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ICEWEB COMMUNICATIONS INC
Form 10QSB
August 18, 2003

U.S. SECURITIES AND EXCHANGE
COMMISSION Washington, DC 20549

FORM 10-QSB

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

For the quarterly period ended June 30 2003

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

For the transition period from _____ to _____

Commission File Number: 0-27865

ICEWEB, INC.

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

Delaware
(State or other jurisdiction of
Incorporation or organization)

54-1789433
(IRS Employer
Identification No.)

620 Herndon Parkway, Suite 360, Herndon, VA 20170
(Address of Principal executive offices)

Issuer's telephone number, including area code: (703) 964-8000

Check whether 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 34,150,878 issued and outstanding at June 30, 2003.

ICEWEB INC.

QUARTERLY REPORT ON FORM 10-QSB FOR THE PERIOD ENDED
June 30, 2003

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Page No.

ITEM 1. FINANCIAL STATEMENTS

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| | |
|--|------|
| Unaudited Condensed Consolidated Balance Sheet as at June 30, 2003 ... | 3 |
| Unaudited Condensed Consolidated Statements of Operations for the nine months ended June 30, 2003 and June 30, 2002 | 4 |
| Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2003 and June 30, 2002 | 5 |
| Notes to Unaudited Condensed Consolidated Financial Statements | 6-7 |
| ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS | 7-13 |
| PART II OTHER INFORMATION | 13 |
| Signatures | 15 |

2

ITEM 1. FINANCIAL STATEMENTS

ICEWEB, INC.

June 30, 2003

CONDENSED CONSOLIDATED BALANCE SHEET

(UNAUDITED)

ASSETS 2003

Current assets:

| | | |
|-----------------------------------|----|-----------|
| Cash | \$ | 106,608 |
| Accounts receivable, net | \$ | 646,215 |
| Prepaid Expenses | | 15,376 |
| | | ----- |
| Total current assets | | 768,199 |
| | | |
| Property and equipment, net | | 65,170 |
| Deposits | | 9,533 |
| Goodwill | | 174,866 |
| | | ----- |
| Total Fixed Assets | \$ | 249,569 |
| Total assets | \$ | 1,017,768 |

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities

| | | |
|--------------------------------------|----|---------|
| Accounts payable | \$ | 669,942 |
| Accrued expenses | | 101,539 |
| Line of credit - related party | | 266,270 |
| Deferred Rent Revenue | | 26,080 |

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| | |
|---|-------------|
| Note Payable - Seller | 123,000 |
| Notes payable - related party | 247,000 |
| | ----- |
| Total current liabilities | \$1,433,831 |
| Stockholders' deficit: | |
| Common stock, \$.001 par value; 100,000,000 shares authorized, 34,150,878 issued | 34,151 |
| Additional paid in capital | 2,020,188 |
| Accumulated deficit | (2,470,402) |
| | ----- |
| Total stockholders' deficit | (416,063) |
| | ----- |
| Total liabilities and stockholders' deficit | 1,017,768 |

See notes to condensed consolidated unaudited financial statements

3

ICEWEB INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
NINE MONTHS ENDED JUNE 30, 2003 AND JUNE 30, 2002
(UNAUDITED)

| | Nine Months Ended | |
|--|-------------------|---------------|
| | June 30, 2003 | June 30, 2002 |
| | ----- | ----- |
| Revenues | 628,496 | 171,665 |
| Cost of Sales | 463,563 | 63,611 |
| | ----- | ----- |
| Gross Profit | 164,933 | 108,054 |
| Operating expenses: | | |
| Marketing & sales | 16,018 | 188,134 |
| Research & Development | - | 69,433 |
| General & Administrative | 231,721 | 372,223 |
| | ----- | ----- |
| | 247,739 | 629,790 |
| Operating loss | (82,806) | (521,736) |
| Interest income (expense) | (17,447) | (3,527) |
| Loss on disposal of assets | - | 2,117 |
| Net Loss | (100,253) | (527,382) |
| | ===== | ===== |
| Basic loss per common share | \$.00 | \$ (.02) |
| Weighted average common shares outstanding . | 31,909,100 | 25,307,864 |

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See notes to condensed consolidated unaudited financial statements

4

ICEWEB INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS THREE MONTHS ENDED JUNE 30, 2003 AND JUNE 30, 2002 (UNAUDITED)

| | Three Months Ended | |
|--|--------------------|---------------|
| | June 30, 2003 | June 30, 2002 |
| Revenues | 595,631 | 30,493 |
| Cost of Sales | 452,817 | 14,313 |
| | 142,814 | 16,180 |
| Gross Profit | | |
| Operating expenses: | | |
| Marketing & sales | 10,683 | 72,283 |
| Research & development | - | 26,392 |
| General & Administrative | 29,598 | 135,749 |
| | 40,281 | 234,424 |
| Operating Income (Loss) | 102,533 | (218,242) |
| Interest income (expense) | (7,850) | (88) |
| Prior Period Adjustment | 90,018 | - |
| Net Income (loss) | 94,683 | (218,330) |
| | \$.00 | \$ (.01) |
| Basic Income per common share | | |
| Weighted average common shares outstanding . | 31,909,100 | 29,437,878 |

See notes to condensed consolidated unaudited financial statements

5

ICEWEB INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS NINE MONTHS ENDED JUNE 30, 2003 AND JUNE 30, 2002 (UNAUDITED)

| | June 30, 2003 | June 30, 2002 |
|--------------------------------------|------------------|------------------|
| NET CASH USED IN OPERATIONS | (72,078) | (297,290) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed Assets | (26,502) | (9,695) |

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| | | |
|--|-----------|---------|
| Proceeds from sale of fixed assets | - | 10,000 |
| Cash acquired in acquisitions | 85,713 | - |
| Acquisition of subsidiaries | (42,000) | - |
| | ----- | ----- |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 17,211 | 305 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of (proceeds from) | | |
| note payable - related party | (136,845) | 34,014 |
| Notes Payable | - | 257,000 |
| Contributed Capital | - | (1,139) |
| Proceeds from stock sales | 289,310 | - |
| | ----- | ----- |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | 152,465 | 289,875 |
| NET INCREASE (DECREASE) IN CASH | 97,598 | (7,110) |
| CASH, beginning of period | 9,010 | 15,484 |
| | ----- | ----- |
| CASH, end of period | 106,608 | 8,374 |
| | ===== | ===== |

NON CASH TRANSACTIONS:

| | | |
|---------------------------------------|------------|------|
| Conversion of debt to equity | \$ 10,000 | \$ - |
| Stock compensation expense | \$ 16,160 | \$ - |
| Stock issued in acquisitions | \$ 96,000 | \$ - |
| Amounts payable for acquisition | \$ 123,000 | \$ - |

See notes to condensed consolidated unaudited financial statements

6

ICEWEB Inc.

Notes to Condensed Consolidated Financials Statements unaudited

NOTE 1 - BASIS OF PRESENTATION

The financial statements included in this report have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting and include all adjustments (consisting only of normal recurring adjustment) that are, in the opinion of management, necessary for a fair presentation. These financial statements have not been audited.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations for interim reporting. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading. However, these financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual Report for the year ended September 30, 2002, which is included in the Company's Form 10-KSB for the year ended September 30, 2002. The financial data for the interim periods presented may not necessarily reflect the results to be anticipated for the complete year.

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NOTE 2 - Acquisitions

Two companies were acquired in June 2003, Interlan Corporation and Seven Corporation. The Company acquired all of the outstanding stock of Interlan and Seven in exchanges for \$165,000 in cash, \$42,000 paid at closing and \$123,000 payable over the next six months and 500,000 shares of Iceweb stock. The total value of cash and stock paid was \$261,000, resulting in goodwill recorded of \$174,866 as of June 30, 2003. These items are reflected in the Financial Statements.

Founded in 1995, Interlan is a provider of Data Networking and Network Security infrastructure solutions for business, government and education. Interlan specializes in network security, remote access, wide area and local area network products, services, training and consulting.

The Seven Corporation provides high-level CIO, CTO, and IT Program Management services that enable our customers to implement Information Technology solutions quickly and effectively.

Seven specializes in the planning, design, and implementation management of technology systems for organizations that do not have the experience, time, or on-staff capabilities to modernize their business.

The following unaudited consolidated pro forma interim financial information for the Company is presented as if the share exchange had taken place on October 1, for each of the respective years.

| | June 30, 2003 |
|-------------------------------|---------------|
| | ----- |
| Revenue | 2,784,445 |
| Expenses | 2,647,355 |
| Net Income (Loss) | 137,090 |
| Income (Loss) per Share | 0 |

NOTE 3 - RELATED PARTIES

The Company has a payable to related parties for \$123,000 as part of the acquisition of the Seven Corporation.

7

NOTE 4 - STOCK OFFERING

The Company had a private placement of up to 3,000,000 units as of September 30, 2002 and the placement has been sold out. Each Unit consists of one share of common stock and one common stock purchase warrant. Each warrant entitles the holder to purchase one share of common stock at a purchase price of \$.60 per share. The Warrants are immediately exercisable and will expire on July 1, 2004. Upon 15 days written notice, the Company may call any Warrant at a call price of \$.001 per underlying share should the common stock trade at or above \$1 for 10 consecutive trading days prior to the date of such notice. The company has sold a total number of approximately 4,000,000 shares of common stock in the nine months ended June 30, 2003 through the private placement and through investment letters to accredited investors.

NOTE 5 - GOING CONCERN

In the quarter ending June 30, the corporation made two significant Acquisitions that will directly impact the going concern and the business plan of the company moving forward in an positive financial direction. As compared to last quarter, the revenue increased 4500% which will directly impact the companies ability to operate. In addition, one of the acquisitions has

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guaranteed government contracts in excess of \$1,000,000. The core IceWEB E-Learning business also continued to grow in the quarter.

These events in total have reduced the overall losses in the company for the year to \$100,253, a 190% decrease as compared to last year. The two acquisitions also provide additional technical resources and product certifications that are key to growing the core software business.

The Company's auditors stated in their reports on the financial statements of the Company for the years ended September 30, 2002 and 2001 that the Company is dependent on outside financing and has had losses since inception that raise substantial doubt about our ability to continue as a going concern. For the years ended September 30, 2002 and 2001, the Company incurred net annual losses of \$751,925 and \$996,474 respectively. Management believes that resources will be available from private and operating sources in 2003 to continue the marketing of the Company's products and services. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Management has established plans intended to increase the sales of the Company's products. Management intends to seek new capital from new equity securities offerings to provide funds needed to increase liquidity, fund growth and implement its business plan; however, no assurance can be given that the Company will be able to raise any additional capital.

8

NOTE 6 - CHANGE IN ESTIMATE

During the quarter ended June 30, 2003, the Company recognized approximately \$90,018 in reduced expenses. This reduction in expenses related to 2002 accrued payroll which were either forgiven or settled for less than the original amount.

NOTE 7 - NEW PRONOUNCEMENTS

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Account Standards No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This Statement amends Statement No. 133 to clarify the financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. This statement is effective for contracts entered into or modified after June 30, 2003.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Account Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability. The requirements of this Statement apply to issuers' classification and measurement of freestanding financial instruments. This Statement is effective for financial instruments entered into or modified after May 31, 2003 and otherwise effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. For nonpublic entities, mandatorily redeemable financial instruments are subject to the provisions of this Statement for the first fiscal period beginning after December 15, 2003.

NOTE 8 - SUBSEQUENT EVENT

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On August 15, 2003, the Company entered into a verbal agreement with two related parties to issue 450,000 shares of common stock as satisfaction of a related party note payable of \$97,000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read together with the information contained in the financial statements and related notes included elsewhere in this report.

Our independent auditors have added explanatory paragraphs to their audit opinions issued in connection with the 2002 and 2001 financial statements which states that our Company is dependent on outside financing and has had losses since inception that raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

9

Critical Accounting Estimate

Financial Reporting Release No. 60, which was recently released by the U.S. Securities and Exchange Commission, encourages all companies to include a discussion of critical accounting estimates or methods used in the preparation of financial statements. Our consolidated financial statements include a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements.

Management believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of the financial statements.

Revenue Recognition - revenues are recognized at the time of shipment of the respective products and/or services. Our Company includes shipping and handling fees billed to customers as revenues.

Use of Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these estimates, including those related to allowances for doubtful accounts receivable and the carrying value of inventories and long-lived assets. Management bases these estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Plan of operation

In June 2003, Iwebweb acquired Interlan, Inc., a computer hardware re-seller and Seven Corporation, an IT consulting firm. Both companies provide ideal cross marketing opportunities and financially strengthen Iwebweb's operations.

From 1999 until June 2001, Iwebweb operated as a technology hardware and software distributor business. In June 2001, we acquired the assets of Learning Stream,

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Inc. (LSI) in bankruptcy and changed the business model to enable interactive communication and education on the Internet. Our goal is to expand our product and services offering to take advantage of what we believe to be a rapidly growing market.

Icweb's proprietary software, IceSHOW(TM) under development since 1999 and completed in 2002, allows us to create Web-ready multimedia productions very quickly, giving us a tangible competitive advantage in both time and cost. Our technology integrates audio, video and PowerPoint slides into a highly interactive, customizable interface for online training and interactive marketing.

10

Additional features can easily be added including closed captioning, indexing, animation, quizzes and surveys and pay-per-view capabilities. The software ties to a database backend that provides authentication and reporting.

Markets for Products and Services

Icweb currently has customers in the training, corporate communications and advertising/marketing segments. We focus on e-learning solutions while continuing to support the other segments. Our acquisition of Seven has enhanced our service sector capitolability.

Training - A model customer has a widely dispersed audience with regular training needs; these needs could include compliance with government regulations, skills updating or educational enhancement.

A typical online course would include video or audio with synchronized slides, plus interactive elements such as registration, quizzes and materials downloads as well as a database to track progress, compliance and effectiveness. In addition, training companies, universities or trade associations could charge students for the course work, creating a new source of ongoing revenue. Icweb is providing e-learning solutions for the hotel brands within the Cendant Corporation training hospitality managers worldwide.

Corporate Communications - A model customer is a corporation with offices throughout the US or the world. Icweb's solutions could provide on-demand or live streaming of executive addresses or earnings calls. They could also be used by the Human Resources department to provide orientation, introduce new benefits programs or deliver presentations to employees on compliance matters, such as sexual harassment training.

Advertising & Marketing - Online presentations can be used to sell or market nearly any industrial or consumer product. As with any direct marketing technique, the content is of prime importance. However, studies have shown that by making the message entertaining, combining audio, video and synchronized slides, retention dramatically increases.

Icweb has the ability to profitably sell its products and services while innovating to comply with the leading technology standards. In addition, Icweb's training focus will allow it to market its products and services to the most rapidly growing viewing audience.

Technology

The majority of Icweb's applications are based on client-server technology. The authoring and content management application software has been developed using a combination of C++, ColdFusion, Javascript, ASP, VBscript, Java, and Flash. Since a majority of the processing is done on our server network, the author

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only needs a browser to produce and manage presentations. This keeps the need for desktop processing power to a minimum and allows for future development of enterprise solutions that can be hosted within a customer's network. With the acquisition of Interlan, we have extended our range of products to include computer hardware.

11

All Iceweb's software utilizes its original technology in one form or another. By leveraging the code of existing products, Iceweb decreases new product development costs, shortens time to market and is therefore able to realize new revenues from new products quickly.

IceSHOW(TM) is the company's core technology, a multimedia creation and delivery platform. IceSHOW's powerful feature set and intuitive viewer interface are designed for ease of use. It offers great flexibility and convenience to non-technical users. IceSHOW(TM) further reduces costs through an online production center. A "wizard" steps users through the process of uploading and converting existing media components, then stitching them together seamlessly. There are options for adding a branded interface and other interactive elements as well. Taking only minutes to complete, the resulting show is ready for distribution via the Internet or an intranet.

IceSLIDE(TM) is our PowerPoint-to-Flash format conversion tool. It makes PowerPoint shows small enough to distribute via the Web or through e-mail. IceSLIDE(TM) was developed from the slide conversion technology built into IceSHOW(TM). We currently sell IceSLIDE(TM) directly to graphics professional via our Web site.

Services

Consulting - Iceweb's consulting staff has years of experience in providing custom multimedia solutions to all size organizations. Iceweb consulting services include personalized project management, multimedia development, synchronization of all media assets, application design and development, software integration, instructional design, graphic design, foreign language translations and delivery methods.

IceSTUDIO(TM) - Iceweb provides services include audio/video production, live Webcasting, audio/video editing, audio/video encoding, audio/video transcription, and voiceovers.

- o Encoding - We accept source material in virtually any format to digitize and encode into a file format that is compatible with the streaming media architecture being used. The end result is video and audio configured properly for transmission online at the best possible resolution, motion, clarity and system compatibility.

- o Webcasting - We can produce live Webcasts from a studio or from on-location. Our Webcasts can include audio, video, synchronized slides and graphics; shows can appear in an interface branded with your company's look and feel. Interface options include buttons for downloading additional material, sending a message to the presenter and requesting technical help. Other available features include advance user registration, user system detection, password protection, interactive surveys, quizzes and more.

Sales & Marketing Strategy

Iceweb reaches its buyers directly through telesales and direct marketing. We are also building a highly focused sales channel to refer or resell Iceweb solutions.

Packaged Solutions

IceWEB's packaged solutions provide for on-demand viewing and include a customized interface, login and registration forms, some level of interactivity, and hosting services for a specified period of time. They require only minimal amount of labor to create the presentations. These products include:

- o IceSHOW(TM) e-Learning: Aimed at the educational market, this allows customers with existing content (video, slides, etc.) to quickly produce an online training session. It includes an online quiz with real-time results.
- o IceSHOW(TM) HR: For corporate HR managers who wish to contact employees with new information, for example, details on a new benefits program. It includes a survey form to poll the viewers.
- o IceSHOW(TM) Exec: This package, designed for local organizations, puts new video of an executive address online; the video can be shot in our studio or at the executive's location.
- o IceSHOW(TM) WebVideo: Many companies have invested in corporate video productions. This package allows them to quickly put them online. The customer submits a videotape or electronic file of the original production. We provide the encoding and hosting services as well as the customized interface.

The company launched an Online Learning portal, www.learningstream.com in the second quarter. To date, it has sold over 300 courses online, has 175 available classes and been resold under OEM license agreements to 3 customers. Learningstream.com provides an outlet for customers to sell their online classes. Iceweb will manage the e-commerce aspects and provide payments to the course owners, in exchange for a percentage of the revenues. We will include content that we have produced for our customers as well as existing online content, or video content that we can convert for Web use. The technology to support and manage this portal is already in use, as we are currently providing these services for Fred Pryor Seminars.

Sales

Our solutions are sold directly and indirectly through agents and affiliates. Agents and affiliates earn commissions or discounts based on their sales volumes.

Competitive Advantages

Iceweb competitive advantages are its lean business model with low fixed costs and its favorable margin on products and services through its technology. Iceweb's core competency of digital media production is manifested in its IceSHOW(TM) technology.

Our technology makes the creation of online multimedia shows easy and affordable whether Iceweb is doing the work or the customers are using one of Iceweb's products to do the work themselves. In either case, the cost and complexity of the development is reduced substantially.

Results of Operations

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Consolidated Net revenues - for the nine months ended June 30, 2003, we generated revenues of \$628,496, compared to \$171,665 the comparative period in 2002, an increase of \$456,831 and 266%. Sales for the three months ending June 30, 2003 were \$595,631, compared to \$30,493 for the three months ending June 30, 2002, an increase of \$565,138 and 1853%. The primary reason for this increase was the acquisitions of Interlan and Seven and the continued growth in our marketing and sales strategy to build our business around the E-learning Space. In addition our web portal www.learningstream.com has added revenues via online classes and license agreements. For the 3 month period and the nine month period ending June 30, 2003, Interlan and Seven generated revenues in the amounts, respectively, of \$434,607 and \$86,670.

Marketing and Sales - our sales and marketing expense consists of personnel costs, including commissions, public relations, advertising, marketing programs, lead generation, travel and trade shows. Marketing and sales costs decreased from \$72,283 for the three months ended June 30, 2002 to \$10,683 for the three months ended June 30, 2003, a decrease of \$61,600 or 85%. Marketing and sales costs decreased from \$188,134 for the nine months June 30, 2002 to \$16,018 for the nine months ended June 30, 2003, a decrease of \$172,116 or 91%. This decrease was the result of continued realignment of our sales and marketing personnel, commission expenses and marketing programs.

General and administrative expense - our general and administrative expense consists primarily of personnel costs, rent, legal, accounting, human resources, telecommunications, office supplies and corporate governance and compliance. General and administrative expense decreased from \$372,223 for the nine months ended June 30, 2002 compared to \$231,721 for the nine months ended June 30, 2003 a decrease of \$140,502 or 38%. The primary reasons for this decrease was a change in estimate for certain expenses that resulted in a reduction of expenses of approximately \$90,000 during the three and nine months ended June 30, 2003. The decrease is also the result of a reduction in rent expense, personnel costs, and other fixed expenses. This also represents our success in operational efficiency initiatives to streamline work processes to permanently reduce the Company's overall cost structure.

Overall, our loss per share was \$.00 for the nine and three months ended June 30, 2003 as compared to a loss per share of \$(.02) and \$(.01) per share for the nine and three months ended June 30, 2002, respectively. We don't expect our loss per share to increase in the 4th quarter.

We believe that the company can sustain operations with the consistent revenue generated from the operations of the company. The company will require additional capital to continue Research and Development, Acquisitions and Marketing programs. There are no assurances that we will be able to obtain the additional capital in which event our future operations would be materially and adversely affected.

Liquidity and Capital Resources

Since inception, our operating and investing activities have used more cash than they have generated. Because of the continued need for substantial amounts of working capital to fund the growth of the business and to pay our operating expenses, we expect to continue to experience significant negative operating and investing cash flows for the foreseeable future. Our existing working capital will not be sufficient to fund the continued implementation of our plan of operation during the next 12 months and to meet our capital commitments and general operating expenses. We are unable to predict at this time the exact amount of additional working capital we will require, however, in order to

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provide any additional working capital which we may require, we will in all likelihood be required to raise additional capital through the sale of equity or debt securities. We currently have no commitments to provide us with any additional working capital. If we do not have sufficient working capital to implement our plan of operation described above, it is likely that we will cease operations.

Cautionary Factors That May Affect Future Results

This report and other written reports and oral statements made from time to time by the Company may contain so-called "forward-looking statements," all of which are subject to risks and uncertainties. One can identify these forward-looking statements by their use of words such as "expects," "plans," "will," "estimates," "forecasts," "projects" and other works of similar meaning. One can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address the Company's growth strategy, financial results, and product and development programs. One must carefully consider any such statement and should understand that many factors could cause actual results to differ from the Company's forward-looking statements. These factors include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially.

The Company does not assume the obligation to update any forward-looking statement. One should carefully evaluate such statements in light of factors described in the Company's filings with the Securities and Exchange Commission, especially on Forms 10-K, 10-Q and 8-K. In various filing the Company has identified important factors that could cause actual results to differ from expected or historic results. The Company notes these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. One should understand that it is not possible to predict or identify all such factors. Consequently, the reader should not consider any such list to be a complete list of all potential risks or uncertainties.

15

Part II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

Evaluation of disclosure controls and procedures

Within the 90 days prior to the filing date of this report, the Company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. This

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evaluation was done under the supervision and with the participation of the Company's President and Chief Financial Officer. Based upon that evaluation, they concluded that the Company's disclosure controls and procedures are effective in gathering, analyzing and disclosing information needed to satisfy the Company's disclosure obligations under the Exchange Act.

Changes in internal controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls since the most recent evaluation of such controls.

Planned Sale of Stock

The Chairman and CEO is planning to file a 10B5-1 stock plan.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits required by Item 601 of Regulation S-B

| | |
|--------------|--|
| Exhibit 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 32.1 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350. |

(b) Reports on Form 8-K None.

16

SIGNATURE

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 as duly authorized officers of the Company.

IceWEB, Inc.

DATED: August 14, 2003

By: /s/ John R. Signorello

John R. Signorello
Chairman and Chief Executive Officer
(Principal Executive, Financial and
Accounting Officer)

8