IVG CORP
Form 10QSB
August 21, 2001

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED	COMMISSION FILE NUMBER
JUNE 30, 2001	33-19196-A

IVG CORP.
(EXACT NAME OF SMALL BUSINESS ISSUER AS SPECIFIED IN ITS CHARTER)

DELAWARE	59-2919648
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

13135 DAIRY ASHFORD, SUITE 525
SUGARLAND, TEXAS 77478
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

ISSUER'S TELEPHONE NUMBER: (281) 295-8400

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 [X] No [ ]

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 51,311,759 shares of Common Stock as of August 21, 2001.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

IVG CORP.
CONSOLIDATED BALANCE SHEET (UNAUDITED)
JUNE 30, 2001

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 1,269,409
Restricted cash	1,500,000
Accounts receivable - net	137,624
Inventory	61,842
Notes receivable	301,057
Total current assets	3,269,932
PROPERTY AND EQUIPMENT, NET	259,364
OTHER ASSETS, NET	290,901
	$ 3,820,197
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 1,447,913
Notes payable	4,907,596
Total current liabilities	6,355,509
PREFERRED STOCK	2,181,819
MINORITY INTEREST	(180,437)
STOCKHOLDERS' EQUITY AND ACCUMULATED DEFICIT	
Common stock: par value $.0001, 300,000,000 shares authorized, 60,894,559 issued and outstanding	6,089
Additional paid in capital	32,628,808
Accumulated deficit	(37,171,591)
Total stockholders' deficit	(4,536,694)
	$ 3,820,197

See accompanying notes.

2

IVG CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	FOR THE SIX MONTHS ENDED JUNE 30	
	2001 (UNAUDITED)	2000 (UNAUDITED)
REVENUES:		
Sales	$ 427,595	$ 175,996
Other revenues	94,124	0
Total revenues	521,719	175,996
COSTS AND EXPENSES:		
Cost of goods sold	336,706	147,967
General and administrative	12,050,297	399,207
Research and development	60,000	0

Loss on investment in iTVr	485,474	0
Depreciation expense	27,028	0
Interest expense	81,164	0
Other expenses	0	4,410
Total costs and expenses	13,040,669	551,584
MINORITY INTEREST	(152,531)	0
NET INCOME (LOSS)	$(12,366,419)	$ (375,588)
Basic and fully diluted net loss per share	$ (.24)	$ (.01)
Weighted average number of common shares outstanding for basic and diluted net loss per share	50,858,168	30,809,152

See accompanying notes.

IVG CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	FOR THE THREE MONTHS ENDED JUNE 30	
	2001 (UNAUDITED)	2000 (UNAUDITED)
REVENUES:		
Sales	$ 246,096	$ 91,850
Other revenues	0	0
Total revenues	246,096	91,850
COSTS AND EXPENSES:		
Cost of goods sold	215,793	115,474
General and administrative	9,461,017	191,482
Loss on investment in iTVr	111,787	0
Depreciation expense	13,199	0
Interest expense	23,982	0
Other expenses	0	2,984
Total costs and expenses	9,483,454	309,940
MINORITY INTEREST	(96,228)	0
NET INCOME (LOSS)	$ (9,483,454)	$ (218,090)
Basic and fully diluted net loss per share	$ (.17)	$ (.01)
Weighted average number of common shares outstanding for basic and diluted net loss per share	54,250,653	30,809,152

See accompanying notes.

4

IVG CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE PERIOD FROM DECEMBER 31, 1999 TO JUNE 30, 2001

	Common Stock		Additional		
	Number of Shares	Amount	Paid in Capital	Accumulated Deficit	
Balance December 31, 1999	30,537,402	$ 3,054	$ 1,969,035	$ (2,094,565)	$
Shares issued for services	2,414,200	241	2,388,467	0	
Shares issued for cash	213,450	21	434,079	0	
Acquisition of subsidiary	10,908,145	1,091	19,004,040	0	
Warrants issued for services	0	0	71,860	0	
Net loss	0	0	0	(22,710,607)	
Balance December 31, 2000	44,073,197	4,407	23,867,481	(24,805,172)	
Shares issued for services	2,445,500	245	3,338,796		
Shares issued in acquisitions	14,320,862	1,432	5,380,036		
Shares issued for cash	55,000	5	42,495		
Net loss				(12,366,419)	
Balance June 30, 2001	60,894,559	$ 6,089	$ 32,628,808	$(37,171,591)	$

See accompanying notes.

5

IVG CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	FOR THE THREE MONTHS ENDED JUNE 30	
	2001 (UNAUDITED)	2000 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)	$(9,483,454)	$ (218,090)
Adjustments to reconcile net (loss) to net cash		

provided by (used in) operating activities:		
Minority interest	(96,228)	0
Depreciation	7,199	6,735
Amortization	6,000	9,070
Stock based compensation	7,164,765	56,258
Loss on investment in iTVr	126,313	0
Changes on operating assets and liabilities:		
Accounts receivable	(77,464)	(4,189)
Inventory	18,880	2,653
Accounts payable and accrued expenses	144,184	(23,310)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(2,189,805)	(170,873)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(84,745)	(3,900)
Notes receivable	(27,114)	0
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(111,859)	(3,900)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of stock	20,000	392,500
Notes payable	997,500	1,269
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,017,500	393,769
(Decrease) increase in cash and cash equivalents	(1,284,164)	218,996
Cash and cash equivalents at beginning of period	2,553,573	(10,795)
Cash and cash equivalents at end of period	$ 1,269,409	$ 208,201

See accompanying notes.

IVG CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	FOR THE SIX MONTHS ENDED JUNE 30	
	2001 (UNAUDITED)	2000 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)	$(12,366,419)	$ (375,588)
Adjustments to reconcile net (loss) to net cash provided by (used in) operating activities:		
Minority interest	(152,531)	0
Depreciation	14,267	13,470
Amortization	12,761	18,153
Stock based compensation	8,720,510	126,258
Loss on investment in iTVr	500,000	0
Changes on operating assets and liabilities:		
Accounts receivable	(110,590)	3,211
Inventory	16,096	(11,610)
Other assets	190,477	1,742
Accounts payable and accrued expenses	169,875	29,388
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(2,985,554)	(194,976)

CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in iTVr	(500,000)	0
Purchases of equipment	(229,090)	(11,769)
Notes receivable	(152,857)	0
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(881,947)	(11,769)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of stock	42,500	434,100
Proceeds from notes payable	2,409,212	0
Payments on notes payable	(181,512)	(25,160)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,250,200	408,940
Increase (decrease) in cash and cash equivalents	(1,617,301)	202,195
Cash and cash equivalents at beginning of period	2,886,710	6,006
Cash and cash equivalents at end of period	$ 1,269,409	$ 208,201

See accompanying notes.

IVG CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
JUNE 30, 2001

NOTE 1 - ORGANIZATION AND PRESENTATION

On March 9, 2001, IVG Corp. (the "Company") changed its name from Internet Venture Group, Inc. (formerly Strategic Ventures, Inc.) and its state of incorporation from Florida to Delaware. The name change and reincorporation were accomplished by merging Internet Venture Group, Inc., a Florida corporation, into IVG Corp., a Delaware corporation formed for the purpose of these transactions. Each issued and outstanding share of common stock of Internet Venture Group, Inc. was automatically converted in the merger into one share of common stock of IVG Corp. The company was incorporated in the state of Florida on March 19, 1987 under the name Sci Tech Ventures, Inc. and changed its name to Strategic Ventures, Inc. in May 1991. On October 18, 1999, Strategic Ventures, Inc. changed its name to Internet Venture Group, Inc.

Effective December 31, 1999, Internet Venture Group, Inc. acquired all issued and outstanding shares of GeeWhiz.com, Inc., a Texas corporation for 26,537,402 shares of its stock by the purchase method. For accounting purposes, the acquisition was treated as a reverse acquisition, with GeeWhiz.com, Inc. as the acquirer and Internet Venture Group, Inc. as the acquiree. The merger qualified as a reverse acquisition because the officers and directors of GeeWhiz.com, Inc. assumed management control of the resulting entity and the value and ownership interest received by current GeeWhiz.com, Inc. stockholders exceeded that received by Internet Venture Group, Inc.

On September 28, 2000, Internet Venture Group, Inc. acquired ownership of approximately 88.5% of the issued and outstanding common shares of Swan Magnetics, Inc., a California corporation, for shares of its stock. The transaction was accounted for under the purchase method of accounting. See Note 11.

The Company is a Sugar Land-based company that acquires and enhances revenue-generating companies with a compelling business model, technology and/or proprietary service. The Company provides a value-added corporate structure intended to enable its portfolio companies to quickly leverage their expertise and deploy their business strategy by utilizing the management, financial and corporate resources of the Company.

The primary business of GeeWhiz.com, Inc., which now operates as a division of the Company, is the development, acquisition, marketing and distribution of proprietary products as specialty products and items for the worldwide gift, novelty and souvenir industries. Swan Magnetics, Inc., which operates as a majority-owned subsidiary of the Company, is involved in the development of a proprietary ultra-high capacity (UHC), flexible disk drive technology and currently has no revenue generating operations.

The Company's fiscal year end is December 31.

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared in accordance with U. S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by U. S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001.

These financial statements are presented on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Significant accounting principles followed by the Company and the methods of applying those principles, which materially affect the determination of financial position, results of operations and cash flows, are summarized below:

Principles of consolidation

The accompanying unaudited consolidated financial statements include the accounts of the Company, including its divisions, and its majority-owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation. The accompanying unaudited consolidated financial statements include expenses associated with the Company's acquisition and disposition of SES-Corp., Inc. on April 1, 2001 and August 9, 2001, respectively, but do not otherwise include the financial condition and results of operations of SES-Corp., Inc. See Note 12.

Cash and cash equivalents

The Company considers all highly-liquid debt instruments with original maturities of three months or less when purchased to be cash equivalents. At June 30, 2001, $1,500,000 of cash was restricted for payment of a note to a vendor.

Inventory

Inventory is stated at the lower of cost, determined using the first-in, first-out method (FIFO), or market. Finished products comprise all of the Company's inventory.

Property and equipment

Property and equipment is stated at cost. The cost of ordinary maintenance and repairs is charged to operations while renewals and betterments are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of five (5) years.

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Patents, trademarks and licenses

The Company capitalizes certain legal costs and acquisition costs related to patents, trademarks and licenses. Accumulated costs are amortized over the lesser of the legal lives or the estimated economic lives of the proprietary rights, generally seven to ten years, using the straight-line method and commencing at the time the patents are issued, trademarks are registered or the license is acquired.

Revenue recognition

Product sales are sales of on-line products and specialty items. Revenue is recognized at the time products are shipped. Other revenue and commission income is recognized when the earnings process has been completed.

Income taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109 (SFAS 109), "ACCOUNTING FOR INCOME TAXES," which utilizes the asset and liability approach to accounting for income taxes. Under this method, deferred tax assets and liabilities are measured based on differences between financial reporting and tax bases of assets and liabilities using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

Net earnings (loss) per share

Basic and fully diluted net earnings (loss) per share information is presented under the requirements of Statement of Financial Accounting Standards No. 128 (SFAS 128), "EARNINGS PER SHARE." Basic net earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of shares of common stock outstanding for the period, less shares subject to repurchase. Fully diluted net earnings (loss) per share reflects the potential dilution of securities by adding other common stock equivalents, including stock options, shares subject to repurchase, warrants and convertible preferred stock, in the weighted average number of shares of common stock for a period, if dilutive. All potentially dilutive securities have been excluded from the computation, as their effect is anti-dilutive.

Fair value of financial instruments

The carrying amount of cash, accounts receivable, accounts payable and accrued expenses are considered to be representative of their fair values because of the short-term nature of these financial instruments. The carrying amounts of the notes payable are reasonable estimates of fair value as the loans bear interest based on market rates currently available for debt with similar terms.

Use of estimates

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

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2001:

Manufacturing equipment	$ 109,670
Furniture and equipment	89,027
Leasehold improvements	170,381
Less: Accumulated depreciation	(109,714)
	$ 259,364

NOTE 4 - OTHER ASSETS

Other assets consists of the following as of June 30, 2001:

	Historical cost	Accumulated amortization	Book value
Licenses, patents, trademarks	$364,846	$115,945	$248,901
Other assets	42,000		42,000
	$406,846	$115,945	$290,901

NOTE 5 - NOTES PAYABLE

Notes payable consists of the following as of June 30, 2001:

Borrowings against a $50,000 line of credit agreement with a financial institution collateralized by a general security agreement covering substantially all assets of the Company, bearing interest at prime rate plus 2%, due on demand	$ 47,485
Note payable to an individual stockholder, interest at 8%, due on demand	100,111
Notes payable to two stockholders, interest at 10.5%, due on demand	15,000
6% convertible notes to institutional investors (see Note 13)	1,100,000
Note payable to financial institution, interest at 9.15%, due on demand or November 2001, if no demand is made	75,000

Note payable to SES-Corp., Inc., due on September 30, 2001	1,000,000
Notes payable, interest at 6%, due on demand	70,000
Note payable to a company, interest at 10%, due on demand	1,000,000
Note payable to a company, interest at 8%, due on demand, secured by cash in bank	1,500,000
	$4,907,596

NOTE 6 - INCOME TAXES

The income tax provision relates to state minimum income taxes incurred by Swan Magnetics, Inc.

There has been no provision for U. S. federal or foreign income taxes because the Company has incurred losses in all periods for these jurisdictions.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets are as follows as of June 30, 2001:

Deferred tax assets	
Net operating loss carryforwards	$ 37,171,591
Valuation allowance for deferred tax assets	(37,171,591)
Net deferred tax assets	$ 0

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The Company had tax net operating loss carryforwards of approximately $37,171,591 as of June 30, 2001, which, unless utilized, expire beginning in 2003. Utilization of the tax net operating loss carryforwards may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. The annual limitation could result in the expiration of the net operating loss before utilization.

NOTE 7 - CONVERTIBLE PREFERRED STOCK

After the acquisition of Swan Magnetics, Inc., there remained Swan convertible preferred stock outstanding. There were 612,957 share of Series B preferred stock outstanding with a historical cost of $221,000; 2,010,000 shares of Series D preferred stock outstanding with a historical cost of $1,423,303; and 706,000 shares of Series G preferred stock outstanding with a historical cost of $3,512,000. Upon acquisition, the preferred stock has been valued at $2,181,819, the liquidation preference value, due to the going concern question of the Company.

The rights, preferences and privileges of the Swan Series B, D and G preferred stockholders are as follows:

Dividend rights

Dividends are non-cumulative and payable only upon declaration of the Board of Directors at a rate of $0.132 per share for Series B preferred stock, $0.05 per share for Series D preferred stock and $0.05 per share for Series G preferred stock. No distributions will be made on any share of Series D preferred stock until holders of Series B preferred stock have been paid. No distributions will be paid on any Series G preferred stock until holders of Series B and D have been paid.

Liquidation Preference

Holders of Series B preferred stock have a liquidation preference over Series D and G preferred stock and common shareholders of $1.10 per share plus any declared but unpaid dividends, holders of Series D preferred stock have a liquidation preference over Series G preferred stock and common shareholders of $2.50 per share plus any declared but unpaid dividends, and holders of Series G preferred stock have a liquidation preference over common shareholders of $5.00 per share plus any declared but unpaid dividends.

Conversion Rights

Each share of preferred stock is convertible into one share of common stock at the option of the holder, subject to protection against dilution. Preferred stock automatically converts upon an effective initial public offering or upon the vote or written consent of at least two-thirds of the number of outstanding shares of the preferred stock into common stock (except Series B which does not have this feature).

Warrants

There are outstanding common stock warrants attached to Series D and Series G preferred stock at June 30, 2001. The Series D preferred stock warrants gives the warrant holder the right to purchase one share of Swan common stock at $0.83 per share. The Series G preferred stock warrant give the warrant holder the right to purchase shares of Swan common stock. None of the Series D or Series G warrants have been exercised trough June 30, 2001. The Series D warrants expire in 2001 and the Series G warrants expire in 2006.

Voting Rights

Each holder of Series B, D, and G preferred stock is entitled vote on matters presented to the common stockholders of Swan as if the holder had converted such shares of preferred stock into common stock. In addition, the Series G preferred stockholders also have the right to elect one director to the Swan Board of Directors.

13

IVG CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED - CONTINUED
JUNE 30, 2001

NOTE 8 - STOCK COMPENSATION PLANS

Stock Option Plan

The Company has granted options to purchase shares of common stock to employees, directors, consultants, and investors at prices as determined by the Board of Directors, at date of grant. A summary of the Company's stock options granted is presented below:

	Number of Shares	Weighted Average Exercise Price per Share
Balance, December 31, 1998	3,235,500	$ 0.13
Granted	4,370,625	$ 0.69
Exercised	-	$ -
Canceled	(292,500)	$ 0.14
Balance, December 31, 1999	7,313,625	$ 0.47
Granted	4,375,000	$ 0.27
Exercised	-	$ -
Canceled	-	$ -
Balance, December 31, 2000	11,688,625	$ 0.39
Granted	75,000	$ 1.25
Exercised	-	$ -
Canceled	-	$ -
Balance, June 30, 2001	11,763,625	$ 0.40

The fair value of each stock option was estimated on the date of grant using the Black-Schoales option-pricing model with the following weighted-average assumption on stock options issued on or before June 30, 2000: an expected life of four (4) years, expected volatility of 87%, and a dividend yield of 0% and on stock options issued after June 30, 2000 : an expected life of 18 months, expected volatility of 90%, and a dividend yield of 0%.

2000 Omnibus Securities Plan

The 2000 Omnibus Securities Plan ("2000 Plan") was adopted in October 2000 and reserved 10,000,000 shares of IVG common stock for stock restrictive stock awards, unrestricted stock awards, performance stock awards, dividend equivalent rights, and stock appreciation rights to directors officers, and key employees of the company and certain consultants.

The following summary presents information with regard to the securities issued under the 2000 Plan as of June 30, 2001:

Balance, June 30, 2001	Number of Shares
Unrestricted stock awards:	1,783,200
Restricted stock awards:	1,705,450

Shares available under the 2000 Plan as of June 30, 2001 totaled 6,511,350. In accordance with FASB No. 123, non-cash stock-based compensation expense of $3,339,041 has been recognized in the accompanying statement of operations for the six months ended June 30, 2001 related to these stock awards. An equal amount has been recognized in shareholders' equity.

Non Employee Directors Stock Option Plan

The Non-Employee Directors Stock Option Plan adopted in July 2000 permitted the issuance of up to 900,000 shares of common stock to directors who are not employees of IVG. Under the plan, options to purchase 100,000 shares of common stock at the fair market value on the date of grant are granted to each non-employee director annually. As of June 30, 2001, options for 900,000 shares had been granted to three non-employee directors under this plan, of which 300,000 shares are available for exercise.

Accounting Issues Relating to all Stock Compensation Plans

The Company accounts for employee-based compensation under these plans under APB Opinion No. 25 and related interpretations under which no compensation cost has been recognized. Had compensation cost for these plans been determined using the fair value method of SFAS No. 123, pro forma net earnings and diluted earnings per share would not have been materially different than using APB Opinion No. 25.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Company is in the third year of a five-year operating lease, which commenced December 1997 for office and warehouse space located in Houston, Texas. Future minimum lease commitments for building lease approximate the following for each of the years ending December 31: 2001- $ 8,386; 2002- $73,907; and none thereafter. In 2001, the Company entered into a new lease for office space, which requires annual rent of $119,856 through 2005.

NOTE 10 - GOING CONCERN

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles, which contemplates continuation of the Company as a going concern. The Company has incurred substantial operating losses. As shown in the financial statements, the Company incurred net losses of $12,366,419 on gross sales of $427,595 for the six months ended June 30, 2001. These factors indicate there is substantial doubt about the Company's ability to continue as a going concern. The future success of the Company is likely dependent on its ability to obtain additional capital to develop its proposed products and ultimately, upon its ability to attain future profitable operations. There can be no assurance that the Company will be successful in obtaining such financing, or that it will attain positive cash flow from operations.

Management believes that actions presently being taken to revise the Company's operating and financial requirements provide the opportunity for the Company to continue as a going concern. Management is presently investigating potential financing transactions and acquisitions that management believes can provide additional cash for the Company's operations and be profitable in both the short and long-term. Management also intends to attempt to raise funds through private sales of the Company's common stock. Although management believes that these efforts will enable the Company to meet its liquidity needs in the future, there can be no assurance that these efforts will be successful.

Although management believes that these efforts will enable the Company to continue as a going concern, there can be no assurance that these efforts will be successful.

NOTE 11 - ACQUISITION OF SUBSIDIARY

On September 28, 2000, the Company acquired ownership of approximately 88.5% of the common stock of Swan Magnetics, Inc. Swan is a hardware development company specializing in ultra high capacity floppydisk drives and media. As part of a two step purchase transaction, the Company exchanged 20,000,000 shares of restricted common stock for approximately 88.5% of the outstanding common shares of Swan. The Company then offered, to those stockholders, an exchange of restricted common stock for warrants to purchase common stock at an exercise price equal to the market value on September 28, 2000, or $1.75. Stockholders exchanged an aggregate of 9,091,793 shares of restricted common stock of the Company for common stock warrants. The fair value of the common stock warrants was estimated on September 28, 2000 using the Black-Schoales option-pricing model with the following weighted-average assumption on stock warrants issued: an expected life of 18 months, expected volatility of 90%, and a dividend yield of 0%. This transaction adjusted the purchase price to approximately $19,005,131. The acquisition was accounted for using the purchase method. The assets and liabilities of Swan were recorded at fair market value, which approximates net book value on the date of acquisition. Upon consummation of the Swan acquisition, the Company expensed $18,040,000 representing purchased in-process technology that had not reached technological feasibility and had no alternative future use.

NOTE 12 - ACQUISITIONS

SES- Corp., Inc./Cheyenne Management Company, Inc.

On December 29, 2000 the Company entered into an Asset Purchase Agreement and Agreement and Plan of Merger by and among SES Acquisition 2001, Inc., Cheyenne Management Company, Inc., SES-Corp., Inc. ("SES"), and certain other persons (the "Acquisition Agreement"). The Acquisition Agreement was amended on March 30, 2001. The Acquisition Agreement provided for both the Company's purchase of certain of the assets of Cheyenne Management Company, Inc. and the merger of SES Acquisition 2001, Inc., a wholly owned subsidiary of the Company, with and into SES, with SES to be surviving corporation. The acquisition became effective April 1, 2001.

Under terms of the Acquisition Agreement, the former shareholders of SES were issued restricted shares equal to 25 percent of the IVG Corp. common stock outstanding at that date, which amounted to approximately 11.8 million shares. The Acquisition Agreement also provided that an additional number of shares of IVG common stock equal to up to 8 percent of the issued and outstanding common stock of IVG prior to the merger were to be issued in 2002, based upon the EBITDA of SES in 2001. 85 percent of the shares initially issued under the transaction were to be placed in escrow to secure certain indemnification obligations of the former SES shareholders.

Subsequent to June 30, 2001, the Company disposed of SES in a transaction that transferred 100 percent of SES' common stock to the former shareholders of SES. In exchange, the former SES shareholders have released to IVG an aggregate of 10 million shares of IVG common stock, which were to be issued into escrow under the parties' March 31, 2001 merger agreement. The cost of acquisition and subsequent disposition of SES was approximately $522,000. These expenses are reflected in the results of operations for the six months ended June 30, 2001. Additionally, stock based compensation expense of approximately $2,300,000 is reflected in the results of operations for the three and six-months ended June 30, 2001, related to the approximately 1,800,000 shares of stock currently held by the former shareholders of SES.

CyberCoupons

On January 9, 2001, the Company executed a Reorganization Agreement and Plan of Exchange pursuant to which the Company exchanged 2,372,625 shares of its common stock for approximately 35% of the issued and outstanding common stock of Cybercoupons.com, Inc., a Houston, Texas based company. The Company's investment in Cybercoupons was diluted immediately, in the sense that the Cybercoupons shares acquired in exchange for IVG common stock have a book value that is far less than the trading price of IVG common stock at January 9, 2001. No assurances can be given that the Company's investment in Cybercoupons will appreciate in value, or that it will appreciate to a value comparable to the value of IVG shares that were delivered to the Cybercoupons stockholders. No asset is recorded on the accompanying unaudited balance sheet as of June 30, 2001 related to this investment.

Cybercoupons was formed to be an Internet source for consumers to obtain on-line-printable manufacturer coupons for grocery, household and beauty products. Advertiser expenditures on coupons amounted to over $6.2 billion in 1997. Much of this consisted of the printing, distribution and logistics associated with coupon-based marketing activities. Cybercoupons believes that the disintermediation of coupon distribution and redemption can result in a significant saving to the billions of dollars spent by manufacturers to print, distribute and redeem paper coupons. Cybercoupons allows shoppers to select specific grocery coupons from its web site at a steep discount for use at local grocery outlets. For example, $50 of coupons can be purchased for as little as $9.95, with the user enjoying the benefit of being able to choose specific product coupons.

Cybercoupons believes that it is positioned to capitalize on the disintermediation of coupon distribution and redemption by offering on-line download of specific coupons and point-of-sale redemption of coupon face value.

Cybercoupons has established a web site for the purchase of specific grocery coupons (www.grocerycoupons.com) and is currently involved in key test markets with regional grocery stores for point-of-sale redemption of electronically downloaded coupons.

iTVr

Under the terms of a Research and Development Agreement, Swan Magnetics (an 88.5% owned subsidiary) received 3,000,000 shares of common stock of iTVr in exchange for a $750,000 investment, giving Swan ownership of 46% of the outstanding common stock. Swan's investment in iTVr has been written down to $0 in the accompanying financial statements. Under the parties' agreement, Swan will receive an additional 1,000,000 shares of common stock upon completion of iTVr's next round of financing.

iTVr has developed a high performance, multi-function, low cost personal video recorder for a variety of applications including time shift television recording, digital imaging and manipulation, distance education, HDTV, karaoke, video conferencing, music videos, video emails and home gateway applications.

iTVr's business model is to provide cost-effective, multi-function solutions at affordable prices without requiring ongoing service charges.

NOTE 13 - CONVERTIBLE NOTES

In February 2001, the Company issued $ 1,100,000 in 6% convertible notes with warrants to purchase 275,000 shares of IVG common stock attached. The conversion price of these notes is the lower of 120% of the closing bid price of IVG common stock for the five days prior to issue of the notes or 85% of the average of the three lowest closing bid prices for the 22 days prior to converting the notes. The purchase price of the common stock associated with the attached warrants is 120% of the closing bid price of IVG common stock for the five days prior to issue of the notes. The Company was to file a registration statement for the shares underlying the convertible notes and warrants, and to cause such registration statement to be declared effective by the Securities and Exchange Commission within 135 days of issuance of the convertible notes and warrants. The registration statement has not yet been declared effective principally due to the unavailablity of consolidated financial statements of SES-Corp., Inc. This has caused an event of default under the notes. The lenders have not enforced penalties related to the failure to file the registration statement as of the date of these financial statements and the Company is presently in discussions with the lender regarding a waiver of the default and penalties.

19

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

FINANCIAL CONDITION

At June 30, 2001, the Company had current assets of approximately $3,270,000 and total assets of approximately $3,820,000. Current liabilities at June 30, 2001 were approximately $6,356,000. The Company's stockholders' deficit at June 30, 2001 was approximately $4,633,000.

RESULTS OF OPERATIONS

Comparison of the six months ended June 30, 2001 to the six months ended June 30, 2000

Revenues increased to approximately $522,000 for the first half of 2001, compared to approximately $176,000 for the comparable period in 2000. The increase was attributable principally to increased product sales and interest income. Cost of goods sold increased to approximately $337,000 from $148,000 for the same periods. This increase was primarily the result of increased product sales.

Other expenses, consisting of selling, general, and administrative expenses, and sales and marketing expenses, increased to approximately $8,950,000 from approximately $399,000. This increase was due primarily to expenses for shares issued in acquisitions, increased stock-based compensation, expenses of Swan Magnetics, Inc., and increased costs due to acquisitions and expansion of Company operations.

The Company's net loss for the six months ended June 30, 2001 was approximately $9,266,000, compared to a net loss of approximately $376,000 for the six months ended June 30, 2000. The loss in 2001 is related primarily to expenses for shares issued in acquisitions increased consulting, legal and accounting fees incurred in connection with acquisition activity, expenses of Swan Magnetics, Inc., and increased costs due to expansion of Company operations.

Comparison of the quarter ended June 30, 2001 to the quarter ended June 30, 2000

Revenues increased to approximately $246,000 for the second quarter of 2001, compared to approximately $92,000 for the second quarter of 2000. The increase was attributable to increased product sales. Cost of goods sold increased to approximately $216,000 from $115,000 for the same periods. This increase was primarily the result of increased product sales.

Other expenses, consisting of selling, general, and administrative expenses, and sales and marketing expenses, increased to approximately $6,300,000 from approximately $191,000. This increase was due primarily to expenses for shares issued in acquisitions, increased stock-based compensation, expenses of Swan Magnetics, Inc., and increased costs due to acquisitions and expansion of Company operations.

The Company's net loss for the quarter ended June 30, 2001 was approximately $3,108,000, compared to a net loss of approximately $218,000 for the quarter ended June 30, 2000. The loss in 2001 is related primarily to expenses for shares issued in acquisitions increased consulting, legal and accounting fees incurred in connection with acquisition activity, expenses of Swan Magnetics, Inc., and increased costs due to expansion of Company operations.

20

LIQUIDITY AND CAPITAL RESOURCES

Operations for the quarter ended June 30, 2001 were financed principally through loans from the Company's SES-Corp., Inc. and Swan Magnetics, Inc. subsidiaries. Previously, operations have been financed through private sales of common stock and loans from institutional investors, Swan Magnetics, Inc., management and stockholders. In addition, in 2001 and 2000, the Company obtained services or paid expenses through the issuance of common stock.

Net cash used by operating activities was approximately $2,170,000 in the quarter ended June 30, 2001 and $171,000 in the quarter ended June 30, 2000. The Company had $2,769,000 in cash at June 30, 2001, of which $1,500,000 was restricted for payment of a promissory note to a vendor.

Management is presently investigating potential financing transactions and acquisitions that management believes can provide additional cash for the Company's operations and will be profitable in both the short and long-term. Management also intends to attempt to raise funds through private sales of the Company's common stock. Although management believes that these efforts will enable the Company to meet its liquidity needs in the future, there can be no assurance that these efforts will be successful.

GOING CONCERN CONSIDERATION

The Company has experienced continuing losses from operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability of reported assets or liabilities should the Company be unable to continue as a going concern.

The Company has been able to continue based upon loans from insititutional investors and the Company's subsidiaries, and the financial support of certain of its stockholders. The continued existence of the Company is dependent upon this support and the Company's ability to acquire assets by the issuance of stock. Management is presently investigating potential financing transactions and acquisitions that management believes can provide additional cash for the Company's operations and be profitable in both the short and long-term. Management also intends to attempt to raise funds through private sales of the

Company's common stock. Although management believes that these efforts will enable the Company to meet its liquidity needs in the future, there can be no assurance that these efforts will be successful.

PART II - OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

(c) RECENT SALES OF UNREGISTERED SECURITIES.

On April 6, 2001, the Company sold 30,000 shares of its common stock, at a price of $.75 per share, for gross proceeds of $22,500. This sale was made to one investor, who qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D.

On April 23, 2001, the Company sold 20,000 shares of its common stock, at a price of $.70 per share, for gross proceeds of $14,000. This sale was made to one investor, who qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D.

On June 12, 2001, the Company issued 2,000 shares of its common stock to a non-profit organization as a donation. The accompanying financial statements record expense of $2,500 relating to such issuance. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act.

During the three months ended June 30, 2001, the Company issued a total of 1,018,100 shares of its common stock to 11 individuals or entities in exchange for services provided to the Company. The accompanying financial statements record aggregate expense of $1,272,625 relating to such issuances. The securities, which were taken for investment and were subject to appropriate transfer restrictions, were issued without registration under the Securities Act in reliance upon the exemption provided in Section 4(2) of the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

On February 2, 2001, the Company executed a subscription agreement (the "Subscription Agreement") with Alpha Capital Aktiengesellschaft, AMRO International, S.A., Markham Holdings Ltd., and Stonestreet Limited Partnership (the "Investors"), in which the Investors agreed to loan to the Company a total of $1.1 million in exchange for convertible notes (the "Notes") and warrants to purchase shares of the Company's common stock (the "Warrants" and together with the shares underlying the Notes and the Warrants, the "Shares").

The Subscription Agreement required the Company to register the Shares within 90 days of February 2, 2001, and that the registration statement registering the Shares would be effective within 135 days of such date. On May 2, 2001, the Company filed a registration statement on Form SB-2; however, this registration statement has not been declared effective, and therefore, the Company is in default under the terms of both the Subscription Agreement and the Notes. Due to this event of default, the Investors may at any time demand repayment in full of the Notes. Moreover, the Investors may demand liquidated damages be paid in addition to the amounts owed under the Notes in an amount equal to one percent per month for the first 30 days the Company was in default and two percent per month for each 30 days, or portion thereof, thereafter. The Company is currently in negotiations with the Investors to waive this default. As of the date of this Report, the Investors have not made a demand for repayment of the Notes or liquidated damages under the Subscription Agreement.

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

(b) REPORTS ON FORM 8-K.

Form 8-K dated April 17, 2001, reporting the acquisition by merger of SES-Corp., Inc.

Form 8-K/A dated May 9, 2001, amending Form 8-K of October 13, 2000 to include historical financial statements of Swan Magnetics, Inc. and unaudited pro forma condensed financial data of the Company, giving effect to the acquisition of Swan Magnetics, Inc.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IVG CORP.

August 21, 2001

/s/ ELORIAN LANDERS

Elorian Landers
Chief Executive Officer and Director
(Principal Executive Officer and
Principal Financial and Accounting Officer)