall be not less than the fair market value or 110% of fair market value in the case of a ten percent or greater stockholder. In the case of an NSO, the exercise price shall not be less than the fair market value of one share of stock on the date the option is granted. Unless otherwise determined by the Board, ISO's and NSO's granted under the Plan have a maximum duration of 10 years. As of December 31, 2000, no options have been granted under the Plan.

Also, in February 2000, the Company issued options to purchase 500,000 shares at $1.00 expiring in two years and in March 2000, the Company issued options to purchase 100,000 shares at $2.25 expiring in two years. Utilizing the Black Scholes formula, the Company has determined that the fair value of these options granted has no effect on loss or loss per share.

8. Restatement Information

Information concerning restatement of net loss in accordance with APB Opinion # 20:

| | 2000 | PER SHARE AMOUNTS |
|---|---|---|
| Net loss as previously reported | $ (946,613) | $ (0.04) |
| Fair value of common stock warrants (1,000,000 issued and outstanding; exercisable at $.30 expiring March 21, 2005 | 57,200 | -- |
| Common stock, 10,000 shares subscribed at $.50 per share not previously reported | 5,000 | -- |
| Net Increase in loss previously reported | 62,200 | -- |
| Net loss as restated | $(1,008,813) | $ (0.04) |