GENESISINTERMEDIA COM INC
Form 10-Q
May 15, 2001

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2001

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ________________ to ________________

001-15029
(Commission file number)

GENESISINTERMEDIA, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	95-4710370
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

5805 Sepulveda Boulevard, Van Nuys, CA 91411
(Address of principal executive offices)

(818) 902-4100
(Issuer's telephone number)

GENESISINTERMEDIA.COM, INC.
(Former name, former address and former fiscal year, if changed since last report)

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 [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity. As of April 27, 2001 - 21,852,860 shares of Common Stock

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GENESISINTERMEDIA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2001 AND DECEMBER, 2000

	March 31 2001 (unaudited)	December 31, 2000 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 225,514	$ 858,848
Marketable securities at market	-	1,926,746
Accounts receivable, net	4,661,084	3,846,453
Inventories	1,332,194	1,383,620
Revenue earning equipment	6,995,034	8,435,359
Prepaid advertising	877,825	2,461,928

Advances receivable	1,201,348	1,201,348
Deposits and other prepaid assets	2,813,149	2,809,428
Total current assets	18,106,148	22,923,730
Property and equipment, net	27,863,634	28,133,574
Customer lists	477,645	955,287
Goodwill, net	4,287,509	4,479,560
Other assets	1,056,589	684,430
Total assets	$51,791,525	$57,176,581

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GENESISINTERMEDIA, INC.
CONDENSED CONSOLIDATED BALANCE SHEET (continued)
AS OF MARCH 31, 2001 AND DECEMBER, 2000

	March 31, 2001 (unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Current portion of notes payable	$ -
Current portion of capital lease obligations	725,079
Convertible debentures	3,000,000
Line of credit	6,972,734
Accounts payable	8,878,963
Accrued payroll taxes	720,464
Accrued interest - related party	2,202,225
Other accrued liabilities	1,899,408
Due to stockholder	1,948,983
Income taxes payable	65,000
Total current liabilities	26,412,856
Notes payable, net of current portion	7,856,250
Note payable to related party	31,882,266
Capital lease obligations, net of current portion	578,207
Total liabilities	66,729,579
Commitments and contingencies	
Stockholders' equity	
Convertible preferred stock, $0.001 par value, 5,000,000 authorized 71,429 and 71,429 shares issued and outstanding ($7.00 per share liquidation preference Dividends of $91,146 in arrears)	71
Common stock, $0.001 par value 75,000,000 shares authorized 22,300,344 and 20,971,560 shares issued and outstanding	21,300
Additional paid-in capital	37,213,100
Accumulated deficit	(49,770,042)
Treasury stock	(2,402,483)
Accumulated comprehensive income	-

Total stockholders' equity (deficit)	(14,938,054)
Total liabilities and stockholders' equity	$51,791,525

See the accompanying notes

GENESISINTERMEDIA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	3 Months Ended March 31, 2001
	(unaudited)
Revenue	$12,535,464
Cost of Revenue	2,604,553
Gross Profit	9,930,911
Operating expenses	
Selling, general and administrative expenses	14,729,465
Depreciation and amortization	1,420,162
Income from operations of DynaMedia	-
Total operating expenses	16,149,627
Income (loss) from operations	(6,218,726)
Other income (expenses)	
Gain on sale of marketable securities	177,945
Interest expense	(1,631,542)
Financing costs	(270,542)
Total other income (expenses)	(1,724,139)
Income (loss) before provision for income taxes	(7,942,865)
Provision (benefit) for income taxes	-
Net income (loss)	$(7,942,865)
Basic earnings (loss) per common share	$ (0.38)
Diluted earnings (loss) per common share	$ (0.38)
Weighted-average common shares outstanding	21,107,247

See the accompanying notes

GENESISINTERMEDIA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	3 Months Ended March 31, 2001	3 Months Ended March 31, 2000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net income (loss)	$(7,942,865)	$(5,133,14
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	2,088,084	820,066
Gain on sale of marketable securities	(177,945)	-
Stock issued for financing costs	270,542	103,125
(Increase) decrease in operating assets	1,589,580	(1,039,207
Increase (decrease) in operating liabilities	544,140	(1,147,528
Net cash used in operating activities	(3,628,464)	(6,396,689
Cash flows from investing activities		
Purchase of property and equipment	(282,085)	(1,169,314
Proceeds from sale of marketable securities	1,116,557	-
Cash acquired with purchase of Dynamedia and CRD	-	174,710
Other	(372,159)	31,561
Net cash used in investing activities	462,313	(963,043
Cash flows from financing activities		
Net proceeds from related parties	(745,010)	-
Net proceeds from line of credit	(2,253,212)	(203,671
Proceeds from notes payable - related party	1,500,000	6,360,248
Proceeds from convertible debentures	3,000,000	1,000,000
Proceeds from exercise of options and warrants	354,342	-
Payment on notes payable and capital leases	(159,303)	(36,165
Disgorgement of short-swing profits from generated by stockholder	836,000	
Net cash provided by financing activities	2,532,817	7,120,412
Net increase (decrease) in cash and cash equivalents during period	(633,334)	(239,32
Cash and cash equivalents, beginning of period	858,848	589,745
Cash and cash equivalents, end of period	$ 225,514	$ 350,425

See the accompanying notes

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GENESISINTERMEDIA, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The unaudited Condensed Consolidated Financial Statements have been prepared by GenesisIntermedia, Inc. (the "Company" or "Genesis"), pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The results of the three months ended March 31, 2001 are not necessarily indicative of the results to be expected for the full year ending December 31, 2001.

NOTE 2 - EARNINGS PER SHARE

In 1997, the Financial Accounting Standard Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share." SFAS No. 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. Basic earnings per share is computed using the weighted-average number of common shares outstanding during the period. Common equivalent shares are excluded from the computation if their effect is anti-dilutive. The following potential common shares have been excluded from the computation of diluted net loss per share for all periods presented because the effect would have been anti-dilutive:

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NOTE 2 - EARNINGS PER SHARE, Continued

	For the three Months Ended March 31,	
	2001	2000
	(unaudited)	(unaudited)
Options outstanding under the Company's stock option plan	3,926,263	1,403,160
Options issued as part of the acquisition of Vision Digital	150,000	150,000
Warrants issued in conjunction with common stock	750,000	750,000
Warrants issued in conjunction with Series A convertible preferred stock	364,284	428,571
Warrants issued in conjunction with notes payable to related party	-	2,250,000
Warrants issued in conjunction with notes payable	64,287	235,713
Warrants issued in conjunction with Note payable to affiliate	483,750	491,250

Warrants issued in conjunction with convertible debentures	367,500	67,500
Warrants issued as liquidating damages	150,000	-
Warrants issued as consideration for leasing space	600,000	-
Series A Convertible Preferred Stock	214,287	428,571

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2001 consisted of the following:

Land	$ 1,450,000
Building and improvements	13,089,375
Vehicles	113,269
Furniture and equipment	17,140,133
	31,792,777
Less accumulated depreciation	(3,929,143)
Total	$27,863,634

GENESISINTERMEDIA, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS, continued

NOTE 4 - CONVERTIBLE DEBENTURE

On March 14, 2001, the Company entered into a Securities Purchase Agreement whereby the Company issued a 7% convertible debenture in the amount of $3,000,000. The debentures are convertible into the Company's common stock at a conversion price of $6.83. The debenture is to be repaid either in cash or by conversion to common stock as follows: $1,000,000 on each of April 15, May 15 and June 15, 2001, subject in the case of cash repayment to the effectiveness of a registration statement covering resale of the shares. In addition, the Company issued 300,000 warrants to purchase the Company's common stock at $7.67 per share that expire on March 15, 2004. The Company has recognized an expense of $270,542 related to these warrants during the three months ended March 31, 2001 and will recognize an additional expense of $1,352,709 during the three months ended June 30, 2001.

NOTE 5 - NOTE PAYABLE - RELATED PARTY

On January 5, 2001, the Company entered into a note payable agreement with Ultimate Holdings, Ltd ("Ultimate") whereby Ultimate has agreed to loan the Company an additional $5,000,000 on terms similar to the previous note payable agreements with Ultimate.

On April 16, 2001, the Company entered into a note payable agreement with Ultimate whereby Ultimate has agreed to loan the Company an additional $15,000,000 on terms similar to the previous note payable agreements with Ultimate.

NOTE 5 - STOCKHOLDERS' EQUITY

In January 2001, warrants to purchase 64,287 shares of the Company's common stock, issued in conjunction with the Series A Convertible Preferred Stock, were exercised for proceeds of $218,576.

During the three months ended March 31, 2001, the Company received $114,517 and $239,825 from the exercise of 48,977 employee stock options and 139,287 warrants, respectively. The Company also received $836,000 from Ultimate who disgorged the Company "short-swing" profits in such amount.

NOTE 6 - SEGMENT INFORMATION

The Company has four business units that have separate management and reporting infrastructures that offer different products and services. The business units have been aggregated into four reportable segments: Media, Intermedia, Properties and Car Rental. The Media group conducts direct response advertising campaigns and buys media time and either sells it to third parties or uses it to market its own products. The Intermedia group is deploying the CENTERLINQ network of public access Internet kiosks in shopping malls within the United States. The Properties group maintains the Company's building and generates revenue from the building's tenants. The Car Rental group rents vehicles to consumers and commercial businesses primarily in the replacement market. Most corporate expenses, such as internal administrative costs, legal expenses, and debt issuance costs, are included in the Media group.

The Company evaluates the performance of its operating segments based on income from operations, before income taxes, accounting changes, non-recurring items, and interest income and expense.

Summarized financial information concerning the Company's reportable segments is shown in the following table as of and for the three months ended March 31, 2001:

	Revenue	Net Loss	Total Assets
Media	$ 10,679,886	$ (3,561,105)	$ 11,110,847
Intermedia	91,000	(2,424,333)	15,609,998
Properties	239,911	(322,471)	12,144,724
Car Rental	1,524,657	(1,634,956)	12,925,956
Total	$ 12,535,454	$ (7,942,865)	$ 51,791,525

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related footnotes for the year ended December 31, 2000 included in our Annual Report on Form 10-K. The discussion of results, causes and trends should not be construed to imply any conclusion that such results or trends will necessarily continue in the future.

Overview

We acquired Car Rental Direct.com, Inc ("CRD") in the spring of 2000. CRD competes primarily in the replacement car rental market. The replacement segment of the auto rental industry consists of rentals to replace temporarily vehicles that have been sold, stolen or are being repaired for mechanical or accident reasons. CRD operates locations in Southern California and Arizona, and currently maintains a fleet of approximately 1,000 cars. CRD has established vehicle fleet financing lines to build its vehicle inventory and is in discussions with lenders for short-term credit facilities to support equipment necessary to open additional locations. CRD recently diversified into the automobile retailing sector, with the opening of a facility in Southern California to sell pre-owned and retired rental vehicles. An important part of our strategy in acquiring CRD was the opportunity to bring on-line efficiencies to the business. CRD intends to augment their service by allowing consumers the opportunity to complete a rental transaction entirely on-line and have the car delivered to their chosen destination. We issued 260,000 shares of our common stock valued at $4,420,000 for all the issued and outstanding shares of CRD. The transaction was accounted for using the purchase method of accounting; accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of acquisition. The excess of the purchase price over the estimated fair value of the net assets acquired is attributed to goodwill, which is being amortized over seven years.

In May 2000, we acquired Dynatype Design and Graphics Centers, Inc. ("DynaMedia") DynaMedia is a 20-year-old full-service integrated marketing, communications and design film. DynaMedia provides its clients with a comprehensive scope of services including branding, signage, point of sale, point of purchase and packaging expertise. Additionally, the firm is a leading participant in web design, new media and presentation graphics. Its clients include leading brand name organizations such as IBM, Bank of America, Warner Brothers, Gateway, Toshiba and Norwest. Effective December 31, 2000, we sold DynaMedia back to its original owner. We issued 90,000 shares of our common stock for all of the issued and outstanding shares of common stock of DynaMedia. However, effective December 31, 2000, we sold back to the original stockholder of DynaMedia all the issued and outstanding shares of common stock of DynaMedia in exchange for the 90,000 shares originally issued in this transaction. At December 31, 2000 we had an intercompany receivable of $293,210 due from DynaMedia which will be forgiven in connection with the sale back to the original owners. For the year ended December 31, 2000, DynaMedia reported a net loss of $26,721 on revenues of $1,501,715.

We plan to aggressively grow our business both internally and through strategic acquisitions. We are aggressively looking to acquire business that will fit into our business model.

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Results of Operations

Three Months Ended March 31, 2001 vs. March 31, 2000

	Three Months Ended 3/31/2001 (in thousands)	Three Months Ended 3/31/2000 (in thousands)	% of revenue 2001	% of revenue 2000
Revenue	$ 12,535	$ 7,473	100.0%	100.0%
Cost of revenue	2,604	1,895	20.8%	25.4%
	9,931	5,578	79.2%	74.6%
Operating expenses				
Selling, general and administrative expenses	14,730	9,621	117.5%	128.7%
Depreciation and amortization	1,420	820	11.3%	11.0%
Income from operation of Dynamedia	-	(110)	0.0%	-1.5%

Total operating expenses	16,150	10,331	128.8%	138.2%
Loss from operations	(6,219)	(4,753)	-49.6%	-63.6%
Other income (expenses)				
Gain on sale of marketable securities	178	-	1.4%	0.0%
Interest expense	(1,631)	(277)	-13.0%	-3.7%
Financing costs	(271)	(103)	-2.2%	-1.4%
Total other income (expenses)	(1,724)	(380)	-13.8%	-5.1%
Loss before taxes	(7,943)	(5,133)	-63.4%	-68.7%
Income taxes	-	-	0.0%	0.0%
Net loss	$ (7,943)	$(5,133)	-63.4%	-68.7%

Revenue for the three months ended March 31, 2001 increased by $5,062,000 or 67.7% from $7,473,000 for the three months ended March 31, 2000 to $12,535,000 for the same period in 2001. The increase in revenue was due to the following:

o Product sales increased $1,895,000 or 33,23% principally as a result of our success in selling our new products, principally, our herbal diet supplement;

o Car rental revenue for the three months ended March 31, 2001 was $1,525,000. We acquired Car Rental Direct on April 1, 2000 so there was no such revenue reported for the three months ended March 31, 2000.

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o Commissions and royalties increased from $1,088,000 for the three months ended March 31, 2000 to $3,054,000 for the same period in 2001. These commissions are amounts received from the sale of other companies' products primarily through our call center in St. George, Utah. We normally receive commissions of 20% to 50%.

Cost of revenue for the three months ended March 31, 2001 increased by $709,000 or 37.4% from $1,895,000 for the three months ended March 31, 2000 to $2,604,000 for the same period in 2001. The increase in cost of revenue was due to the following:

o Direct product costs for the three months ended March 31, 2001 decreased by $479,000 or 30.1% from $1,558,000 for the three months ended March 31, 2000 to $1,079,000 for the same period in 2001. The decrease was due lower product costs. Direct product costs as a percentage of product sales decreased from 21.7% for the three months ended March 31, 2000 to 10.1% for the same period in 2001. The decrease is due to lower product costs associated with our new products and programs when compared to the products sold by us during 2000.

o Cost of renting vehicles was $1,217,000 for the three months ended March 31, 2001. There was no such cost for the three months ended March 31, 2000. The cost of renting a vehicle compared to the revenue generated from such rental for the three months ended March 31, 2001 was 79.8%.

Selling, general and administrative expenses for the three months ended March 31, 2001 increased by $5,109,000 or 53.1% from $9,621,000 for the three months ended March 31, 2000 to $14,730,000 for the same period in 2001. The increase was due principally to an increase in payroll and related benefits of $1,505,000 and an increase in selling related expenses of $2,500,000. Selling related expenses include the cost of acquiring customer names, purchasing media time for airing of infomercials, royalties and telemarketing costs. We expensed $3,079,000 in media airtime during the three months ended March 31, 2001 compared to $3,593,000 for the same period in 2000.

Depreciation and amortization expense for the three months ended March 31, 2001 increased by $600,000 or 73.2% from $820,000 for the three months ended March 31, 2000 to $1,420,000 for the same period in 2001. The increase in depreciation and amortization expense is due to the increase of our depreciable assets, especially our CENTERLINQ kiosks, and the amortization of the customer list purchased in the second quarter of 2000 and the goodwill associated with the Car Rental Direct acquisition. Depreciation expense of $668,000 related to the vehicle fleet is included in cost of revenue.

In 2000 we acquired DynaMedia and effective December 31, 2000, we sold DynaMedia back to its original owner. For the three months ended March 31, 2000, DynaMedia reported net income of $110,000 on revenues of $423,000.

Gain on sale of marketable securities for the three months ended March 31, 2001 increased by $178,000 or 100.0% from $0 for the three months ended March 31, 2000 to $178,000 for the same period in 2001. Gain on sale of marketable securities for the three months ended March 31, 2001 relates to the sale of our investment in Fashionmall.com, Inc. There were no such gains during the three months ended March 31, 2000.

Interest expense for the three months ended March 31, 2001 increased by $1,354,000 or 488.8% from $277,000 for the three months ended March 31, 2000 to $1,631,000 for the same period in 2001. The increase in interest expense was due to the issuance of a note payable secured by our new corporate office building in Van Nuys, California, an increase in our line of credit resulting from the acquisition of Car Rental Direct and the significant increase in notes payable to related party.

Financing costs for the three months ended March 31, 2001 increased by $168,000 or 163.1% from $103,000 for the three months ended March 31, 2000 to $271,000 for the same period in 2001. The financing cost for the three months ended March 31, 2000 related to the issuance of stock in February 2000 to secure a $1,000,000 bridge loan. The financing cost for the three months ended March 31, 2001 related to the value of warrants issued in connection with a convertible debenture in March 2001.

Net loss for the three months ended March 31, 2001 increased by $2,539,000 or 49.5% from $5,133,000 for the three months ended March 31, 2000 to $7,672,000 for the same period in 2001. The increase in the net loss is principally due to significantly higher sales offset by significantly higher selling, general and administrative expenses incurred to promote our new products and programs and to expand our CENTERLINQ network of kiosks.

Liquidity and capital resources

We financed our operations initially from cash generated from operations. More recently, we have financed our operations through the sale of common and preferred stock in private placement offerings, sale of common stock in our initial public offering, a long-term mortgage, a line of credit, and borrowings.

In January and April 1999, we sold a total of 750,000 shares of common stock and warrants to purchase an additional 750,000 shares of common stock in a private placement at $2.33 per share for an aggregate of $1,750,000, with underwriting commissions and expenses of $201,250.

In April 1999, we sold 142,858 shares of convertible preferred stock and warrants to purchase 428,574 shares of common stock in a private placement at $3.40 per share for an aggregate of $1,000,000 with underwriting commissions and expenses of $115,000.

In May 1999, we issued three notes payable in a private placement for aggregate proceeds of $550,000, net of commissions and expenses of $108,000. In connection with these three note payable agreements, we also issued warrants to purchase 235,713 shares of common stock.

In June 1999, we sold 6,000,000 shares of common stock in our initial public offering at $2.83 per share for an aggregate of $17,000,000 with underwriting commissions and expenses of $1,870,000 and offering expenses of $2,722,803.

In July 1999, we purchased an office building in Van Nuys, California for $11,100,000 for which we issued a note payable in the amount of $7,856,250.

In the third quarter of 1999, we increased our $750,000 line of credit to $1,500,000 from a major financial institution that is collateralized by substantially all of our assets, except our office building. The loan is guaranteed by our majority stockholder. This line of credit was not renewed and we repaid the outstanding balance in full during the second quarter of 2000.

From November 1999 to December 2000, we borrowed from Ultimate $44,617,705 through the issuance of debentures. Ultimate is a significant stockholder. We repaid $9,335,439 during the same period. In connection with the debenture issued in November 1999, we issued warrants to purchase 2,100,000 shares of common stock with an exercise price of $2.33. The warrant for 2,100,000 was exercised in August 2000. The exercise price for these warrants of $4,900,000 was paid via a reduction of the debenture.

In February 2000, we issued a convertible debenture in the amount of $1,000,000 along with a warrant to purchase 67,500 shares of common stock at an exercise price of $4.00 and the issuance of 45,000 shares of our common stock. The debenture is convertible into common stock at $1.67 per share if it is held to maturity. The debenture was due on April 7, 2000 and has been repaid. We took a charge to earnings for the 45,000 common shares issued in connection with this debenture in the amount of $103,125.

Also in May 2000, we issued 4,000 shares of our Series B Convertible Preferred Stock to two investors for gross proceeds of $4,000,000. The Series B Convertible Preferred Stock had a liquidation preference of $1,000 per share and carried a 5% cumulative dividend payable at the end of each calendar quarter. We also issued to the investors warrants to purchase an aggregate of 336,000 shares of our common stock at $5.91 per share, which represents 115% of the market value of our stock at the closing date. The Series B Convertible Preferred Stock was convertible into common stock at 110% of the market value of our common stock at the closing date ("Fixed Price") if converted within 45 days after the closing date, and the lesser of the Fixed Price or the market value of our common stock at the conversion date if converted 45 days or more after the closing date. In November 2000, the 4,000 shares of Series B Convertible Preferred Stock were converted into 968,400 shares of our common stock. In addition, the 336,000 warrants issued in connection with the private placement were exercised in November 2000, which resulted in proceeds to us of $1,824,880.

In connection with our acquisition of Car Rental Direct.com, Inc. in April 2000, we assumed a convertible debenture in the amount of $244,000 and lines of credit to purchase vehicles. The convertible debentures were paid in cash during 2000. The outstanding balance on these lines of credit as of December 31, 2000 was $9,225,946.

On March 14, 2001, we entered into a Securities Purchase Agreement under which we issued 7% convertible debentures in the amount of $3,000,000. The debentures are convertible into our common stock at a conversion price of $6.83. The debenture is to be repaid either in cash or by conversion to common stock as follows: $1,000,000 on each of April 15, May 15 and June 15, 2001, subject in the case of cash repayment to the effectiveness of a registration statement covering resale of the shares. In addition, we issued warrants to purchase 300,000 shares of our common stock, subject in the case of cash repayment to the effectiveness of a registration statement covering resale of the shares at $7.67 per share that expire on March 15, 2004.

On January 5, 2001 and April 16, 2001, we entered into additional note payable agreements with Ultimate whereby Ultimate has agreed to loan us an additional $5,000,000 and $15,000,000, respectively, on terms similar to the previous note payable agreements with Ultimate.

During the three months ended March 31, 2001, we spent $282,085 on capital expenditures and used $3,628,464 in operations.

We expect to spend additional capital to expand our product lines and our telemarketing division, and to make strategic acquisitions. We anticipate spending $15 to 20 million over the next 18 months to develop and deploy interactive multimedia kiosks in regional shopping malls across the United States and in other entertainment centers.

We believe that our current cash and cash equivalents on hand, together with existing credit facilities, principally the note agreements with Ultimate, the cash flow expected to be generated from operations and cash generated from future sales of our equity, will be adequate to satisfy our current and planned operations through the middle of 2002. We just recently issued another note to Ultimate in the amount of $15,000,000. Although we are currently in negotiations with an investment bank regarding a placement of our common stock, our ability to raise additional equity financing will depend upon a number of factors, including the market acceptance of our common stock and general market conditions. We are also negotiating a sale-leaseback of our office building, which will help to finance future operations and acquisitions. If we are not successful in raising additional capital, our ability to expand CENTERLINQ and make strategic acquisitions will be adversely affected.

Forward looking statements

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Stockholders are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the ability of us to install new kiosks, general market conditions, competition and pricing. Although we believe the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements contained in the report will prove to be accurate.

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Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved from time to time in various claims and legal actions incident to its operations, either as plaintiff or defendant. The Company vigorously defends itself against all lawsuits filed by plaintiffs. The Company is not aware of any current litigation that it believes would have a material impact on the financial position or results of operations of the Company.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable

Item 5. Other Information

Not applicable

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

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

GENESISINTERMEDIA, INC.

By: /s/ Douglas E. Jacobson

Douglas E. Jacobson
Chief Financial and Principal
Accounting Officer

Date: May 15, 2001

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