

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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: September 30, 2002

☐ 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: 000-24001

IQ BIOMETRIX, INC.

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

<u>Delaware</u>	<u>76-0552098</u>
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification No.)

<u>10600 N. De Anza Boulevard, Suite 250, Cupertino, California</u>	<u>95014</u>
(Address of principal executive officer)	(Zip Code)

(559) 222-2229
(Telephone Number)

JVWeb, Inc.
(Former name if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

The number of shares of common stock, \$0.01 par value, outstanding as of September 30, 2002: 16,484,285 shares

Transitional Small Business Disclosure Format (check one): Yes ☐ No ☒

IQ BIOMETRIX, INC.
QUARTER ENDED SEPTEMBER 30, 2002

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

JVWEB, INC.
CONSOLIDATED BALANCE SHEET
September 30, 2002

ASSETS

Cash	\$ 18,429
Inventory - supplies	25,000
Advance receivable from IQ Entertainment, Inc.	50,298

Total Current Assets	----- 93,727 -----
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Intangible assets, net of \$29,184 accumulated amortization	51,634 -----
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TOTAL ASSETS	\$ 145,361 =====
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LIABILITIES

Accounts payable	\$ 139,246
Note payable to an affiliate	100,000
Note payable	100,000

	----- 339,246 -----
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STOCKHOLDERS' DEFICIT

Common stock, no par value, 50,000,000 shares authorized, 16,484,285 shares issued and outstanding	1,214,741
Accumulated deficit	(1,408,627)

Total Stockholders' Deficit	----- (193,885) -----
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TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 145,361 =====
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JVWEB, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
For the 3 Months Ended September 30, 2002

Revenues from software product sales	\$ 21,082
Operating expenses	
Cost of sales	7,621
Selling expense	48,828
General and administrative expenses	282,292
Research and development	25,239
Amortization	6,735
Interest	10,000

Total operating expenses	380,715

Net loss	\$(359,633)
	=====
Basic and diluted loss per share	\$ (.02)
Weighted average shares	16,464,285

JVWEB, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the 3 Months Ended September 30, 2002

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

Net loss	\$(359,633)
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization	6,735
Stock issued for services	5,000
Stock issued for interest expense	10,000
Change in cash from:	
Inventory	6,000
Accounts payable	82,134

NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	(249,764)

CASH FLOWS USED IN INVESTING ACTIVITIES

Advance to IQ Entertainment	(24,020)

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES

Loan by an affiliate	100,000
Loan by an investor	100,000

NET CASH PROVIDED BY FINANCING ACTIVITIES	200,000

Net Decrease in Cash	(73,784)

Beginning Cash Balance	92,213

Ending Cash Balance	\$ 18,429
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JVWEB, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of JVWeb, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the audited financial statements and notes thereto contained in JVWeb's latest Annual Report filed with the SEC on Form 10-KSB. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year 2002 as reported in Form 10-KSB, have been omitted.

NOTE 2 – NOTES PAYABLE

In August 2002, JVWeb borrowed \$100,000 from a major shareholder and \$100,000 from an investor. Both amounts are due in one year, are unsecured, pay interest at 6% and are convertible to JVWeb common shares at the prevailing market price. In addition, JVWeb issued a total of 20,000 shares valued at the prevailing market price of \$10,000 to these two investors as a one-time loan origination fee. This was recorded as interest expense.

NOTE 3 - COMMON STOCK AND OPTIONS ISSUED

30,000 shares were issued to employees for services and valued at their intrinsic value of \$15,000.

During the 3 months ended September 30, 2002, 1,220,000 options to purchase shares at \$.50 per share were issued to two officers and a board member, and 210,000 options at between \$.50 - \$.80 per share were issued to two consultants for services. The options to employees were recorded at their intrinsic value of \$0, and the options to the consultants were recorded at their fair market value of \$32,229. The options have a 5-year life from their dates of issuance.

ITEM 2. MANAGEMENT'S PLAN OF OPERATION

General Discussion

The Company is currently facing a liquidity challenge. The Company has heretofore financed its business through the procurement of additional capital investments. Additional financing is required to continue operations and remain a viable entity. The Company believes that, for a variety of reasons (including, without limitation, the current conditions in the private equity market), it is facing even greater difficulty in procuring additional funds. There can be no assurance that the Company will be successful in procuring necessary additional funds.

The Company has a severe liquidity shortfall that impairs its ability to meet its current operating cash flow requirements in the near term. As of fiscal quarter end, September 30, 2002, the cash balance in Company bank accounts totaled less than \$15,000. The Company entered into a short-term promissory note for \$50,000 with a related party on October 25, 2002 with proceeds used for pressing accounts payable and current payroll expense. At quarter end, the Company's accounts payable were \$138,706 with \$79,178 owed to related parties consisting of accrued payroll and reimbursable expenses. The Company estimates a required monthly cash inflow of \$120,000 from a combination of revenue and financing activities to meet its present level of obligations. The Company makes no assurance that this level of financing can be achieved. The Company is maintaining a consistent effort to locate sources of additional funding. Should the Company fail to meet its obligations, both past and as they come due, through additional financing or increased revenue, the Company will not be able to remain a viable entity.

On November 15, 2002, the Company entered in an preliminary agreement with Forte Capital which provides for Forte to fund the Company with up to \$1,200,000 in the aggregate, with the initial funding occurring before November 22, 2002 and with additional funding occurring monthly through July 2003. Part of the agreement calls for the issuance to Forte Capital of warrants to purchase IQ Biometrix common shares upon exercises thereof. While the Company has confidence that the agreement will be funded in its entirety through exercises of the warrants, no full assurance can be made to that effect. With the Forte Capital agreement in place and fully executed, the Company projects enough cash on hand to fund all operating obligations through the fiscal year. If Forte Capital were not to fund the full amount contemplated by the Company's agreement with it for any reason, the Company would be constrained to seek an immediate financing alternative. There can be no assurance that the Company would be successful in locating such a financing alternative. The Company is also in negotiation with additional financing opportunities related to a convertible debenture offer.

Financial Information

The gross revenue by the Company in the quarter ended September 30, 2002 was exclusively generated by the license revenue of Faces 3.0 software. Gross revenue for the period was \$21,082. Since the reverse merger of JVWeb Inc., and IQ Biometrix California Inc. occurred in third quarter of the Company's fiscal year, there is no relevance to prior fiscal quarter's comparisons.

The Company expects revenues of Faces 3.0 and Faces 4.0, to be market ready in the 3rd quarter of fiscal 2003. The Company has started an aggressive sales and marketing campaign to institutionalize the use of the software in law enforcement. Concurrently, the Company is pursuing contracts among, but not exclusively with, the casino industry, local, state, and national citizen alerts associations, and original equipment manufacturers in the computer industry.

Revenue from FQ1 2002 was from a diverse customer base sold mainly on retail in units of 1 to 50. No customer made up more than 2% of gross revenue. Gross profit margin for the period was 64%.

Operating expenses for the initial period ending September 30, 2002 are \$380,715.

Sales and marketing expense for the quarter ended September 30, 2002 were \$48,828, or 232% of gross revenue. The majority of the expense is related to personnel-related costs, and costs associated with public relations. The Company continues sales and marketing survey for a quarterly total cost of \$12,416.

General and administrative expenses for the quarter ended September 30, 2002 were \$282,292 or 1,339% of gross revenue. The majority of general and administrative expense is due primarily to personnel-related costs and professional services. The Company's maintains a primary office in Fresno, California and satellite offices in Cupertino, California and Houston, Texas. At fiscal quarter end September 30, 2002, the Company employed 7 full time and 2 part time people, and had various independent contractors to advise on market condition, product feasibility, fund raising, and employee relations, among other topics. The total personnel expense including advisors was \$207,061 or 73% of total general and administrative expense, and 54% of total expenses. Travel and entertainment costs total \$27,712 as the Company set forth its best effort to gain a foothold in an extremely competitive marketplace.

Research and development expenses for FQ1 2002 were \$25,239 or 120% of gross revenue. The total is due to contracted and internal work associated with the development costs of producing Faces 4.0, the next marketable product for the Company. A beta version has already been established with a market feasibility delivery date of the final version occurring in early 2003. The Company anticipates fiscal year 2003 expenses of \$75,000 to complete the Faces 4.0 software platform. The Company is actively pursuing other engineering and development opportunities to create a suite of products and services to compliment and enhance the Faces 4.0 software. The Company expects engineering and development costs to be 11 to 13 percent in fiscal 2003 of total costs. The Company decided to not capitalize any software development costs in FQ1 2002, instead opting for the more conservative accounting principle of viability of product.

Interest expense for the quarter was \$10,000. The Company will begin issuing a 7% convertible subordinated debenture up to \$1,000,000 beginning in first quarter of fiscal 2003, \$200,000 of the debenture has been subscribed for in the quarter. This debenture shall bear interest at the rate of six percent (6%) per annum from the issue date through the maturity date. The debentures will be payable August 1, 2003. The Company shall pay such interest in cash on the maturity date; however, if the Company elects to redeem the debentures prior to the maturity date,

the Company may pay the interest due upon redemption. The Company will also pay bonus interest on the issue date equal to one percent (1%) of the principal amount of the debentures in the form of shares of its Common Stock, \$.001 par value per share, at the rate of 10,000 shares for every \$100,000 principal amount of the debentures. No fractional shares of Common Stock will be issued in connection with the payment of such bonus interest.

The Company made no provisions of income taxes in FQ1 2002.

The Company incurred a net loss of \$359,633, or \$0.02 per share loss for the quarter ending September 30, 2002.

PART II. OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

During the fiscal quarter ended September 31, 2002, the Company issued to two investors its 7% convertible subordinated debentures in an aggregate principal amount of \$100,000. The issuances of these debentures are claimed to be exempt, and the issuance of the common stock underlying these debentures will be claimed to be exempt, pursuant to Regulation D under the Securities Act of 1933.

Item 4. Controls and Procedures

Within 90 days prior to the filing of this Quarterly Report on Form 10-Q, the chief executive officer and chief financial officer of the Company evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that the Company's controls and procedures are effective in timely alerting them to material information required to be disclosed in the reports that are filed or submitted under the Securities and Exchange Act of 1934. There have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed with this Quarterly Report or are incorporated herein by reference:

Exhibit Number	Description
99.03	Certifications Required Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

NONE

SIGNATURE

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

IQ BIOMETRIX, INC.
(Registrant)

By: /s/ William Scigliano
William Scigliano
Chief Executive Officer

Dated: November 19, 2002

CERTIFICATION

I, William Scigliano, Chief Executive Officer of IQ Biometrix, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of IQ Biometrix, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
- 6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 19, 2002

/s/ William Scigliano

William Scigliano
Chief Executive Officer

CERTIFICATION

I, Paul Schroeder, Chief Financial Officer of IQ Biometrix, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of IQ Biometrix, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
- 6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 19, 2002

/s/ Paul Schroeder

Paul Schroeder
Chief Financial Officer