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NEW MILLENNIUM MEDIA INTERNATIONAL INC  
Form 10KSB  
April 15, 2002

As filed with the Securities and Exchange Commission on April 15, 2002

Registration No. \_\_\_\_\_

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

FORM 10-KSB  
(Amended)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2001.

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  
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(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)

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.  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

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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, 2001 were \$363,802.

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 December 31, 2001 was \$3,890,930 (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 December 31, 2001 was 8,610,047 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 December 31, 2001, the registrant had 8,610,047 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 March 19, 2002, amended Form 10-KSB that was filed March 19, 2002, 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 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 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.

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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

1

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

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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 devices 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

2

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

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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.

### 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.

### 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.

3

### ITEM 3. LEGAL PROCEEDINGS

None. The Company was 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, was seeking to collect payment of a promissory note in the principal amount of \$50,000 plus interest from February 1999 and attorney fees. This lawsuit has been settled and satisfied in full.

### 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

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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 Matters please see hereafter in this filing Notes to the Financial Statement, December 31, 2000 and 2001, Note 6, Equity Transactions and Note 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 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 |
|-----------------|----------|---------|
| ----            | -----    | -----   |
| 2000            |          |         |
| ----            |          |         |
| First Quarter   | .875     | .875    |
| Second Quarter  | 1.000    | 1.000   |
| Third Quarter   | .650     | .430    |
| Fourth Quarter  | .350     | .220    |
|                 | 4        |         |
| 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

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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 of common stock to support these warrants are included in the SB-2 registration statement filed September 13, 2000 and as amendment filed March 18, 2002.

### 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

5

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

Generally, the Company has thus far funded our operations and investments in equipment through cash from equity financings and borrowing from private parties as well as related parties; however, there is no assurance that there will be proceeds from these sources in the future. For a further explanation of these loan transactions please see hereafter in this filing Notes to the Financial Statement, December 31, 2000 and 2001, Note 4, Notes and Loans Payable; Note 5, Related Party Payables and Note 6, Equity Transactions.

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The attached Balance Sheet shows that our Stockholders' Equity has decreased from \$750,208 to 316,138, a decrease of \$434,070 from calendar year 2000 to year 2001. This is due in large part to an increase of common stock subscribed in the amount of \$1,833,375 and an increase of additional paid in capital of 2,567,252. The increase in current liabilities from \$813, 228 to \$1,942,628 is principally due to the Company continuing to fund its operation through arm's length borrowing (Notes Payable \$612, 697) and Related Parties borrowing (\$809,554). The Accounts Payable and Accrued Expenses (\$520,377) increase from \$93,118 is primarily the result of the Company now being fully operational; i. e., equipment purchased by the Company, but not yet paid and payment received by the Company for equipment purchases for which the equipment has not yet been delivered. Additionally, the day-to-day operation of the business incurs temporary liabilities in the Accounts Payable. For a further explanation of these property and equipment transactions please see hereafter in this filing Notes to the Financial Statement, December 31, 2000 and 2001, Note 2, Property and Equipment.

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.

### RESULTS OF OPERATIONS

#### Income

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The revenue for the calendar year 2000, \$148,102, when compared to calendar year 2001, \$363,802 shows an increase of approximately 146 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

6

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 \$320,916 (34%) for the 2000 calendar year compared to calendar 2001. This increase is due primarily to the Company continuing to grow after 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



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Company being fully operational this line item includes such items as rent, salaries, office expenses and sales expenses.

### Interest Expense

Interest Expense increased by \$13,204 from 2000 to 2001 (21%). This interest expense increased primarily as a result of the Company financing its operational growth through borrowing, debt transactions.

### Depreciation and Amortization

Depreciation and Amortization increased from 2000 to 2001, an increase of \$56,899 (40%). 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 Inventory line item to including them in the Property and Equipment line item. In this line item (Property and Equipment) the display machines can now be depreciated. For a further itemization of the property and equipment, please see hereafter in this filing, Notes to the Financial Statement, December 31, 2000 and 2001, Note 2, Property and Equipment.

### Total Costs and Expenses

The Total Costs and Expenses have increased by \$391,019, an increase of 34%, from 2000 to 2001. The discussion above describes management's analysis of the salient issues relating to these Costs and Expenses.

### Loss from Operations

The net Loss from Operations for the period from 2000 (\$1,008,813) to 2001 (\$1,184,132) shows an increase of 17%. As noted above, the Income for the same period increased by \$215,700, an increase of 146%. In the past two years the Company has reduced this Loss from Operations by 60%. It should be noted, however, that there is no assurance that this positive trend will continue.

### Basic and Fully Diluted Loss Per Common Share

The Basic and Fully Diluted Loss Per Common Share difference from 2000 to 2001 calendar years shows a 10.5% decrease. 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. 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

7

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

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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 as reflected in the 10.5% decrease 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<br>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 40 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

8

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, 2000 and 2001 to John Thatch, president and CEO. Except for John Thatch, none of our executive officers and directors received compensation of \$100,000 or more

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in 1999, 2000 and 2001.

SUMMARY COMPENSATION TABLE

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

Director Compensation

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

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.

9

| Name and Address<br>of Beneficial<br>Owner   | Amount and Nature<br>of Beneficial<br>Ownership | Percent of Class (1) |
|--|---|----------------------|
| John Thatch<br>President/CEO<br>and Director | 828,186   | 10%                  |
| Investment Management<br>of America, Inc.(2) | 1,576,416                                       | 18%                  |

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- (1) Based upon December 31, 2001 shareholder list, 8,610,047 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

Except as set forth below, none of our directors or officers, nor any proposed nominee for election as one of our directors or officers, nor any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to our outstanding shares, nor any relative or spouse of any of the foregoing persons has any material interest, direct or indirect, in any transaction in any presently proposed transaction which has or will materially affect the Company.

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 828,186 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.

10

#### 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>.



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Independent Auditors' Report.....F-3  
Balance Sheets .....F-4  
Statements of Operations .....F-5  
Statements of Stockholders' (Deficit) Equity .....F-6  
Statements of Cash Flows.....F-7  
Notes to the Financial Statements.....F-8

F-2

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, 2000 and 2001, 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, 2000 and 2001 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, 2000 and 2001. 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 31, 2002

F-3

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

BALANCE SHEETS

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December 31, 2000 and December 31, 2001

|  | 2000<br>(RESTATED) |       |
|--|--------------------|-------|
|  | -----              | ----- |
| ASSETS   |                    |       |
| Current Assets   |                    |       |
| Cash   | \$       --        | \$    |
| Accounts receivable  | 16,636             |       |
| Prepaid expenses   | 12,351             |       |
|  | -----              | ----- |
| Total Current Assets   | 28,987             |       |
|  | -----              | ----- |
| Property and Equipment   |                    |       |
| Property and Equipment - net   | 924,148            | 1     |
|  | -----              | ----- |
| Other Asssets  |                    |       |
| Intangible Assets-net  | 610,301            |       |
| Other assets   | --                 |       |
|  | -----              | ----- |
| Total Other Assets   | 610,301            |       |
|  | -----              | ----- |
|  | \$ 1,563,436       | \$ 2  |
|  | =====              | ===== |
| LIABILITIES AND STOCKHOLDERS' DEFICIT  |                    |       |
| Current Liabilities  |                    |       |
| Accounts payable and accrued expenses  | \$     93,118      | \$    |
| Notes and loans payable  | \$     62,000      | \$    |
| Related party payables   | 658,110            |       |
|  | -----              | ----- |
| Total Current Liabilities  | 813,228            | 1     |
|  | -----              | ----- |
| Long-term Liabilities  | --                 |       |
| Stockholders' (Deficit) Equity   |                    |       |
| Common stock, par value \$.001; 15,000,000 shares<br>authorized, 5,690,121 and 8,610,047 shares issued<br>and outstanding, respectively, 2000 and 2001 | 5,690              |       |
| Common stock warrants (200,000 and 242,274;<br>exercisable at \$1.50, respectively, 2000 and 2001)   | 57,200             |       |
| Common stock options; 25,000 issued and<br>outstanding; exercisable at \$.005 per option   | --                 |       |
| Preferred stock, par value \$.001; 10,000,000 shares authorized,<br>no shares issued and outstanding   | --                 |       |
| Additional paid in capital   | 2,769,445          | 5     |
| Deficit  | (2,082,127)        | (3)   |
|  | -----              | ----- |
| Less common stock subscribed   | 750,208            | 2     |
|  | -----              | ----- |
|  | --                 | (1)   |
|  | -----              | ----- |

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|                                      |              |       |
|--------------------------------------|--------------|-------|
| Total stockholders' (deficit) equity | 750,208      | ----- |
|                                      | \$ 1,563,436 | ===== |

See accompanying notes and accountant's report.

F-4

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

STATEMENT OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 2001

|  | 2000<br>(Restated) | 2001           |
|--|--------------------|----------------|
|  | -----              | -----          |
| Income                                     | \$ 148,102         | \$ 363,802     |
| Costs and Expenses:                        |                    |                |
| General and administrative                 | \$ 952,434         | \$ 1,273,350   |
| Interest expense                           | 63,587             | 76,791         |
| Depreciation and amortization              | 140,894            | 197,793        |
|  | -----              | -----          |
| Total costs and expenses                   | 1,156,915          | 1,547,934      |
|  | -----              | -----          |
| Loss from Operations                       | (1,008,813)        | (1,184,132)    |
|  | -----              | -----          |
| Net Loss                                   | \$ (1,008,813)     | \$ (1,184,132) |
|  | =====              | =====          |
| Basic and Diluted Loss Per Common Share    | \$ (0.19)          | \$ (0.17)      |
|  | =====              | =====          |
| Weighted average common shares outstanding | 5,255,049          | 7,150,084      |
|  | =====              | =====          |

See accompanying notes and accountant's report.

F-5

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

STATEMENT OF STOCKHOLDERS' (DEFICIT) EQUITY

FOR THE PERIOD FROM JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

| COMMON STOCK |        | COMMON   | COMMON  | ADDITIONAL |
|--------------|--------|----------|---------|------------|
| -----        | -----  | STOCK    | STOCK   | PAID - IN  |
| SHARES       | AMOUNT | WARRANTS | OPTIONS | CAPITAL    |
| -----        | -----  | -----    | -----   | -----      |



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|  |           |          |           |          |             |       |
|--|-----------|----------|-----------|----------|-------------|-------|
| BALANCE, JANUARY 1, 2000 - (RESTATED)  | 4,819,974 | \$ 4,820 | \$ --     | \$ --    | \$ 468,271  | \$ (1 |
| Fair value of shares issued for services to officers - net of rescission                               | (204,083) | (204)    |           |          | 2,704       |       |
| Fair value of 200,000 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 | 728,230   | 728      |           |          | 1,490,316   |       |
| Fair value of equipment (LED truck \$450,000) net of debt (\$107,000)                                  | 40,000    | 40       |           |          | 342,960     |       |
| Fair value of stock issued for goodwill of Scovel Management, Inc.                                     | 100,000   | 100      |           |          | 400         |       |
| Proceeds of stock issued for cash  | 206,000   | 206      |           |          | 464,794     |       |
| Net loss for the period ended December 31, 2000  | --        | --       | --        | --       | --          | (1    |
| BALANCE, DECEMBER 31, 2000 - (RESTATED)  | 5,690,121 | 5,690    | 57,200    |          | 2,769,445   | (2    |
| Fair value of 42,274 warrants issued to investment bankers   |           |          | 12,090    |          |             |       |
| Issuance of 25,000 Stock Options   |           |          |           | 1,175    |             |       |
| Shares issued:   |           |          |           |          |             |       |
| Fair value of stock issued for services  | 634,926   | 635      |           |          | 108,868     |       |
| Common stock issued for cash   | 1,100,000 | 1,100    |           |          | 923,900     |       |
| Exercise of common stock options for cash (\$500) and other fair value of borrowing cost               | 150,000   | 150      |           |          | 7,519       |       |
| Fair value of stock issued in settlement of debt in accordance with FASB 123                           | 35,000    | 35       |           |          | 27,965      |       |
| Shares issued (900,000 held by Company) for investment banker  | 1,000,000 | 1,000    |           |          | 1,499,000   |       |
| Net loss for the period ended December 31, 2001  |           |          |           |          |             | (1    |
| BALANCE, DECEMBER 31, 2001   | 8,610,047 | \$ 8,610 | \$ 69,290 | \$ 1,175 | \$5,336,697 | \$ (3 |
|  | =====     | =====    | =====     | =====    | =====       | ===== |

See accompanying notes and accountant's report.

F-6

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS

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FOR THE YEARS ENDED DECEMBER 31, 2000 AND 2001

|   | 2000<br>(RESTATED) |       |
|---|--------------------|-------|
|   |                    |       |
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                    |       |
| Net income (loss)   | \$ (1,008,813)     | \$    |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:                      |                    |       |
| Depreciation and amortization   | 140,894            |       |
| Fair value of shares issued for services  | 2,500              |       |
| Fair value of warrants / options issued for services  | 57,200             |       |
| (Increase) decrease in accounts receivable  | (16,636)           |       |
| (Increase) decrease in prepaid expenses   | (9,220)            |       |
| (Increase) decrease in intangible assets  | --                 |       |
| (Increase) decrease in other assets   | --                 |       |
| Increase (decrease) in accounts payable and accrued expenses  | (41,934)           |       |
| Net cash provided by (used in) operating activities   | (876,009)          |       |
| CASH FLOWS FROM INVESTING ACTIVITIES  |                    |       |
| Purchase of property and equipment  | (19,972)           |       |
| Net provided by (used in) investing activities  | (19,972)           |       |
| CASH FLOWS FROM FINANCING ACTIVITIES  |                    |       |
| Proceeds from notes payable   | --                 |       |
| Reduction of debt   | --                 |       |
| Proceeds from notes payable - related parties   | 428,918            |       |
| Proceeds from common stock transactions   | 465,000            |       |
| Proceeds from exercise of common stock options  | --                 |       |
| Net cash provided by (used in) financing activities   | 893,918            |       |
| Increase (Decrease) in cash and cash equivalents  | \$ (2,063)         | \$    |
| Cash and cash equivalents at beginning of period  | 2,063              |       |
| Cash and cash equivalents at end of period  | \$ --              | \$    |
|   | =====              | ===== |
| 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.                              | \$ 500             | \$    |
| Fair value of equipment (LED truck, \$450,000 net of debt assumed of \$107,000; 200,000 common stock shares issued)     | 343,000            |       |
| Fair value of common stock (3,641,152 shares) issued in settlement of related party debt based upon debt of \$1,491,044 | 1,491,044          |       |
| Fair value of shares issued (20,000 shares) for amounts previously owed to secretary / treasurer                        | --                 |       |

See accompanying notes and accountant's report.

F-7

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 2001

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
-----

New Millennium Media International, Inc. (the Company) is a developer and marketer of advertising space in special movable advertising display machinery and LED display boards. The Company is a provider of visual advertising through movable display boards and LED equipment.

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 those 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.

COMPREHENSIVE INCOME  
-----

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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

F-8

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 2001

### ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D.

-----

allocate resources and in assessing performance. The Company has evaluated this SFAS and does not believe it is applicable at this time.

### INTANGIBLE ASSETS

-----

Intangible assets represent acquisition costs in excess of net tangible assets of businesses purchased and consists primarily of client lists and goodwill. Under the purchase method of accounting, the Company records 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.

In June 2001, the Financial Accounting Standards Board (FASB) finalized SFAS No. 141, "Business Combinations" (SFAS 141), and SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. It also requires that the Company recognize acquired intangible assets, apart from goodwill, if the intangible assets meet certain criteria. Upon adoption, the Company must reclassify the carrying amounts of intangible assets and goodwill based on criteria in SFAS 141.

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SFAS 142 establishes new guidelines for accounting for goodwill and other intangible assets. It requires that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS 142 requires that the Company (1) identify reporting units for the purpose of assessing potential future impairments of goodwill, (2) reassess the useful lives of other existing recognized intangible assets, and (3) cease amortization of intangible assets in accordance with the guidance in SFAS 142. SFAS 142 must be applied in fiscal years beginning after December 31, 2001 to all goodwill and other intangible assets recognized after that date, regardless of when those assets were initially recognized. In accordance with SFAS 142, the Company must complete a transitional goodwill impairment test six months after adoption and reassess the useful lives of other intangible assets within the first interim quarter after adoption.

### 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.

F-9

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 2001

### 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 AND CASH EQUIVALENTS

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The Company considers all highly liquid investments having an original maturity of three months or less as cash equivalents.

### 2. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

|                                | 2000       | 2001         |
|--------------------------------|------------|--------------|
|                                | -----      | -----        |
| Boards available for lease     | \$ 545,483 | \$ 670,483   |
| Equipment                      | 460,319    | 497,445      |
| Graphic Equipment              | 8,412      | 22,229       |
| Furniture & fixtures           | 5,490      | 9,034        |
| LED Truck (under construction) | --         | 510,776      |
|                                | -----      | -----        |
|                                | 1,019,704  | 1,709,967    |
| Less accumulated depreciation  | (95,555)   | (248,141)    |
|                                | -----      | -----        |
| Net                            | \$ 924,149 | \$ 1,461,826 |
|                                | =====      | =====        |

The company capitalizes the cost of property and equipment and uses the straight-line method of depreciation over estimated useful lives of five to seven years once available for use. Upon retirement or other disposal of property and equipment, the cost and related accumulated depreciation are eliminated from the asset and accumulated depreciation accounts, respectively. The difference, if any, between the net asset amount and proceeds is adjusted to Company earnings.

F-10

### NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

#### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2000 AND 2001

### 3. INTANGIBLE ASSETS

At the end of 2000 and 2001, the Company's gross and net amount of intangible assets were as follows:

|                               | 2000       | 2001       |
|-------------------------------|------------|------------|
|                               | -----      | -----      |
| Goodwill - gross              | \$ 678,094 | \$ 678,094 |
| Less accumulated amortization | (67,793)   | (112,999)  |
|                               | -----      | -----      |
| Goodwill - net                | 610,301    | 565,095    |
| Research and Development      | --         | 100,000    |
|                               | -----      | -----      |
|                               | 610,301    | 665,095    |
|                               | =====      | =====      |

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The amortization period for goodwill is 15 years in accordance with APB No. 16. Research and development consists of costs related to the development of video prototype equipment. The Company evaluates such costs for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows resulting from the use of these assets. When any such impairment exists, the related assets will be written down to fair value.

#### 4. NOTES AND LOANS PAYABLE

-----

Notes and loans payable consists of the following:

|   | 2000        | 2001       |
|---|-------------|------------|
|   | -----       | -----      |
| \$250,000 notes payable, with interest accrued @ 5% and certain rights to purchase 25,000 shares of common stock @ \$.005 after 30 day maturity and 12,500 shares each and every month thereafter | \$       -- | \$ 257,969 |
| \$60,000 convertible notes payable, with interest accrued @ 12% (convertible \$.10 of debt into common stock)   | --          | 65,839     |
| \$250,000 convertible note payable, with interest accrued @ 12% (convertible \$1.00 of debt into common stock)  | --          | 257,911    |
| Loans payable, unsecured  | 62,000      | 30,978     |
|   | -----       | -----      |
|   | \$ 62,000   | \$ 612,697 |
|   | =====       | =====      |

F-11

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 2001

#### 5. RELATED PARTY PAYABLES

-----

Related party payables consists of the following:

|  | 2000       | 2001       |
|--|------------|------------|
|  | -----      | -----      |
| Payable to stockholders, non-interest bearing  | \$ 249,860 | \$ 249,860 |
| \$100,000 convertible note payable, with interest accrued @10%, (convertible \$1.00 of debt into common stock) | 102,500    | 112,750    |
| \$125,000 convertible note payable, with   |            |            |

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|   |            |            |
|---|------------|------------|
| interest accrued @ 15%, secured by equipment<br>(convertible \$1.00 of debt into common stock)  | 143,750    | 165,312    |
| <br>  |            |            |
| \$162,000 convertible notes payable, with<br>interest accrued @ 8%, to officer/stockholder<br>(convertible \$.10 of debt into preferred<br>stock) | 162,000    | 281,632    |
|   | -----      | -----      |
|   | \$ 658,110 | \$ 809,554 |
|   | =====      | =====      |

The Company disputes a payable to a prior officer but has recognized the debt for financial statement purposes in the amount of \$249,860.

### 6. EQUITY TRANSACTIONS

-----

Under an agreement with Swartz Private Equity (Swartz) the Company entered into an agreement 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. During 2000, as part of this agreement, the Company has issued 200,000 initial "commitment warrants", expiring March 21, 2005 to purchase 200,000 shares of the Company's common stock. During 2001, the Company issued 16,796 and 25,478 "additional warrants" to expiring April 17, 2006 and July 17, 2006, respectively, to purchase 42,274 additional shares of the Company's common stock. The initial exercise price of these "commitment warrants" and "additional warrants" is \$1.50. 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 to be \$57,200 and the fair value of the "additional warrants" issued to be \$12,090 which was charged to expense in 2000 and 2001, respectively.

F-12

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 2001

### 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



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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, 2001, 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. COMMITMENTS AND CONTINGENCIES

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The Company conducts its operations from facilities that are leased under a five-year non-cancelable operating lease expiring in April 30, 2006. There is an option to renew the lease for an additional five years and subject to rental escalation at the beginning of the second year, at the Consumers Price Index or 3% per annum, whichever is higher.

The following is a schedule of future minimum lease payments required under the above operating lease as of December 31, 2001:

| Year Ending December 31, | 2001       |
|--------------------------|------------|
|                          | -----      |
| 2002                     | \$ 133,971 |
| 2003                     | 137,990    |
| 2004                     | 142,130    |
| 2005                     | 146,394    |
| 2006                     | 49,397     |
|                          | -----      |
|                          | \$ 609,882 |
|                          | =====      |

Rental expense amounted to \$86,659 and \$135,726 in 2000 and 2001 respectively. No long-term lease commitment existed at the end of 2000.

F-13

NEW MILLENNIUM MEDIA INTERNATIONAL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 2001

### 9. INCOME TAXES

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The Company has available net operating loss carry forwards of \$3,100,000, which expire through 2021.

After consideration of all the evidence, both positive and negative,

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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:

|  | 2000            | 2001            |
|--|-----------------|-----------------|
|  | -----           | -----           |
| Deferred tax assets:                       |                 |                 |
| Net operating loss carry forwards          | \$ 1,950,000    | \$ 3,100,000    |
| Valuation allowance for deferred tax asset | (1,950,000)     | (3,100,000)     |
|  | -----           | -----           |
|  | \$           -- | \$           -- |
|  | =====           | =====           |

F-14