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SEARCHHOUND COM INC  
Form 10KSB  
April 12, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

FORM 10-KSB

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

For the Fiscal Year Ended December 31, 2001

Commission File Number: 0-19471

SEARCHHOUND.COM, INC  
(Exact name of registrant as specified in its charter)

Nevada	91-1942841
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(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

200 Main Street  
Kansas City, MO 64105  
(Address of principal executive offices)  
(Zip Code)

Registrant's telephone number, including area code: (816) 960-3777

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act: Common Stock,  
\$.001 par value

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 [X] No []

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

Total revenues for the fiscal period ended December 31, 2001 was \$1,103,041

As of December 31, 2001, the aggregate number of shares of Common Stock held by non-affiliates was 26,191,770 shares

As of December 31, 2001, the aggregate number of shares outstanding of the registrant's Common Stock was 30,619,826 since December 31, 2001 the registrant's Common Stock has traded regularly with the lowest closing price of \$0.025 representing a \$765,495.65 market value to a high closing of \$0.040 representing a \$1,224,793.00 market valuation. See Item 5.

Documents incorporated by reference: SEE EXHIBIT SCHEDULE

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### PART I

#### ITEM 1. BUSINESS

##### General

2001 represented a year that the company pursued its business model of growing core business operations while seeking acquisition candidates, which met three guiding principles: 1) revenue, 2) technology synergies with SearchHound.com, Inc., and 3) would be stronger if combined with SearchHound.com, Inc. by integrating operations, technology, and management. During 2001, the Company completed six acquisitions, which management and the board of Directors believed met this criteria.

SearchHound.com, Inc. is the result of the June 1, 2000 merger of Pan International Gaming, Inc. ("Pan International") and Searchhound.com 2000 Ltd. This transaction was treated as a "reverse merger" for financial accounting and

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reporting purposes. Specifically, SearchHound.com 2000, Ltd. was treated as the acquirer of Pan International due to the fact that the shareholders of Searchhound.com 2000, Ltd. received 13,500,000 shares or 70.3% of the total shares outstanding upon consummation of the merger. Accordingly, the focus of this report is solely on the ongoing business of SearchHound.com, Inc. (prior to the name change - Searchhound.com 2000 Ltd.). For a historical perspective regarding Pan International Gaming, Inc. (OTC BB: PANE) refer to by way of reference previous 10-QSB and 10-KSB filings.

Prior to the reverse merger, the Registrant (PAN International Gaming) spent considerable effort and specifically during the period between January 1, 2000 through May 31, 2000 pursuing a reverse merger transaction with Searchhound.com 2000 Ltd., and the acquisition of SoloSearch.com, Inc.

The "reverse merger" with Searchhound.com 2000 Ltd. was consummated on June 1, 2000. In fiscal 2000 and prior to June 1, 2000, Pan International was not engaged in operating activities and there were no revenues or business operations.

Immediately following the reverse merger with PAN International Gaming the Company changed its name to SearchHound.com, Inc. effective June 6, 2000.

Searchhound.com 2000, Ltd. was formed on April 11, 2000 to affect the purchase of the intellectual property and website assets representing the Searchhound.com backbone architecture. The shareholders of Searchhound.com 2000, Ltd. completed the purchase of these intangible assets on June 1, 2000 for total cash consideration of \$3,000,000 and simultaneously contributed the assets to SearchHound.com 2000, Ltd. in exchange for 13,500,000 shares of Searchhound.com 2000, Ltd., stock.

Effective July 11, 2000, pursuant to a Stock Purchase Agreement dated as of May 4, 2000, SearchHound purchased all of the issued and outstanding capital stock of SoloSearch.com, Inc., a Missouri corporation ("SoloSearch"), from Cohen Capital Technologies, L.L.C., a Missouri limited liability company, Kirk C. Reivich, an individual, and October Capital, L.L.C., a Missouri limited Liability Company, for an aggregate of 4,850,000 shares of restricted common stock and \$300,000 cash. Total consideration paid was \$14,699,650 based on the market price of SearchHound (\$2.969 closing price on May 3, 2000) and the \$300,000 cash consideration. Subsequent to the transaction, SoloSearch became a wholly owned subsidiary of SearchHound. Founded in 1999, Kansas City-based SoloSearch.com is an intelligent Internet search and content management tool.

The new management team devoted significant resources to building the management team, integrating the two businesses, and developing revenue streams during the periods of July 2000 through September 2000. Significant revenues began in September 2000. SearchHound.com, Inc. (the "Company" or "SearchHound") operates an online technology based enterprise business that is a destination for Webmasters and small business owners who want to make their Website more accessible to Internet users.

SearchHound has its principal offices located in Kansas City, Missouri and is an Internet property that provides a content filtering search engine for the Internet under the trade name of SearchHound.com. SearchHound focuses on providing Websites and Webmasters relevant marketing tools, products and services. The site maintains a targeted email-based member community of more than 1,000,000 Webmasters and a search engine, which provides real-time relevant results. The search engine scours the Internet, other major search engines, as well as the multi-million URLs that have been registered directly with SearchHound.com.

As an outcome of Search Hound's acquisition of SoloSearch.com on July 11, 2000, SearchHound.com has developed an integrated site with a keyword-bidding feature

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for sponsored search results to be listed on the top half of the site, while real-time results that are ranked by relevance are listed on the second half of the site. SearchHound is known for developing strong revenue-sharing Affiliate Programs; a newsletter, "HOWL," delivering discounted marketing tools, products and services to its members; and a customizable intelligent search engine software package.

SearchHound facilitates this process by offering a search engine technology through a multi-featured search process whereby Webmasters and business owners register their URL (Internet domains). This allows users of the Internet to conduct a search via SearchHound.com to locate, identify, and direct customer traffic to the Webmaster's site for e-commerce activity. SearchHound has developed multiple other revenue streams necessary to be competitive and profitable in the Internet and e-commerce industry. In addition to a no-charge listing service available SearchHound has been a pioneer in developing a "pay-per-click" revenue model. This "pay-per-click" model allows advertisers to bid in an ongoing auction for priority placement in our search results. Priority placement means that the search results returned appear on the page ranked in descending order based on the bid amount, with the highest bidder ranked first. Each advertiser determines how much they are willing to pay to have the user "click" on their URL and be transferred to their home page or website. Advertisers pay SearchHound for each click-through, so advertisers bid only on keywords relevant to the products, services, or information that they offer. As a result of the Advertiser managing their individual account and determining how much they wish to bid thus controlling their placement in the ranking system, SearchHound believes it is providing advertisers a cost-effective and creative way to target consumers to find and access their products, services and information.

At the time that Webmasters or business owners register their URL with SearchHound an online bidding account is created. The account holder determines if they wish to activate the "keyword bidding" by depositing monies into the account for bidding purposes. The minimum amount to activate an account is \$25.00 while many new accounts begin with a \$100 balance. Also, at the time that Webmasters or business owners register their free URL with SearchHound they are prompted to join SearchHound.com, Inc.'s weekly electronic newsletter "HOWL" and to accept direct email solicitations for relevant products and services. Both of these selections are voluntary and require the subscriber to "opt-in" to receive such correspondence.

The "HOWL" newsletter is sent twice monthly to more than 500,000 recipients. "HOWL" is a content focused creator of e-magazines and e-newsletters. SearchHound receives revenue from advertising earned through agreements and relationships it has with third party advertising brokers and traditional banner advertising. Direct email correspondence to the "opt-in" list is managed directly by SearchHound sending ads to more than one million users. Revenue is generated from advertisers who wish to reach this targeted demographic audience of Webmasters, business owners, and technology oriented group. Approximately 15% of this list is based outside the United States.

SearchHound has enhanced its reputation as a destination for Webmasters by creating affiliate relationships to bring relevant products and services to its registered users and visitors to Searchhound.com. SearchHound has entered into agreements with multiple Internet based businesses that offer critical products and services which are intended to assist the Webmaster or business owner enhance their business model, reach more customers, and improve their likelihood of success. SearchHound resells these products and services either as an affiliate or through a co-branded or private-label agreement. SearchHound incurs little implementation cost and benefits from a revenue sharing partnership.

While the SearchHound.com keyword-bidding model continued to be the company's core business unit the reduction in advertising revenue and traffic of visitors

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actively utilizing the services management aggressively pursued partnerships and acquisitions.

SearchHound had three fulltime employees, two part-time employees and eleven contract employees as of December 31, 2001. Employee positions represent two senior management, one senior technical, one senior marketing director, and one financial controller. Additional resources such as network administrator/design, customer service, and software programmers are utilized through contract agreements, consulting agreements, and outsource partnerships. SearchHound.com, Inc. maintains a 49% equity position and the option of converting to 100% ownership in JobBankUSA, which has six employees located in Amelia Island, FL.

SearchHound's losses for the year ended December 31, 2001, were approximately \$13.6 million of which \$12.7 million was non-cash depreciation, amortization and goodwill impairment charges (primarily goodwill associated with the SoloSearch acquisition) and \$0.2 million was in common stock issued for services. Therefore, net cash used in operating activities only totaled \$175,430 for the year ended December 31, 2001 compared with \$263,996 for the year ended December 31, 2000.

Management has devoted substantial attention to growing revenues through acquisitions and in that respect has completed six separate acquisitions during the year ended December 31, 2001:

On January 31, 2001, SearchHound acquired all of the issued and outstanding shares of capital stock of Godado.UK, Ltd. ("Godado") for total consideration consisting of 250,000 unregistered shares of SearchHound common stock. Godado is located in the United Kingdom and operates a "pay-per-click" search engine throughout Europe.

On March 15, 2001, SearchHound acquired all of the issued and outstanding shares of capital stock of FreeAirMiles, Inc. for total consideration consisting of 1,235,000 unregistered shares of SearchHound common stock and \$60,000 cash payable ratably over four months beginning April 2001. FreeAirMiles, Inc. is an interactive web surfing and research tool, which provides members with the incentive of earning free air miles for visiting participating websites.

On March 28, 2001, SearchHound acquired all of the issued and outstanding shares of capital stock of JobBankUSA, Inc. ("JobBank") for total consideration consisting of 2,000,000 (subject to adjustment, as defined) unregistered shares of SearchHound common stock. The number of shares issued in consideration is subject to adjustment based on the share price of SearchHound reaching and closing above \$2 per share within a specified period and JobBank maintaining minimum revenues. Total consideration will not exceed 4,000,000 shares nor be less than 2,000,000 regardless of the conditions. JobBank is located in Florida and is a national online recruiting and employment network that provides a wide range of career-related services to job candidates, employers and recruitment firms.

On June 30, 2001, SearchHound acquired all of the issued and outstanding shares of capital stock of MoneyMessage, LLC, FastCashOffers.com and EarlyBirdDomain.com for total consideration consisting of a warrant to purchase 150,000 unregistered shares of SearchHound common stock and an earn-out agreement for a period of 24 months following closing. The earn-out is equal to 10% of the net income recorded and collected over the first 18 months and reducing to 5% for the remaining 6 months. The warrant price is set at \$0.21 per share, which was equivalent to average trading price over the last 30 days prior to closing. The warrant carries a two-year term commencing on the June 30, 2001 closing date.

On September 28, 2001, SearchHound acquired substantially all assets (exclusive of accounts receivable) of Mesia.com, Inc. for total consideration consisting of

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the following: 1) a warrant to purchase 350,000 unregistered shares of SearchHound common stock at a price of \$0.15 per share and a term of two years, 2) 115,000 unregistered shares of common stock, and 3) earn-out agreement equal to one share and one warrant (based on the average trading price at date earned) awarded for each \$1 dollar of revenue generated for the 18-month period subsequent to the acquisition from the acquired entities existing revenue streams. Such warrants contain a strike price equivalent to market at the date granted. Mesia.com, Inc. is based in Reston, Virginia and is considered a leader in direct email marketing via its websites; Mesia.com, Utiopad.com and PortalofOne.com.

On December 20, 2001, SearchHound acquired substantially all assets (exclusive of cash and fixed assets) of Speak Globally, LLC for total consideration consisting of the following: 1) a warrant to purchase 100,000 unregistered shares of SearchHound common stock at a price of \$0.04 per share and a term of two years, 2) 100,000 unregistered shares of common stock, and 3) earn-out agreement equal to one share and one warrant (based on the average trading price at date earned) awarded for each \$1 dollar of revenue generated for the 12-month period subsequent to the acquisition from the acquired entities existing revenue streams. Such warrants contain a strike price equivalent to market at the date granted. Speak Globally, LLC is based in Kalamazoo, Michigan and St. Petersburg, Russia and operates as an internet web development company.

Management intends to continue this strategy of growing the company through acquisitions as well as increasing revenues of existing businesses during 2002.

However, management has initiated an overall plan of restructure including improving its balance sheet to be representative of a strong working capital position, minimal debt, current accounts payable and receivables and continue as a timely and fully reporting public entity with the SEC. The Company will likely seek a larger and more financially strong merger/acquisition partner in order to implement this restructure plan on a timely basis, although no potential merger/acquisition candidate has been identified at the current time. Should an acceptable merger candidate pursue an equity relationship with the company, the Board will only consider transactions that would result in a beneficial outcome for the company shareholders. An offer to merge or be acquired would have to be more advantageous for shareholders than continuation of the current operating model to be acceptable to the Board. If such an offer was received then the Board would conduct appropriate due diligence and make a recommendation to shareholders.

In compliance with standards issued on June 30, 2001 by the Financial Accounting Standards Board ("FASB") the valuation process was dramatically rewritten regarding the rules of accounting for business combinations. While it had been known for some time that the pooling of interests accounting treatment for mergers and acquisitions would be eliminated (Statement of Financial Accounting Standards ("SFAS") 141), the Standards also included wholesale modifications to the accounting for goodwill associated with acquisitions under the purchase method of accounting (SFAS 142). SFAS 142 prescribes an impairment review to assess the fair value of goodwill and appropriately adjust the valuation of goodwill if impaired. If reported shareholders' equity exceeds fair value, then further impairment testing must occur that will measure the implied fair value of goodwill.

The FASB noted that goodwill cannot be measured directly, instead, it is a residual amount. In accounting terms, the approach follows the purchase price allocation process used in transactions accounted for under the purchase method. To determine the implied fair value of goodwill, an entity subtracts the fair value of net assets (fair value of all assets minus the fair value of liabilities) from the fair value of the reporting unit. An entity must recognize an impairment loss when the carrying value of the goodwill exceeds its fair value.

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Fair value is defined in the Standards as "the amount at which an asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced liquidation or sale."

As such, management has determined to take immediate action to come into compliance with these new standards and bring goodwill to the appropriate levels based on an impairment review as of December 31, 2001. As a result, the Company charged off \$8,672,493 of goodwill as of December 31, 2001 that it considered "impaired" under existing accounting guidance. Effective January 1, 2002, regular amortization of goodwill will cease and will be replaced by regular "impairment" review and challenge. Unless it is viewed by management that the goodwill needs to be adjusted based on impairment the financials will not receive the historical charge to operations for goodwill amortization subsequent to January 1, 2001. Therefore, the financials will more appropriately reflect the ongoing business operations based on revenue and operating expenses. Furthermore, management has elected to initiate a consolidated restructure of all of its wholly owned subsidiaries integrating necessary enhanced technological improvements, fully functional online capability, necessary marketing development, improved website presence. Once completed, the business is prepared to 1) continue managing and operating each consolidated business unit for the good of the corporation, 2) seek acquisitions that have synergistic business applications which would result in a stronger business model with exponential revenue opportunities, and 3) market the unit to be purchased by a third party.

Such potential sale of any of the businesses operating units is consistent with the Company's business strategy of acquiring undervalued businesses, adding value through integration and management ingenuity, with the goal of increasing significant revenue and or selling such business units generating cash flow to support ongoing business operations.

### PLAN OF OPERATION

The Company proposes a restructure comprising of submitting a name change to shareholders of record from SearchHound.com, Inc. to I2 Global, Inc., which better reflects its corporate image of adding value through integration and ingenuity (thus 1 squared) and global which represents the scope of business operations. While the search engine business unit is still an important subsidiary and critical to the businesses overall success it no longer defines the Company and therefore should not be its named entity. Furthermore, the new name of I2 Global eliminates the dot-com element of the Companies name. While the Company continues to operate on an Internet platform it is not limited to that medium and as such discontinuing such reference in its corporate name is appropriate.

SearchHound's core operating business continues as an online enterprise that provides a search engine to the Internet under the trade name of SearchHound.com. SearchHound focuses on providing Websites and Webmasters relevant marketing tools, products and services. The site maintains a targeted email-based member community of more than 1,000,000 Webmasters and a search engine, which provides real-time relevant results. The search engine scours the Internet, other major search engines, as well as the multi-million URLs that have been registered directly with SearchHound.com. Marketing to and contracting with third-party advertisers sending email advertisements to its "opt-in" subscribers continues to be a focus.

During 2001 the company completed the following acquisitions:

On January 31, 2001, SearchHound acquired all of the issued and outstanding shares of capital stock of Godado.UK, Ltd. ("Godado") for total consideration consisting of 250,000 unregistered shares of SearchHound common stock. Godado

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is located in the United Kingdom and operates a "pay-per-click" search engine throughout Europe.

On March 15, 2001, SearchHound acquired all of the issued and outstanding shares of capital stock of FreeAirMiles, Inc. for total consideration consisting of 1,235,000 unregistered shares of SearchHound common stock and \$60,000 cash payable ratably over four months beginning April 2001. FreeAirMiles, Inc. is an interactive web surfing and research tool, which provides members with the incentive of earning free air miles for visiting participating websites.

On March 28, 2001, SearchHound acquired all of the issued and outstanding shares of capital stock of JobBankUSA, Inc. ("JobBank") for total consideration consisting of 2,000,000 (subject to adjustment, as defined) unregistered shares of SearchHound common stock. The number of shares issued in consideration is subject to adjustment based on the share price of SearchHound reaching and closing above \$2 per share within a specified period and JobBank maintaining minimum revenues. Total consideration will not exceed 4,000,000 shares nor be less than 2,000,000 regardless of the conditions. JobBank is located in Florida and is a national online recruiting and employment network that provides a wide range of career-related services to job candidates, employers and recruitment firms.

On June 30, 2001, SearchHound acquired all of the issued and outstanding shares of capital stock of MoneyMessage, LLC, FastCashOffers.com and EarlyBirdDomain.com for total consideration consisting of a warrant to purchase 150,000 unregistered shares of SearchHound common stock and an earn-out agreement for a period of 24 months following closing. The earn-out is equal to 10% of the net income recorded and collected over the first 18 months and reducing to 5% for the remaining 6 months. The warrant price is set at \$0.21 per share, which was equivalent to average trading price over the last 30 days prior to closing. The warrant carries a two-year term commencing on the June 30, 2001 closing date.

On September 28, 2001, SearchHound acquired substantially all assets (exclusive of accounts receivable) of Mesia.com, Inc. for total consideration consisting of the following: 1) a warrant to purchase 350,000 unregistered shares of SearchHound common stock at a price of \$0.15 per share and a term of two years, 2) 115,000 unregistered shares of common stock, and 3) earn-out agreement equal to one share and one warrant (based on the average trading price at date earned) awarded for each \$1 dollar of revenue generated for the 18-month period subsequent to the acquisition from the acquired entities existing revenue streams. Such warrants contain a strike price equivalent to market at the date granted. Mesia.com, Inc. is based in Reston, Virginia and is considered a leader in direct email marketing via its websites; Mesia.com, Utiopad.com and PortofOne.com.

On December 20, 2001, SearchHound acquired substantially all assets (exclusive of cash and fixed assets) of Speak Globally, LLC for total consideration consisting of the following: 1) a warrant to purchase 100,000 unregistered shares of SearchHound common stock at a price of \$0.04 per share and a term of two years, 2) 100,000 unregistered shares of common stock, and 3) earn-out agreement equal to one share and one warrant (based on the average trading price at date earned) awarded for each \$1 dollar of revenue generated for the 12-month period subsequent to the acquisition from the acquired entities existing revenue streams. Such warrants contain a strike price equivalent to market at the date granted. Speak Globally, LLC is based in Kalamazoo, Michigan and St. Petersburg, Russia and operates as an internet web development company.

The Registrant anticipates substantial increases in operating revenues for fiscal 2002 due to growth in existing businesses and from the recent acquisitions described above. Furthermore, management plans to continue its strategy of growing revenue through acquisitions in the foreseeable future. The



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Company believes that current growth in existing businesses and considering the effects of such recent acquisitions that revenues for 2001 are substantially increasing and are in-line with operating costs. The Company attempts to utilize its common stock as consideration for making acquisitions and plans to continue this practice in order to minimize cash outlays. However, there can be no assurance that the Company can continue to locate and negotiate acquisitions meeting its overall business plan on a cost effective basis and utilizing stock as consideration.

The Company proposes a restructure comprising of the following divisions:

I2 Global, Inc (proposed name change) will represent the parent company under which there will be nine independent operating units (divisions). You can reach I2 Global at [i2global.com](http://i2global.com).

Media Data Plus, Inc. is in the business of targeted online marketing. Media Data Plus is comprised of multiple, independent, and interchangeable databases commonly known as "lists". These "lists" represent Internet based email addresses and extended demographics from which advertisers can select potential customers to promote their products and services to in the hopes that they will preview and purchase from them. Media Data Plus works on a basis of "opt-in" participation. Customers whose data and information has been provided to Media Data Plus for the purpose of advertising. Privacy policies are in place and strictly adhered to. Media Data Plus is comprised of 1) direct mail, 2) list acquisition, 3) broker, and 4) list management products. Specific list names include SearchHound, Utopiad, Blue Marlin Mail, FreeAirMiles, "HOWL", FastCashOffers, and MoneyMessage. In addition, Media Data Plus has exclusive rights to market lists for MoonFruit.com and StudentMarkets. Media Data Plus continues to seek additional clients, partners, and customers. In addition, the Company is prepared to market this operating unit to interested acquisition companies who might value purchasing this operating unit and/or assets.

Media Enabled Software and Internet Advertising, Inc. (MESIA) is in the online email campaign manager and list management software business. Mesia.com is a developer and provider of online relationship management solutions for companies designed to increase both internal and external competitiveness. The Company's core capabilities include automated email marketing management, employee relationship management, and internal technical asset management. Mesia can be reached at [mesia.com](http://mesia.com). Mesia's Portal of One Customer Marketing Management (CMM) software solutions enable companies to target the right customers through a variety of communication channels, manage email-marketing communications through CampaignManager software, and data-mine the demographic, personal interest, and online behavior of their customers all in real time. Mesia's Portal of One Enterprise Resource Management (ERM) software solutions provides "internal marketing" capabilities to companies that wish to promote more efficient and effective channels of communication between employees across the entire organization, as well as advanced technical inventory management and reporting solutions to promote operational efficiency. MESIA is client friendly software management tool that can be licensed, contracted, or outsourced to and for companies who wish to reach customers with online marketing ads. MESIA is a fully operational business unit and can be reached at <http://www.mesia.com>. MESIA continues to seek additional clients, partners, and customers. In addition, the Company is prepared to market this operating unit to interested acquisition companies who might value purchasing this operating unit and/or assets.

e-Media Publishing, Inc. e-Media is where the business unit where the "HOWL" newsletter software, publishing tools, database access tools, HTML development reside. E-Media includes all aspects of the "HOWL" online publishing system as well as the "HOWL" "opt-in" database of subscribers of more than 500,000 recipients. E-Media is a fully operational business unit and can be reached at [howl.searchhound.com](http://howl.searchhound.com). E-Media continues to seek additional clients, partners,

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and advertisers. New subscribers continue to enroll everyday. Options to unsubscribe are available and specific privacy policies are in place and strictly adhered to. In addition, the Company is prepared to market this operating unit to interested acquisition companies who might value purchasing this operating unit and/or assets.

SpeakGlobally, Inc. ("SG") SG is the web development, graphic design, data base management business located in St Petersburg, Russia. In addition, SG provides a full service outsource for language translation. The office, located in St. Petersburg, Russia maintains eight full-time staff and are skilled in all aspects of software development, data design, graphics design, data base management, and Internet deliverables. SG can be reached at [speakglobally.com](http://speakglobally.com). SpeakGlobally is a fully operational business unit with current and ongoing client agreements. SpeakGlobally continues to seek additional clients, partners, and customers. In addition, the Company is prepared to market this operating unit to interested acquisition companies who might value purchasing this operating unit and/or assets.

Searchound.com 2000 Ltd. Searchound.com represents the original business unit acquired in the reverse merger in June 2000. Searchound.com is a search engine based on a keyword bidding methodology for generating revenue. Searchound.com has been reengineered with new software code, functionality, the intelligent search capability of real-time, relevant results from the SoloSearch Technology business. Searchound.com 2000 Ltd. is a fully operational business unit with current and ongoing operations and revenue streams. Searchound.com continues to seek additional clients, partners, and customers. In addition, the Company is prepared to market this operating unit to interested acquisition companies who might value purchasing this operating unit and/or assets.

SoloSearch Technology, Inc. SoloSearch represents the original business unit acquired following the reverse merger with Searchound.com 2000 Ltd. SoloSearch Technology is the intelligent software, which generates an improved and unmatched search for real-time relevant search results. Refer to Business Operations in Section 1 for more information. SoloSearch Technology is a fully developed application, which can be integrated, customized, and installed as a stand-alone application. SoloSearch Technology continues to seek additional clients, partners, and customers. In addition, the Company is prepared to market this operating unit to interested acquisition companies who might value purchasing this operating unit and/or assets.

Godado.uk.co (Godado). Godado is a United Kingdom based search engine. Godado is an online search engine that has been totally upgraded and enhanced with the SoloSearch Technology for real-time relevant searches as well as integrated with the SearchHound.com "keyword bidding" functionality. Godado can be reached at <http://godado.uk.co>. Godado is a fully operational business unit with current and ongoing operations and revenue streams. Godado continues to seek additional clients, partners, and customers. In addition, the Company is prepared to market this operating unit to interested acquisition companies who might value purchasing this operating unit and/or assets.

Consumer Division. The Company's consumer division is comprised of four (4) distinctly different yet synergistic consumer focused website businesses. Each operating unit has a complete business model, website, revenue model, and operating experience. FreeAirMiles ([freeairmiles.com](http://freeairmiles.com)) is a fully functioning search engine whereby registered users earn travel credits as an incentive for conducting searches with advertisers who have agreements to pay FreeAirMiles when customers affect direct links to their respective sites. Utopiad ([utopiad.com](http://utopiad.com)) is an online ecommerce site, specializing in integrated advertising solutions, constructs customized opt-in email campaigns. FastCashOffers ([fastcashoffers.com](http://fastcashoffers.com)) and MoneyMessage ([moneymessage.com](http://moneymessage.com)) are developmental web properties designed to provide services and products to consumers supported by targeted advertisers.

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JobBankUSA and ResumeBroadcaster (JobBank). JobBank represents an investment by the Company to enter the recruiting business whereby it serves the individual job seeker, the recruiter who relies on accessing a database of potential candidates, and employers who desire access a database of candidates. JobBankUSA can be reached at [jobbankusa.com](http://jobbankusa.com) and ResumeBroadcaster at [resumebroadcaster.com](http://resumebroadcaster.com). JobBankUSA.com was developed as a lower cost alternative to traditional means of staffing, recruiting and employee development. All candidates are given access to tools designed to help put together an effective resume and to mount an efficient search for a desired position. Employers are guaranteed a more targeted, less time-consuming search for qualified candidates, thereby saving the employer time and money. Headquartered in Fernandina Beach, Florida, JobBankUSA.com has grown to be one of the Internet's largest and best-known online recruiting site. Since 1995, JobBankUSA.com has provided services to over 5 million job seekers, hiring managers, recruiters and human resource professionals. ResumeBroadcaster provides a marketing vehicle for job candidates to deliver their resume to highly targeted lists of employers and recruiters. As a job candidate, you are able to select from a detailed list of geographical areas and industry classifications that suit your background and requirements. Your resume is then delivered to employers via email according to the selections you have chosen. Employers and recruiters contact you directly according to your instructions. As an employer, you are able to receive resumes by filling out a company profile and selecting the geographical areas and industry classifications in which you wish to receive resumes. Upon submission, you will begin receiving resumes as they are processed according to your selection criteria.

The Company purchased 100% of JobBankUSA and ResumeBroadcaster on March 28, 2001 taking an initial 49% position with a condition on valuation and a subsequent closure to be determined. The Company is considering its position for the balance of JobBankUSA and ResumeBroadcaster including its interest in the businesses. The Company is prepared to market this operating unit to interested acquisition companies who might value purchasing this operating unit and/or assets.

THIS BUSINESS SECTION AND OTHER PARTS OF THIS ANNUAL REPORT ON FORM 10-KSB CONTAIN FORWARD-LOOKING STATEMENTS WHICH MAY INVOLVE RISKS AND UNCERTAINTIES OR DEAL WITH POTENTIAL FUTURE CIRCUMSTANCES AND DEVELOPMENTS. THE COMPANY'S ACTUAL RESULTS OR FUTURE EXPERIENCE MAY DIFFER SIGNIFICANTLY FROM THE RESULTS OR POTENTIAL DEVELOPMENTS DISCUSSED IN THE FORWARD-LOOKING STATEMENTS. THE COMPANY HAS ATTEMPTED TO IDENTIFY CERTAIN OF THE FACTORS THAT IT CURRENTLY BELIEVES MAY CAUSE ACTUAL FUTURE EXPERIENCE AND RESULTS TO DIFFER FROM ITS CURRENT EXPECTATIONS REGARDING THE RELEVANT MATTER OR SUBJECT AREA. FACTORS THAT MIGHT CAUSE THIS DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO, THOSE FACTORS DISCUSSED IN THIS BUSINESS SECTION INCLUDING "ADDITIONAL RISK FACTORS AFFECTING FUTURE PERFORMANCE" AND "MANAGEMENT'S DISCUSSION AND ANALYSIS."

### ITEM 2. DESCRIPTION OF PROPERTIES

SearchHound rents approximately 1,500 square feet of office space for its headquarter operations in Kansas City, Missouri. SearchHound intends to relocate its headquarter staff to remote and/or at home offices and to co-locate its computer hardware at more cost effective locations in the Kansas City, Missouri metropolitan area during 2002. Management believes this approach is appropriate, cost effective and will sustain the anticipated business needs related to headcount and equipment for the next fiscal year.

### ITEM 3. LEGAL PROCEEDINGS

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Certain claims, suits and complaints arising in the normal course with respect to the Company's services have been filed or are pending against the Company including its subsidiaries. Generally, these matters are all covered by a general liability insurance policy. In the opinion of management, the resolution of all such matters would not have a significant effect on the financial position, results of operations or cash flows of the Company, if disposed of unfavorably.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of 2001, through the solicitation of proxies or otherwise.

## PART II

### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### Market Information

The Company's Common Stock is quoted on the NASD's OTC Bulletin Board electronic system under the ticker symbol SRHN since its name change on June 6, 2000. Prior to that date it traded under Pan International Gaming, Inc. as PANE. In addition, the Common Stock is subject to "penny stock" rules that impose restrictive sales practice and market making requirements on broker-dealers who sell and/or make a market in the Common Stock. This may affect the willingness of broker-dealers to sell and/or make a market in the Common Stock as well as the ability of shareholders to sell the Common Stock in the secondary market.

The following table sets forth the quarterly high and low bid prices for the Company's Common Stock during the period of June 6, 2000 through December 31, 2000 and for the year ended December 31, 2001. Quotations set forth below reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Quarter -----	Year ----	High ----	Low ---
June	2000	1.656	1.281
Jul-Sep	2000	1.50	.30
Oct-Dec	2000	.45	.16
Jan-Mar	2001	.81	.15
Apr-Jun	2001	.75	.16
Jul-Sep	2001	.24	.09
Oct-Dec	2001	.12	.031

As of December 31, 2001 there were approximately 950 holders of record of the Registrant's common stock.

During the period ended December 31, 2000 and the year ended December 31, 2001; the Registrant did not declare or pay any cash dividends. Management and the Board of Directors do not anticipate the payment of cash dividends within the foreseeable future.

For the period ended December 31, 2001, the Company issued 8,463,205 shares as follows:

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- 1,700,000 unregistered shares were issued to shareholders of Godado UK, Ltd., FreeAirMiles, Inc., MoneyMessage, LLC, FastCashOffers.com and EarlyBirdDomain.com, Mesia.com, Inc. and Speak Globally, LLC in connection with their acquisition as described in Note 3 to the consolidated financial statements.

- 2,000,000 shares were issued to the shareholder of JobBank USA, Inc. for the acquisition of 49% of its common stock as described in Note 5 to the consolidated financial statements.

- 566,658 unregistered shares were issued pursuant to a Private Placement memorandum during the year ended December 31, 2001. Such common shares were issued for cash consideration of \$114,900. Certain of the purchasers also received detachable common stock purchase warrants as further described in Note 9 to the consolidated financial statements.

- 2,694,940 shares of common stock registered pursuant to a Form S-8 during the period ended December 31, 2001. During 2001, the Company filed amendments to its Form S-8 Registration Statement with the Securities and Exchange Commission wherein it registered an additional 4,500,000 shares of the Company's common stock for issuance to employees, consultants and Board Members for services rendered to the Company. The Form S-8, as amended, authorizes the issuance of a maximum of 6,000,000 shares of common stock as of December 31, 2001, provides for a grant of incentive stock options, non-qualified stock options, restricted stock, performance grants and other types of awards to officers, key employees, board members, consultants and independent contractors of the Company.

- 1,291,617 shares of common stock were issued as treasury stock and serves as collateral for a note payable to a creditor as described in Note 7 to the consolidated financial statements.

### ITEM 6.           MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### SELECTED CONSOLIDATED FINANCIAL DATA.

The following selected consolidated statements of operations data for the year ended December 31, 2001 and for the period from inception to December 31, 2000 are derived from our consolidated financial statements and related notes included elsewhere in this Form 10-KSB.

	Year ended December 31, 2001	Period from inception (April 11, 2000) to December 31, 2000
Revenues	\$1,103,041	\$211,164
Operating expenses:		
Cost of services provided	423,234	-
General and administrative	1,425,431	694,221
Sales and marketing	42,129	3,791
Bad debt expense	62,628	-
Depreciation and amortization	4,073,668	1,759,033
Goodwill impairment charge	8,672,493	-
	14,699,583	2,457,045
Operating loss	(13,596,542)	(2,245,881)

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Other expense-interest expense	(10,083)	(5,556)
Other income-interest income	295	-
Equity in earnings of nonconsolidated subsidiary	5,000	-
Loss before income taxes	(13,601,330)	(2,251,437)
Income taxes	-	-
Net loss	\$(13,601,330)	\$(2,251,437)
Basic and diluted net loss per share	\$(0.51)	\$(0.12)
Basic and diluted weighted average common shares outstanding	26,532,463	18,122,312

This management's discussion and analysis of financial condition contains forward-looking statements, the accuracy of which involves risks and uncertainties. We use words such as "anticipates," "believes," "plans," "expects," "future," "intends" and similar expressions to identify forward-looking statements. This management's discussion and analysis also contains forward-looking statements attributed to certain third parties relating to their estimates regarding the growth of the Internet, Internet advertising and online commerce markets and spending. Readers should not place undue reliance on these forward-looking statements, which apply only as of the date of this report. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons.

### RESULTS OF OPERATIONS

The Company generated \$1,103,041 of operating revenues during the year ended December 31, 2001. The results of operations for the year ending December 31, 2001 reflect an operating loss of \$13,601,330. Included in the loss were \$12,746,161 in non-cash depreciation, amortization and goodwill impairment charges (primarily related to the goodwill resulting from the SoloSearch acquisition), and \$437,855 in non-cash Common Stock issued for services. Therefore, the cash portion of the year's loss was only \$175,430 (as reflected in the Statement of Cash Flows).

The operating losses were attributable to the Company's core business revenue sources and business lines being developed late in fiscal 2000 and early 2001 requiring ongoing investment in technology and deployment. The Company did not have sufficient capital to fully deploy its business lines in 2001, which resulted in less than expected revenue growth. In addition, revenue growth was less than expected because the Company acquired 49% of JobBankUSA during 2001 and was not able to finalize the remaining 51% acquisition as of December 31, 2001. As a result, the Company did not consolidate JobBankUSA for 2001 and instead carried JobBankUSA as an investment under the equity method of accounting as of December 31, 2001.

On March 28, 2001, SearchHound acquired 49% of the issued and outstanding shares of capital stock of JobBank USA, Inc. ("JobBank") and agreed to acquire the remaining 51% on March 28, 2002, for total consideration consisting of 2,000,000 (subject to adjustment, as defined) unregistered shares of SearchHound common stock. The number of shares issued in consideration is subject to adjustment based on the share price of SearchHound reaching and closing above \$2 per share within a specified period and JobBank maintaining minimum revenues prior to March 28, 2002. Total consideration will not exceed 4,000,000 shares nor be less than 2,000,000 regardless of the conditions. JobBank is located in Florida

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and is a national online recruiting and employment network that provides a wide range of career-related services to job candidates, employers and recruitment firms.

Currently, the Company and the Seller do not agree as to the adjustment provisions of the contract due to the Company not attaining the required share price levels nor the acquiree reaching the minimum revenue levels specified in the contract. Currently, there is uncertainty as to whether the acquisition of the remaining 51% will occur as scheduled, will occur at all and whether the Company will retain its 49% interest in JobBank USA, Inc. Accordingly, the Company has recorded its investment in JobBank USA, Inc. under the equity method of accounting as of December 31, 2001 as follows:

Acquisition price (2,000,000 shares at \$0.63 per share)	\$1,260,000
Acquisition costs	5,000
Total consideration paid	1,265,000
Amortization of related goodwill (over 5 years)	(466,680)
Equity in earnings of JobBank USA, Inc.	5,000
Investment in nonconsolidated subsidiary at December 31, 2001	\$803,320

Following is summarized financial information extracted from the JobBank USA, Inc. unaudited internal financial statements:

	(Unaudited)
Revenues for the period from March 31, 2001 to December 31, 2001	\$497,000
Total assets as of December 31, 2001	\$132,952
Total equity as of December 31, 2001	\$44,822

Additional acquisitions completed during 2001 required considerable cash commitments and management attention. Such revenues were not consistently sufficient to cover the Company's operating costs. Cash operating costs were primarily salary and wage related, which is expected to continue.

### REVENUE

Revenue for the year ended December 31, 2001 increased to \$1,103,041 compared to \$222,164 for the year ended December 31, 2000. The increase was primarily the result of increased revenue from the SearchHound.com search engine due to increases in the number of active advertiser accounts. We also had an increase in revenue from our third-party advertising to our opt-in email lists.

### OPERATING EXPENSES

Cost of revenues. Cost of Revenues consists primarily of costs associated with and Web site domain registration expenses for clients and related refunds. Cost of revenues increased to \$423,234 for the year ended December 31, 2001. The increase was primarily due to the expansion of the SearchHound.com search engine, increased costs related to our keyword bidding service, and domain registration costs for customers of EarlyBirdDomain.com domain registration service. We anticipate cost of revenues will continue to increase as our traffic, revenue, number of advertisers, and transactions related to domain registration and accessing our opt-in email lists increase. Sales and Marketing. Sales and marketing expenses consist primarily of 1) payments for a percentage of our revenue from paid click-throughs to our distribution partners as a commission, 2) advertising expenditures for the SearchHound.com search engine advertising campaigns and sponsorships, trade

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shows and telemarketing and other expenses to attract advertisers to our services, 3) fees to marketing and public relations firms, and 4) payroll and related expenses for personnel engaged in marketing, customer service and sales functions. Almost all of our sales and marketing expenses relate to the SearchHound.com search engine. Our sales and marketing expense was \$42,129 for the year ended December 31, 2001 compared to \$3,791 for the year ended December 31, 2000. The increase in sales and marketing expense was related primarily to increased amounts paid to distribution partners as a result of increased revenue derived from our contracts with these partners, along with expanding the number of marketing, customer service, and sales employees, and non-cash stock compensation.

General and administrative expenses consist primarily of payroll and related expenses for executive and administrative personnel; costs related to leasing, maintaining and operating our facilities; insurance; recruiting fees; ; fees for professional services, including consulting, legal, and accounting fees; expenses and fees associated with the reporting and other obligations of a public company; travel and entertainment costs; depreciation of furniture and equipment for non-technical employees; non-cash stock compensation expense for the issuance of stock and stock options to non-employees, and other general corporate expenses; as well as fees to affiliates which provide office space and other general and administrative services. Additional costs related to designing and maintaining our Web sites and providing the SearchHound.com services, fees paid to outside service providers, credit card processing fees, and fees paid to telecommunications carriers for Internet connectivity. Costs associated with maintaining our Web sites include salaries of related personnel, depreciation of Web site equipment, co-location charges for our Web site equipment and software license fees. Costs associated with providing the keyword bidding services and opt-in email lists include salaries of related personnel, payments to consultants, General and administrative expenses were \$1,425,431 for the year ended December 31, 2001 compared with \$694,221 for the year ended December 31, 2000. The increase in general and administrative expenses was primarily due to increased professional, investor relations, increase in non-cash stock compensation expense, and higher legal and accounting fees partially offset with lower travel and entertainment spending and a decrease in rent and other office expenses. We expect general and administrative expenses to remain at this level and could increase in the future as we expand our staff and incur additional costs related to the growth of our business. Bad debt expense. Bad Debt expenses were \$62,628 for the year ended December 31, 2001 compared with \$-0- for the year ended December 31, 2000. The increase was principally attributable to uncollectible receivables related to the FreeAirMiles and Mesia acquisitions during 2001.

Depreciation and Amortization and Goodwill Impairment Expense. Depreciation and Amortization expense recorded for the year ended December 31, 2001 was \$4,073,668 compared with \$1,759,033 for the year ended December 31, 2000. The increase was principally attributable to depreciation of goodwill related to the acquisition of SoloSearch in June 2000 with 2000 representing a partial year and a full year in 2001. At December 31, 2001 the Company performed an impairment review under existing accounting rules, of all its intangible assets (in particular goodwill) which resulted in an impairment charge to operations of \$8,672,493.

Effective January 1, 2002, the Company must implement the new accounting standard, which requires a periodic impairment review on its intangible assets rather than traditional amortization of goodwill. In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" ("SFAS 141"), and SFAS No. 142, "Goodwill And Other Intangible Assets" ("SFAS 142"). SFAS 141 addresses the accounting for acquisitions of businesses and is effective for acquisitions occurring on or after July 1, 2001. SFAS 142 addresses the method of identifying and measuring goodwill and other intangible assets acquired in a business combination, eliminates further amortization of



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goodwill, and requires periodic evaluations of impairment of goodwill balances. SFAS 142 is effective for fiscal years beginning after December 15, 2001. Amortization of goodwill will cease after December 31, 2001 and a new method of testing goodwill for impairment will be adopted beginning January 1, 2002. In August 2001, the FASB issued FAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." This statement established a single accounting model for long-lived assets to be disposed of by sale and provides additional implementation guidance for assets to be held and used and assets to be disposed of other than by sale. The statement supersedes FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and amends the accounting and reporting provisions of Accounting Principles Board ("APB") Opinion No. 30 related to the disposal of a segment of a business. The statement is effective for fiscal years beginning after December 15, 2001. In management's opinion, due to the substantial amount of goodwill and other intangible assets the Company carries on its books, the adoption of these standards will have a significant effect on our financial position and results of operations. However, our cash flows should not be affected.

### NET LOSS

As a result of the factors described above, we incurred a net loss of \$13,601,330 or (\$0.51) per basic and diluted share for the year ended December 31, 2001, compared to a net loss of \$2,251,437 or (\$0.12) per basic and diluted share for the year ended December 31, 2000.

### LIQUIDITY AND CAPITAL RESOURCES

We have historically satisfied our cash requirements primarily through private placements of restricted stock and the issuance of debt securities. Net cash used in operating activities totaled \$175,430 for the year ended December 31, 2001. The net cash used was based on a net loss of \$13,601,330 which was offset, primarily by noncash depreciation, amortization and goodwill impairment charges of \$12,746,661, noncash stock issuances in lieu of compensation totaling \$437,855 and a net decrease in operating assets/liabilities of \$181,756. Cash used in operating activities improved by \$88,566 when compared to net cash used in operating activities of \$263,996 for 2000.

Net cash used in investing activities totaled \$27,009 for the year ended December 31, 2001. In 2001, the Company completed acquisitions, which required \$11,174 in cash payments primarily for costs of transactions. In addition, we made capital expenditures for equipment totaling \$15,835.

Net cash provided by financing activities totaled \$245,916 for the year ended December 31, 2001. In 2001, the Company completed a private placement of our common stock with accredited investors. The Company issued 566,658 shares of common stock for gross cash proceeds of \$114,900. We also issued the investors 142,942 warrants to purchase our common stock at exercise prices ranging from \$0.25 to \$0.37 per share. In addition, we received financing cash flows from the issuance of debt \$63,539 and cash acquired from acquisitions totaled \$81,909 during 2001. Our principal sources of future liquidity will likely be cash flow from operations because the Company's current low common stock market price renders it difficult to raise funds through the issuance of common stock and debt financing will be difficult given the company's current environment for technology companies.

The Company is engaged in new operations and is attempting to implement its business plan, which includes rapid growth requiring external sources of equity or debt funding to meet its current and anticipated obligations. In addition, the Company has incurred substantial operating losses, a working capital deficit and is experiencing negative cash flows from operations. Current cash balances and available credit are insufficient to fund the Company's cash flow needs for the next year. As a result, there is uncertainty of future equity or debt

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funding to fund the Company's upcoming cash flow needs, which raises substantial doubt about the ability of the Company to continue as a going concern. The Company has historically raised capital through external equity funding and related party debt financing however there can be no assurance that such funding will continue in the future. The Company anticipates that raising additional working capital through private equity placement initiatives, the sale of certain businesses/operations and improvements in current operations will enable the Company to continue in existence for the upcoming year. However, no assurance can be given that the Company will be successful in raising the necessary capital to fund its operations in order to pay its obligations as they become due and that ultimately it will be successful in implementing its business plan. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### ACCOUNTING POLICIES SUBJECT TO ESTIMATION AND JUDGMENT

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. When preparing our consolidated financial statements, we make estimates and judgments that affect the reported amounts on our balance sheets and income statements, and our related disclosure about contingent assets and liabilities. We continually evaluate our estimates, including those related to revenue, allowance for doubtful accounts, reserves for income taxes, and litigation. We base our estimates on historical experience and on various other assumptions, which we believe to be reasonable in order to form the basis for making judgments about the carrying values of assets and liabilities that are not readily ascertained from other sources. Actual results may deviate from these estimates if alternative assumptions or condition are used.

### ITEM 7. FINANCIAL STATEMENTS

Attached hereto and incorporated herein by this reference are the Company's audited consolidated financial statements as of December 31, 2001 and 2000 and for the year ended December 31, 2001 and for the period from inception (April 11, 2000) to December 31, 2000.

### ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On March 16, 2001 SearchHound.com, Inc. dismissed William L. Butcher as its independent accountants. The reports of William L. Butcher on the financial statements for the past two fiscal years contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle. In the connection with its audits for the two most recent fiscal years and through March 16, 2001, there have been no disagreements with William L. Butcher on any matter of accounting principles or practices, financial statements disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of William L. Butcher would have caused them to make reference thereto in their report on the financial statements for such years. During the two most recent fiscal years and through December 31, 2001, there have been no reportable events.

The Registrant engaged Clevenger and Haywood CPA, P.C. as its new independent accountants as of March 16, 2001. During the two most recent fiscal years and through March 16, 2001, the Registrant has not consulted with Clevenger and Haywood, CPA, P.C. on any matters and specifically with regard to any items, which concerned the subject matter of a disagreement or reportable event with the former auditor.

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## PART III

### ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

#### Directors, Executive Officers, Promoters and Control Persons

The directors and executive officers of the Company as of December 31, 2001 were as follows:

Name	Age	Position
----	---	-----
Dave L. Mullikin	47	President, CEO, Director
Brad N. Cohen	31	Executive Vice President, Secretary, Director
John Flanders	33	Director
Art Fillmore	54	Director

Dave L. Mullikin was appointed and placed under employment contract as President and Chief Executive Officer of Searchhound.com 2000, Ltd. effective April 27, 2000. The Board adopted Mr. Mullikin's contract on July 12, 2000, and he became the President and Chief Executive Officer of SearchHound.com, Inc. and a member of the Board of Directors for the Company.

Mr. Mullikin has held a variety of executive positions within the healthcare, finance and consumer goods and services industries and is an active board member in a variety of professional and non-profit organizations. Most recently, Mullikin was co-founder and managing partner of Solutions.com, LLC, a start-up consulting service business that focused on business plan development, process improvement, market and competitive assessment, e-commerce business development and organizational structure. Prior to starting his own business, he was COO and a board member at HealthCore Medical Solutions, a publicly held NASDAQ small cap company marketing healthcare services through brokers and e-commerce. Under his guidance, he recruited a management team, successfully managed all SEC reporting and compliance requirements, investor relations, repositioned the product, and introduced an e-commerce distribution channel linking vendors, customers and marketers through its Web site strategy. He began his career in healthcare management as a senior executive with Blue Cross Blue Shield of Kansas City, where he was responsible for all operations related to its 700,000 members. Later he was the CEO- Blue Advantage Plus, which is the Medicaid HMO for the plan in both Kansas and Missouri. Mr. Mullikin also served as a corporate officer and vice president of Sales and Operations with Transamerica Insurance Finance, where he oversaw sales, operations, systems, and customer service.

Upon graduation from Oklahoma City University, Mullikin joined the General Electric Management Development Program. During his fifteen years with GE and GE Capital. Mr. Mullikin held progressively more responsible positions in finance, operations, customer service, and management, eventually become an Executive Band with the company. Additionally, he graduated from GE's Financial Management Program, a 30-month academic program for senior managers. He also traveled on GE Company's Corporate Audit Staff, participated in many executive level training programs at GE's Crotonville campus, and attended The Wharton School for Sales Force Management including a European market study involving early stage e-commerce initiatives.

Brad N. Cohen was appointed to the Board of Directors of the Company on July 12,

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2000. Mr. Cohen was appointed and placed under employment contract as Executive Vice President of the Company on September 1, 2000. Mr. Cohen was the Co-founder of SoloSearch.com, Inc., which was acquired by SearchHound.com, Inc. on July 11, 2000 and acted in a senior management position of SoloSearch.com, Inc. and assisting in the transition of Searchhound.com 2000, Ltd. until his appointment September 1, 2000.

Mr. Cohen brings a wealth of technology and entrepreneurial experience to his leadership role with the company and was the co-founder of SoloSearch.com. An entrepreneur since college, Mr. Cohen has founded and managed more than five successful technology ventures over the past seven years and has a deep understanding of the Internet start-up marketplace. In 1998, Cohen co-founded Cohen Capital Technologies (CCT) to invest in innovative Internet technologies and to create commercial enterprises around these technologies. Under Mr. Cohen's management, Cohen Capital Technologies founded Neural Technologies, LLC, a software development company based on the only known Instantaneously Trained Neural Network Algorithm. This company also developed the artificial intelligence that powers SearchHound.com's search technology. CCT is currently a holding company for strategic investments. Prior to CCT, Cohen launched Real Information Systems (RIS), one of the nation's first web development companies focused on resort markets in North America. RIS developed several high profile web sites, including the official web site for Pope John Paul II during his visit to the U.S. in 1995. In 1995, RIS merged with another company to create Real Education, one of the first companies to offer online/distance education programs. As president of the newly merged company, Cohen managed all software/web development, and business operations.

Real Education, now called eCollege (NASDAQ: ECLG), was an innovator in offering accredited four-year college degrees, doctoral degrees, master's degrees, and continuing education for Realtors and dentists over the Internet. While with Real Education, he acquired and ran Colorado.Net (<http://www.colorado.net>), building it into the largest Internet service provider on the Western Slope of Colorado. He also built CUOnline.edu (<http://www.cuonline.edu>), the University of Colorado's portal for all of its online degree programs. Mr. Cohen started his first company, Trident Industries, while in college. The company manufactured blank sportswear apparel for the screen-printing and embroidery industry and worked with contract plants in India, Nepal, Bangladesh and China. The company was sold to his partner and is still a successfully operating company based in Kansas City. Mr. Cohen received a BA from the University of Missouri in Marketing and Political Science.

John C. Flanders, Jr. was elected to the Board effective July 12, 2000. Mr. Flanders serves as the Chief Executive Officer and Director of Digital Bridge, Inc. following the acquisition by Digital of 24x7. Mr. Flanders is a recognized leader in new media technologies. He was formerly President and Chief Executive Officer of 24x7. Prior to May 31, 2000, Mr. Flanders was the Chief Technology Officer for GlobalNet Financial.com for over 18 months. Prior to joining GlobalNet, Mr. Flanders was founder and Chief Executive Officer of a leading, nationwide developer network, CyberJunction.com Online, Inc. Prior to launching CyberJunction, he served as Vice President Sales and Marketing at eMergingMedia, Inc., a San Francisco based interactive agency. He also served in a management capacity at NETCOM Online Communications Services and THOR24. Before joining the technology industry, he was President and Chief Operating Officer of Flanders, Brunetti and Flanders Investment Management, Inc. Mr. Flanders currently serves on the Boards of Directors of M&A West, Inc., WiseCapital.com, Inc., and StoreChoice.com, Inc., a convenience-shopping portal.

Arthur Fillmore, after receiving his B.A. in Political Science with Honors, 1968, and his J.D. in 1975, from University of Missouri in Columbia, was admitted to practice law in the state of Missouri, the United States District Court for the Western District of Missouri, and United States Tax Court. Mr.

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Fillmore has practiced at such prestigious firms as Craft Fridkin & Rhyne, Fillmore & Griffin, Perry, Hammill & Fillmore, Condon & Fillmore, and Gage & Tucker. Mr. Fillmore's current practice focuses on mergers and acquisitions, corporate and commercial transactions, securities laws, and international trade. In addition to representing numerous closely held and publicly traded corporations, he also represents numerous technology companies in the start-up and growth stages, negotiating capital infusions from investment banking and venture capital firms.

Compliance with Section 16(a) of the Exchange Act

Based solely on review of the copies of the forms furnished to the Company, or written representations that no Forms 5 were required, the Company believes that during the fiscal year ended December 31, 2001 all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with.

### ITEM 10. EXECUTIVE COMPENSATION

During the year ended December 31, 2001 and the fiscal period from inception (April 11, 2000) to December 31, 2000, executive compensation was as follows:

#### SUMMARY COMPENSATION TABLE

Name and principal position -----	Year -----	Salary -----	LT/Option Agreement/Stock Bonus -----
Dave Mullikin	2000	\$130,325.00	-(a)
President/CEO	2001	\$233,910.25	\$6,309.95
Brad Cohen	2000	\$141,667.00	-(b)
EVP	2001	212,500.00	\$4,842.27

(a)- The Registrant has determined to delay its intent to implement a Stock Option Plan (the "Plan"), but if such a Plan is pursued it must be approved by the Board and the Shareholders of the Company. The Board has approved the resolution to implement such a plan. It will still require the approval of the Shareholders. It was the intention of the Registrant that Mr. Mullikin shall receive an option to purchase 500,000 shares of Employer common stock at an exercise price equal to the closing price as of December 31, 2001, which was \$0.1875, which upon shareholder approval will be the date of grant. The Option was intended to vest in accordance with the following schedule: 125,000 shares on each of February 28, 2001, September 1, 2001, February 28, 2002 and September 1, 2002 (provided Executive remains employed hereunder).

(b)- The Registrant has determined to delay its intent to implement a Stock Option Plan (the "Plan"), but if such a Plan is pursued it must be approved by the Board and the Shareholders of Employer. The Board has approved the company to implement such a plan. It will still require the approval of the Shareholders. It was the intention of the Registrant that Mr. Cohen will receive an option to purchase 500,000 shares of Employer common stock at an exercise price equal to the closing price as of December 31, 2001, which was \$0.1875, which upon approval of the shareholders will be the date of grant. The Option was intended to vest in accordance with the following schedule: 125,000 shares on each of October 31, 2000, April 30, 2002, October 31, 2001 and April 30, 2002 (provided Executive remains employed hereunder).

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In addition the Company issued pursuant to authorized and in force employment agreements, 100,000 shares of Common Stock to Brad Cohen and 100,000 shares of Common Stock to Dave Mullikin.

Because no options, stock appreciation rights or Long-Term Incentive Plans have been granted to any of the executive officers as of December 31, 2001, the information and tables otherwise required by this Item, which relate to such forms of compensation has been omitted. The above noted table reflects compensation received by officers in the form of registered S-8 stock.

### BOARD OF DIRECTORS COMPENSATION:

Board of Director duties includes monthly telephone Board calls are held monthly or less often as needed to review operations, financial performance, and Board relevant issues. In addition, non-scheduled telephone conferences are called, as necessary. Quarterly Board telephone meetings are scheduled for as much as one-half day.

### EXTERNAL BOARD MEMBERS

Initial Appointment: 25,000 Shares (restricted) and 50,000 Shares (S-8 unrestricted) during years 2000 and 2001. Board compensation beginning 2002 has increased to 50,000 Shares (restricted) per quarter.

Annually: 25,000 shares (restricted) per quarter issued annually in December prorated for the current year. Each Director receives \$500 cash (or S-8 stock if cash flows preclude cash payment) for each Quarterly "in person" Board meeting. Actual out-of-pocket travel expenses related to Board activity are reimbursed.

### INTERNAL BOARD MEMBERS

Initial appointment: 25,000 Shares (restricted) and 50,000 Shares (S-8 unrestricted) during years 2000 and 2001. No additional compensation.

Annually: 25,000 shares (restricted). Board compensation beginning 2002 has increased to 50,000 Shares (restricted) per quarter.

### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of December 31, 2001, the beneficial ownership of Common Stock of all directors of the Company, all directors and officers of the Company as a group, and each person who is known to the Company to own beneficially more than 5% of the Company's Common Stock.

Name of Beneficial Owner	Amount / Nature of Ownership (1)	Percent of Class
Dave L. Mullikin	1,070,065	3.49%
Brad N. Cohen -a)	712,991	2.33%
Cohen Capital Technologies	4,850,000	15.84%
John C. Flanders, Jr.	110,000	.36%
Art Fillmore, II	110,000	.36%
Brett Warner	2,000,000	6.53%
Directors/Officers as a group (4)	2,003,056	6.54%

(a- Brad N. Cohen is a 50% beneficial owner of Cohen Capital Technologies

Addresses of beneficial owners are on record with the company and are available by written request.

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(1) Pursuant to applicable rules of the Securities and Exchange Commission, "beneficial ownership" as used in this table means the sole or shared power to vote shares (voting power) or the sole or shared power to dispose of shares (investment power). Unless otherwise indicated, the named individual has sole voting and investment power with respect to the shares shown as beneficially owned. In addition, a person is deemed the beneficial owner of those securities not outstanding which are subject to options, warrants, rights or conversion privileges if that person has the right to acquire beneficial ownership within sixty days.

### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Effective July 11, 2000, pursuant to a Stock Purchase Agreement dated as of May 4, 2000, SearchHound purchased all of the issued and outstanding capital stock of SoloSearch.com, Inc., a Missouri corporation ("SoloSearch"), from Cohen Capital Technologies, L.L.C., a Missouri limited liability company, Kirk C. Reivich, an individual, and October Capital, L.L.C., a Missouri limited Liability Company, for an aggregate of 4,850,000 shares of restricted common stock and \$300,000 cash. Total consideration paid was \$14,699,650 based on the market price of SearchHound (\$2.969 closing price on May 3, 2000) and the \$300,000 cash consideration. Subsequent to the transaction, SoloSearch became a wholly owned subsidiary of SearchHound. Mr. Brad Cohen is an officer and Director of the Company (subsequent to the acquisition) and also was an officer and partial owner of Cohen Capital Technologies, L.L.C. at the time of the acquisition.

Effective January 1, 2002, the Company entered two separate lease agreements with officers and directors of the Company to lease space to be utilized for office purposes at a rate totaling \$5,134 per month. The initial term of the lease is one year with a two-year renewal option (at the Company's option) at a rate totaling \$10,000 per month.

On March 20, 2002, the Company issued demand promissory notes to its two executive officers with a principal balance aggregating \$326,377 representing accrued but unpaid wages as of that date. Interest on the notes accrue at a rate equal to the mid-term applicable rate (4.49% as of December 31, 2001). The Company has pledged 19,366,365 shares of common stock (issued and held in treasury) as collateral for the payment of these promissory notes.

### ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

(1) Exhibits.

Exhibit

Number Description

-----

2.1\* Stock Purchase Agreement dated January 31, 2001 by and between SearchHound.com and Godado.UK, Ltd.

2.2\* Stock Purchase Agreement dated March 15, 2001 by and between SearchHound.com and FreeAirMiles, Inc.

2.3\* Stock Purchase Agreement dated March 28, 2001 by and between SearchHound.com and JobBankUSA.com, Inc.

2.4 Stock Purchase Agreement dated June 30, 2001 by and between

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SearchHound.com and MoneyMessage, LLC, FastCashOffers.com, LLC, and EarlyBirdDomain.com, LLC.

2.5 Asset Purchase Agreement dated September 28, 2001 by and between SearchHound.com and the owners of Mesia.com, Inc.

2.6 Asset Purchase Agreement dated December 20, 2001 by and between SearchHound.com and the owners of Speak Globally, LLC.

3.1\* Articles of Incorporation

3.2\* By-laws

16.1\* Letter on change in certifying accountant, as previously filed

21.1 Subsidiaries of the Registrant,

23.1 Consent of Clevenger & Haywood CPA, P.C.

---

\* Previously filed with the Commission

(2) Audited Financial Statements as of December 31, 2001 and 2000 and for the year ended December 31, 2001 and for the period from inception (April 11, 2000) to December 31, 2000.

(b) The Company did not file any Current Reports on Form 8-K during the quarter ended December 31, 2001.

### EXHIBIT INDEX

Exhibit

Number Description

-----

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23.1 Consent of Clevenger & Haywood CPA, P.C.

\_\_\_\_\_  
\* Previously filed with the Commission

CONSOLIDATED FINANCIAL STATEMENTS

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-KSB Report for the year ended December 31, 2001, has been signed below by the following persons on behalf of the Registrant and in the capacity and on the date indicated.

April 16, 2002

SEARCHHOUND.COM, INC.  
A NEVADA CORPORATION

by

/S/ Dave Mullikin  
-----  
Dave Mullikin  
Agent on behalf of the Company

/S/ Dave Mullikin  
-----  
Dave Mullikin  
President, CEO

/S/ Brad Cohen  
-----  
Brad Cohen  
Secretary/Treasurer

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-52404 of SearchHound.com, Inc. on Form S-8 of our report dated April 4, 2002, appearing in this Annual Report on Form 10-KSB of SearchHound.com, Inc. for the period ended December 31, 2001.

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/s/ Clevenger & Haywood CPA, P.C.

-----  
Clevenger & Haywood CPA, P.C.  
Parkville, Missouri

CLEVENGER & HAYWOOD CPA, P.C.  
164 South Main  
Parkville, Missouri 64152

SEARCHHOUND.COM AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001 AND FOR  
THE PERIOD FROM INCEPTION (April 11, 2000)  
TO DECEMBER 31, 2000

SEARCHHOUND.com, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2001  
THE PERIOD FROM INCEPTION (APRIL 11, 2000)  
TO DECEMBER 31, 2000

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Year ended December 31, 2001 and for the period from inception(April 11, 2000) to December 31, 2000

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### INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of SearchHound.com, Inc.

We have audited the accompanying consolidated balance sheet of SearchHound.com, Inc. and subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2001 and for the period from inception (April 11, 2000) to December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SearchHound.com, Inc. and subsidiaries as of December 31, 2001 and 2000 and the consolidated results of its operations and cash flows for the year ended December 31, 2001 and for the period from inception (April 11, 2000) to December 31, 2000 in accordance with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the company will continue as a going concern. As described in note 16 to the consolidated financial statements, the company has incurred substantial operating losses in 2001 and 2000, has a working capital deficit as of December 31, 2001 and existing cash balances and available credit are not sufficient to fund the company's cash flow needs for the next year. These matters raise substantial doubt about the company's ability to continue as a going concern. Management's plans in regard to these matters are also described in note 16 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Clevenger and Haywood CPA, P.C.

Parkville, Missouri  
April 4, 2002

SEARCHHOUND.com, INC.

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and subsidiaries  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2001 AND 2000

ASSETS	DECEMBER 31,	
	2001	2000
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$102,163	\$58,686
Marketable securities-available for sale	-	5,000
Accounts receivable (no reserve for doubtful accounts considered necessary)	244,233	206,829
Related party receivables	10,183	4,433
Other current assets	-	10,819
Total current assets	356,579	285,767
FURNITURE, FIXTURES AND EQUIPMENT, net	171,272	48,224
INTANGIBLE ASSETS, net	3,844,719	15,771,137
INVESTMENT IN NONCONSOLIDATED SUBSIDIARY	803,320	-
OTHER ASSETS, net	794	24,464
<b>TOTAL ASSETS</b>	<b>\$5,176,684</b>	<b>\$16,129,592</b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$448,799	\$98,078
Deferred income	-	140,000
Note payable-related parties	432,053	432,053
Notes payable-current maturities	73,107	-
Other current liabilities	15,545	32,164
Total current liabilities	969,504	702,295
NOTES PAYABLE	3,683	-
<b>COMMITMENTS AND CONTINGENCIES</b>		
 <b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$.001 par value; 50,000,000 shares authorized; 30,619,826 and 22,156,621 issued, respectively	30,620	22,157
Additional paid-in-capital	20,095,890	17,720,531
Accumulated deficit	(15,852,767)	(2,251,437)
Treasury stock (1,291,617 shares)	(1,292)	-
Accumulated other comprehensive income (loss)	(68,954)	(63,954)
Total stockholders' equity	4,203,497	15,427,297
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$5,176,684</b>	<b>\$16,129,592</b>

The accompanying notes are an integral part of these financial statements.

SEARCHHOUND.com, INC.  
and subsidiaries

CONSOLIDATED STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2001 AND FOR THE  
PERIOD FROM INCEPTION (April 11, 2000) TO DECEMBER 31, 2000

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	Year ended December 31, 2001 inception to (April 11, 2000)	Period from December 31, 2000
Revenues	\$1,103,041	\$211,164
Operating expenses:		
Cost of services provided	423,234	-
General and administrative	1,425,431	694,221
Sales and marketing	42,129	3,791
Bad debt expense	62,628	-
Depreciation and amortization	4,073,668	1,759,033
Goodwill impairment charge	8,672,493	-
	14,699,583	2,457,045
Operating loss	(13,596,542)	(2,245,881)
Other expense-interest expense	(10,083)	(5,556)
Other income-interest income	295	-
Equity in earnings of nonconsolidated subsidiary	5,000	-
Loss before income taxes	(13,601,330)	(2,251,437)
Income taxes	-	-
Net loss	\$(13,601,330)	\$(2,251,437)
Basic and diluted net loss per share	\$(0.51)	\$(0.12)
Basic and diluted weighted average common shares outstanding	26,532,463	18,122,312

The accompanying notes are an integral part of these financial statements.

SEARCHHOUND.com, INC.  
and subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
YEAR ENDED DECEMBER 31, 2001 AND FOR THE  
PERIOD FROM INCEPTION (April 11, 2000) TO DECEMBER 31, 2000

Common Stock	Additional		Accumulated Other		Total Stockholders	
	Paid-in Capital	Accumulated Deficit	Comp. Income	Treasury Equity Stock	Comp. Income (Deficit)	Comp. Income (Loss)
Shares	Amount					
Initial capital contributions to SearchHound.com 2000, Ltd.						
13,500,000	\$13,500	\$2,986,600	\$-	\$-	\$-	\$3,000,100

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Reverse acquisition, exchange of SearchHound.com 2000 Ltd. Membership interests	(13,500,000)	(13,500)	(2,986,600)	-	-	-	(3,000,100)
Issuance of common stock to owners of SearchHound.com 2000, Ltd.	13,500,000	13,500	2,986,600	-	-	-	3,000,100
Outstanding common stock of Pan International Gaming, Inc.	5,486,703	5,487	(5,487)	-	-	-	-
Issuance of common stock for acquisition of SoloSearch.com, Inc.	4,850,000	4,850	14,394,800	-	-	-	14,399,650
Issuance of common stock and warrants in Private Placement, net of costs	628,619	629	177,555	-	-	-	178,184
Issuance of common stock for services rendered	915,299	915	163,839	-	-	-	164,754
Common shares surrendered and cancelled	(3,224,000)	(3,224)	3,224	-	-	-	-
Marketable securities valuation adjustment	-	-	-	-	(63,954)	-	(63,954) \$(63,954)
Net loss	-	-	-	(2,251,437)	-	-	(2,251,437) (2,251,437)
Total comprehensive loss							(2,315,391)
Balance,							

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December 31, 2000

22,156,621	22,157	17,720,531	(2,251,437)	(63,954)	-	15,427,297
Issuance of common stock and warrants for investment and acquisitions						
3,700,000	3,700	1,826,075	-	-	-	1,829,775
Issuance of common stock and warrants in Private Placements						
566,658	567	114,333	-	-	-	114,900
Issuance of common stock for services rendered						
2,904,930	2,904	434,951	-	-	-	437,855
Issuance of common stock and held in treasury						
1,291,617	1,292	-	-	-	(1,292)	-
Marketable securities valuation adjustment						
				(5,000)	(5,000)	(5,000)
Net loss						
-	-	-	(13,601,330)	-	(13,601,330)	(13,601,330)
Total comprehensive loss						
						\$(13,606,330)
Balance, December 31, 2001						
\$30,619,826	\$30,620	\$20,095,890	\$ (15,852,767)	\$ (68,954)	\$ (1,292)	\$4,203,497

The accompanying notes are an integral part of these financial statements.

SEARCHHOUND.com, INC.  
and subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2001 AND FOR THE  
PERIOD FROM INCEPTION (April 11, 2000) TO DECEMBER 31, 2000

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	Year ended December 31, 2001	Period from inception (April 11, 2000) to December 31, 2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	(\$13,601,330)	(\$2,251,437)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,076,168	1,759,033
Goodwill impairment charge	8,672,493	-
Issuance of common stock for services rendered	437,855	164,754
Provision for bad debts	62,628	-
Equity in earnings of nonconsolidated subsidiary	(5,000)	-
Changes in operating assets and liabilities (exclusive of effects of acquisitions):		
Accounts receivable	(20,508)	(2,373)
Related party receivables	(5,750)	(4,433)
Other current assets	34,489	(10,819)
Accounts payable	330,144	49,115
Deferred revenue	(140,000)	-
Other current liabilities	(16,619)	32,164
Net cash and cash equivalents used in operating activities	(175,430)	(263,996)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash paid for acquisitions, net of cash acquired	(11,174)	(41,729)
Purchases of furniture, fixtures & equipment	(15,835)	(16,753)
Prepaid license fees	-	(26,700)
Net cash and cash equivalents used in investing activities	(27,009)	(85,182)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from initial capital contribution	-	100
Proceeds from private placement of common stock	114,900	191,500
Proceeds from notes payable-related parties	-	30,000
Proceeds from notes payable	63,539	-
Payments on notes payable	(14,432)	-
Cash acquired in acquisitions	81,909	199,580
Transaction costs related to issuance of common stock	-	(13,316)
Net cash and cash equivalents provided by financing activities	245,916	407,864
Net increase in cash and cash equivalents	43,477	58,686
Cash and cash equivalents at beginning of period	58,686	-
Cash and cash equivalents at end of period	\$102,163	\$58,686
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest	\$2,918	\$95



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Income taxes	\$ -	\$ -
Non-cash investing and financing activities:		
Unrealized loss on marketable equity securities	\$5,000	\$63,954
Issuance of common and held in treasury	\$1,292	\$ -
Stock issued in Reverse acquisition	\$ -	\$5,486
Return/cancellation of stock	\$ -	\$3,224
Stock issued in acquisitions and investments	\$1,829,775	\$14,399,650
Note payable-related party issued in acquisitions	\$ -	\$300,000
Stock issued in formation of SearchHound.com 2000, Ltd.	\$ -	\$3,000,000

The accompanying notes are an integral part of these financial statements.

SEARCHHOUND.com, INC.  
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2001 AND FOR THE PERIOD FROM INCEPTION (APRIL 11, 2000)  
TO DECEMBER 31, 2000

### 1. Organization and Basis of Accounting

SearchHound.com 2000, Ltd was a Nevada corporation formed on April 11, 2000, which was merged into Pan International Gaming, Inc. ("Pan International") on June 1, 2000. Pan International, the legal surviving entity of the merger, was incorporated under the laws of the State of Nevada. As a result of the merger, Pan International changed its name to SearchHound.com, Inc. ("SearchHound" or the "Company"). The accounting treatment for this transaction was a "reverse acquisition" (the "Reverse Acquisition"). For accounting purposes, the merger/acquisition has been treated as an acquisition of Pan International by SearchHound.com 2000, Ltd., and as a recapitalization of SearchHound.com 2000, Ltd. The historical financial statements prior to June 1, 2000 are those of SearchHound.com 2000, Ltd. The acquisition of Pan International has been recorded based on the fair value of Pan International's net tangible assets, which were negligible as of the merger date. Since this transaction is in substance, a recapitalization of SearchHound.com 2000, Ltd. and not a business combination, pro forma information is not presented.

As part of the Reverse Acquisition, the SearchHound.com 2000, Ltd. equity interests were converted into 13,500,000 shares of Pan International's common stock. Immediately prior to the Reverse Acquisition, there were 5,486,703 shares of Pan International common stock issued and outstanding.

SearchHound.com 2000, Ltd. was formed on April 11, 2000 to effect the purchase of the intellectual property and website assets representing the SearchHound.com backbone architecture. The shareholders of SearchHound.com 2000, Ltd. completed the purchase of these intangible assets on June 1, 2000 for total cash consideration of \$3,000,000 and simultaneously contributed the assets to

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SearchHound.com 2000, Ltd. in exchange for 13,500,000 shares of stock. The assets acquired in this transaction have been recorded as intangible assets in the balance sheet at cost and are being amortized over their estimated useful economic life of 5 years.

### 2. Significant accounting policies

#### Operations

SearchHound has its principal offices located in Kansas City, Missouri and is an internet property that provides a content filtering search engine for the internet under the tradename SearchHound.com. SearchHound has developed an integrated site with a keyword-bidding feature for sponsored search results that are ranked by relevance. In addition, the Company's subsidiaries provide other website and related services that provide a variety of internet services to the public.

#### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries; SoloSearch.com, Inc., SearchHound.com 2000, Ltd., MoneyMessage, LLC, FastCashOffers.com, EarlyBirdDomain.com, FreeAirmiles, Inc. and GoDado UK, Ltd. All significant intercompany transactions and balances have been eliminated in consolidation.

The Company holds a 49% interest in JobBank USA, Inc. as of December 31, 2001, which for financial accounting reporting purposes it carries on the equity method because it does not control JobBank USA, Inc.'s operations or its assets.

#### Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

#### Marketable Securities

The Company's marketable securities are classified as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in stockholders' equity. Realized gains or losses and permanent declines in value, if any, on available-for-sale securities are reported in other income or expensed as incurred.

At December 31, 2001 and 2000, the Company held Globalnet Financial.com, Inc. common stock as its only marketable security and recorded unrealized losses of \$63,954 in the period ended December 31, 2000 and \$5,000 in 2001 relative to this security.

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### Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are stated at cost. Costs assigned to property and equipment of the acquired business was based on estimated fair value at the date of acquisition. Depreciation is provided on furniture and fixtures and equipment over their estimated lives, ranging from 5 to 7 years, using the straight-line method. Leasehold improvements are amortized over the lesser of the term of the respective lease or the useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures determined to represent additions and betterments are capitalized.

### Intangible Assets

Intangible assets consist of intangible assets acquired in connection with the Company's acquisitions and the intellectual property purchased related to the SearchHound.com architecture backbone as described in Note 1 to the Consolidated Financial Statements. These assets include the intellectual property and related technology acquired as well as amounts representing goodwill, all of which is amortized over an estimated useful life of 5 years.

Total amortization expense related to intangible assets was \$4,051,443 and \$1,754,848 for the periods ended December 31, 2001 and 2000, respectively.

### Impairment of Long-lived Assets

The Company reviews its long-lived assets, including software development costs, intangible assets and furniture, fixtures and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of its long-lived assets, the Company evaluates the probability that future undiscounted net cash flows, without interest charges, will be less than the carrying amount of the assets.

The Company has determined that as of December 31, 2001, there has been an impairment in the carrying value of long-lived assets (primarily goodwill related to the acquisition of SoloSearch-See Note 3) and has reduced the carrying value of its intangible assets to estimated fair value which resulted in a charge off aggregating \$8,672,493 during the year ended December 31, 2001 (See Note 12).

### Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" ("SFAS 141"), and SFAS No. 142, "Goodwill And Other Intangible Assets" ("SFAS 142"). SFAS 141 addresses the accounting for acquisitions of businesses and is effective for acquisitions occurring on or after July 1, 2001. SFAS 142 addresses the method of identifying and measuring goodwill and other intangible assets acquired in a business combination, eliminates further amortization of goodwill, and requires periodic evaluations of impairment of goodwill balances. SFAS 142 is effective for fiscal years beginning after December 15, 2001. Amortization of goodwill will cease after December 31, 2001 and a new method of testing goodwill for impairment will be adopted beginning January 1, 2002.

In August 2001, the FASB issued FAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." This statement established a single accounting model for long-lived assets to be disposed of by sale and provides additional implementation guidance for assets to be held and used and assets to be disposed

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of other than by sale. The statement supersedes FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and amends the accounting and reporting provisions of Accounting Principles Board ("APB") Opinion No. 30 related to the disposal of a segment of a business. The statement is effective for fiscal years beginning after December 15, 2001.

In management's opinion, due to the substantial amount of goodwill and other intangible assets the Company carries on its books and the related amortization, the adoption of these standards will have a significant effect on our financial position and results of operations. However, our cash flows should not be affected.

### Deferred Revenue

Deferred revenue is primarily comprised of billings in excess of recognized revenue relating to advertising contracts and payments received pursuant to sponsorship advertising contracts in advance of revenue recognition.

### Product Development

Product development costs consist primarily of payroll and related expenses incurred for enhancements to and maintenance of the Company's search engine and related Web site.

The Company utilizes Statement of Position 98-1 ("SOP 98-1") "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." In accordance with SOP 98-1, the Company capitalizes certain internal use software and Website development costs. The estimated useful life of costs capitalized is evaluated for each specific project for amortization purposes. The Company has not capitalized any such costs during the periods ended December 31, 2001 and 2000.

### Advertising Costs

Advertising production costs are recorded as expense the first time an advertisement appears. All other advertising costs are expensed as incurred. Advertising expense totaled approximately \$37,582 and \$3,791 for the periods ended December 31, 2001 and 2000, respectively.

### Revenue Recognition

The Company's revenues are derived principally from the sale of keyword advertising, affiliate partnerships, special product offerings and HOWL! Advertisements.

Keyword advertising enables the advertisers to determine their placement within the SearchHound.com search results by placing a bid (the price they pay when a user clicks through to their site) for each keyword search term they select. The amount of the bid determines the placement of the advertiser's site within the search listings. To establish an account, the advertisers must place a deposit to "pre-pay" for the clickthroughs they will receive from the bidded search listings. Revenue is recognized to the extent of direct setup costs when the account is established and the remainder as the clickthroughs occur.

Affiliate partnerships represent alliances with third-party internet providers of products and service. SearchHound.com enters into "reselling" agreements with these partners that provide for mutually agreed upon revenue sharing of sales generated. Revenue is recognized at the time the sale is generated.

Special product offerings represent direct email marketing arrangements with customers (primarily Webmasters), which provides for the Company to receive a specified rate (generally cost per thousand) each time a customer's email

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advertisement is delivered to the Company's opt-in database of Webmasters. Revenue is recognized at the time the service is performed under the term of the contractual agreement with the advertiser or agency.

The Company sponsors a twice-weekly email newsletter with the trade name "HOWL!". The Company provides banner advertisement (or text ads) to its advertisers in the HOWL! under contractual agreements based on a rate for the number of "impressions" (number of customer's to which the banner advertisement is made visible) or based on a specified cost-per-click. Revenue is recognized as the service is performed (when the banner advertisement is displayed or the clickthrough occurs).

Other revenues include advertising services provided under the contractual agreement for traditional banner and sponsorship advertisements. Advertising revenues on both banner and sponsorship contracts are recognized as "impressions", or times that an advertisement appears in pages viewed by users of the Company's online properties, are delivered. Furthermore, advertising revenue is recognized provided that no significant Company obligations remain at the end of a period and collection of the resulting receivable is probable.

### Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Pan International represents the current and historical income tax reporting entity as a result of the reverse acquisition (Note 1) and has not filed certain required historical tax returns. It is anticipated that when the tax returns are filed, the company will have significant net operating loss carryforwards. Management estimates that the net operating loss carryforward available to the Company at December 31, 2001 exceeds \$4.6 million. Approximately \$1.55 million of these carryforward losses will be available to the Company to offset future taxable income because of the "over 50% change" in ownership of the Company that occurred in fiscal 2000 which significantly restricts their usage. In addition, all potential deferred tax assets related to the carryforwards and other tax-deferred items have been offset by a valuation allowance at December 31, 2001 and 2000 due to the Company's operating losses and uncertain future operating results. It is the Companies intent to file all required historical tax returns and remain current on a going forward basis.

### Stock-Based Compensation

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and complies with the disclosure provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." Under APB No. 25, compensation cost is recognized over the vesting period based on the difference, if any, on the date of grant between the fair value of the Company's stock and the amount an employee must pay to acquire the stock.

### Basic and Diluted Net Income (Loss) per Share

Basic net income (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted average number of common and, if dilutive,

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common equivalent shares outstanding during the period. Common equivalent shares consist of the incremental common shares issuable upon the exercise of stock options and warrants (using the treasury stock method).

The effect of the recapitalization on the SearchHound.com 2000, Ltd. stockholders has been given retroactive application in the earnings per share calculation. The common shares returned and cancelled have been treated as occurring at the date such shares were originally issued. The common stock issued and outstanding with respect to the pre-merger Pan International shareholders has been included since the effective date of the merger.

Outstanding stock purchase warrants have not been considered in the computation of diluted per share amounts, since the effect of their inclusion would be antidilutive. Accordingly, basic and diluted earnings per share amounts are identical during the year ended December 31, 2001 and for the period from inception (April 11, 2000) to December 31, 2000.

### Concentrations and Fair Value of Financial Instruments

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash investments and marketable securities. At December 31, 2001 and 2000, the Company's cash investments are held at primarily one financial institution. In addition, the Company's marketable securities consist primarily of an investment in common stock of an unrelated company and are stated at market value. Unless otherwise disclosed, the fair value of financial instruments approximates their recorded values.

### Comprehensive Income

Comprehensive income as defined, includes all changes in equity (net assets) during a period from non-owner sources. Accumulated other comprehensive income, as presented on the accompanying consolidated balance sheets, consists of the net unrealized loss on available-for-sale securities adjustment.

### 3. SoloSearch Acquisition

Effective July 11, 2000, pursuant to a Stock Purchase Agreement dated as of May 4, 2000, SearchHound purchased all of the issued and outstanding capital stock of SoloSearch.com, Inc., a Missouri corporation ("SoloSearch"), from Cohen Capital Technologies, L.L.C., a Missouri limited liability company, Kirk C. Reivich, an individual, and October Capital, L.L.C., a Missouri limited liability company, for an aggregate of 4,850,000 shares of restricted common stock and \$300,000 cash. Total consideration paid was \$14,699,650 based on the market price of SearchHound (\$2.969 closing price on May 3, 2000) and the \$300,000 cash consideration. The shareholders are restricted from selling or transferring such shares for the period of time specified by Regulation 144a (generally a twelve to twenty-four-month period). Subsequent to the transaction, Solosearch became a wholly-owned subsidiary of SearchHound.

The foregoing transaction resulted in the issuance of 20.3% of the issued and outstanding shares of SearchHound to the former owners of SoloSearch. The amount of consideration paid and received was negotiated by the parties to the Stock Purchase Agreement and may have no relationship to commercial, economic or fair market value of any tangible or intangible assets. Founded in 1999, Kansas City-based SoloSearch.com is an intelligent Internet search and content management tool.

The purchase price approximated \$14,699,650 (exclusive of acquisition costs of \$41,729), which consisted of 4,850,000 shares of SearchHound restricted common stock valued at \$2.969 per share (closing price of SearchHound on May 3, 2000). The acquisition has been recorded under the purchase method of accounting. Accordingly, assets and liabilities were recorded at their fair values as of

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July 11, 2000, and operations of SoloSearch have been included in the Company's consolidated statements of operations commencing July 11, 2000.

An allocation of the purchase price to the fair value of the assets acquired and liabilities assumed is as follows:

Purchase price:	
SearchHound common stock issued	\$ 14,399,650
Cash consideration paid (to be paid Note 7)	300,000
Acquisition costs	41,729
Total purchase price	\$14,741,379
Allocation of purchase price:	
Fair value of tangible assets and liabilities:	
Cash acquired	\$199,580
Marketable securities	68,953
Accounts receivable	204,456
Fixed assets	35,656
Other assets	264
Accounts payable	(48,962)
Notes payable-related party	(102,053)
Deferred revenue	(140,000)
	-----
	217,894
Intangible assets acquired	14,523,485
	-----
	\$14,741,379

The following unaudited pro forma financial information has been prepared assuming that the acquisition of SoloSearch had taken place at the beginning of the period presented (April 11, 2000). The pro forma information is not necessarily indicative of the combined results that would have occurred had the acquisition taken place at the beginning of the period, nor is it necessarily indicative of the results that may occur in the future.

	Period from inception (April 11, 2000) to December 31, 2000 (unaudited)
Revenue	\$276,202
Net loss	\$(3,086,616)
Basic and diluted net loss per share	\$ (0.16)

During 2001, Management reviewed the carrying value of the long-term assets acquired in the SoloSearch acquisition (principally goodwill) and determined that it was impaired which resulted in an impairment charge approximating \$8,672,000 (Refer to Note 12).

#### 4. ACQUISITIONS

On February 9, 2001, SearchHound acquired all of the issued and outstanding shares of capital stock of Godado UK, Ltd. ("Godado") for total consideration consisting of 250,000 unregistered shares of SearchHound common stock. Godado is located in the United Kingdom and operates a "pay-per-click" search engine

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throughout Europe.

On March 15, 2001, SearchHound acquired all of the issued and outstanding shares of capital stock of FreeAirMiles, Inc. for total consideration consisting of 1,235,000 unregistered shares of SearchHound common stock. FreeAirMiles, Inc. is an interactive web surfing and research tool, which provides members with the incentive of earning free air miles for visiting participating websites.

On June 30, 2001, SearchHound acquired all of the issued and outstanding shares of capital stock of MoneyMessage, LLC, FastCashOffers.com and EarlyBirdDomain.com for total consideration consisting of a warrant to purchase 150,000 unregistered shares of SearchHound common stock and an earn-out agreement for a period of 24 months following closing. The earn-out is equal to 10% of the net income recorded and collected over the first 18 months and reducing to 5% for the remaining 6 months. The warrant price is set at \$0.21 per share which was equivalent to average trading price over the last 30 days prior to closing. The warrant carries a two-year term commencing on the June 30, 2001 closing date.

On September 28, 2001, SearchHound acquired substantially all assets (exclusive of accounts receivable) of Mesia.com, Inc. for total consideration consisting of the following: 1) a warrant to purchase 350,000 unregistered shares of SearchHound common stock at a price of \$0.15 per share and a term of two years, 2) 115,000 unregistered shares of common stock, and 3) an earn-out agreement equal to one share and one warrant (based on the average trading price at date earned) awarded for each \$1 dollar of revenue generated for the 18-month period subsequent to the acquisition from the acquired entities existing revenue streams. Such warrants contain a strike price equivalent to market at the date granted. Mesia.com, Inc. is based in Reston, Virginia and is considered a leader in direct email marketing via its websites; Mesia.com, Utiopad.com and PortofOne.com.

On December 20, 2001, SearchHound acquired substantially all assets (exclusive of cash and fixed assets) of Speak Globally, LLC for total consideration consisting of the following: 1) a warrant to purchase 100,000 unregistered shares of SearchHound common stock at a price of \$0.04 per share and a term of two years, 2) 100,000 unregistered shares of common stock, and 3) an earn-out agreement equal to one share and one warrant (based on the average trading price at date earned) awarded for each \$1 dollar of revenue generated for the 12-month period subsequent to the acquisition from the acquired entities existing revenue streams. Such warrants contain a strike price equivalent to market at the date granted. Speak Globally, LLC is based in Kalamazoo, Michigan and St. Petersburg, Russia and operates as an internet-based web development company.

These acquisitions have been recorded under the purchase method of accounting and, accordingly, the accompanying statements of operations include the operations of the acquired entities from the date of acquisition. An allocation of the purchase price to the fair value of the assets acquired and liabilities assumed in these acquisitions follows:

An allocation of the purchase price to the fair value of the assets acquired and liabilities assumed for all 2001 acquisitions on a combined basis (no acquisition was individually significant) is as follows:

### Purchase price:

SearchHound common stock issued (1,700,000 shares at market value on date of issuance)	\$ 502,775
SearchHound common stock purchase warrants issued (600,000 shares at estimated fair value on date of issuance)	67,000



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Earn-out agreements	-
Acquisition costs	6,174
	-----
Total purchase price	\$575,949

Allocation of purchase price:

Fair value of tangible assets and liabilities:	
Cash acquired	\$81,909
Accounts receivable	79,524
Fixed assets	131,938
Accounts payable	(20,577)
Notes payable	(27,683)
	-----
	245,111

Intangible assets acquired	330,838
	-----
	\$575,949

As of December 31, 2001, there were no amounts due and payable relative to the acquisition earn-out agreements. Additional consideration relative to the earn-out agreements will be recorded at the time the amounts are earned.

### 5. INVESTMENT IN NONCONSOLIDATED SUBSIDIARY

On March 28, 2001, SearchHound acquired 49% of the issued and outstanding shares of capital stock of JobBank USA, Inc. ("JobBank") and agreed to acquire the remaining 51% on March 28, 2002, for total consideration consisting of 2,000,000 (subject to adjustment, as defined) unregistered shares of SearchHound common stock. The number of shares issued in consideration is subject to adjustment based on the share price of SearchHound reaching and closing above \$2 per share within a specified period and JobBank maintaining minimum revenues prior to March 28, 2002. Total consideration will not exceed 4,000,000 shares nor be less than 2,000,000 regardless of the conditions. JobBank is located in Florida and is a national online recruiting and employment network that provides a wide range of career-related services to job candidates, employers and recruitment firms.

Currently, the Company and the Seller do not agree as to the adjustment provisions of the contract due to the Company not attaining the required share price levels nor the acquiree reaching the minimum revenue levels specified in the contract. Currently, there is uncertainty as to whether the acquisition of the remaining 51% will occur as scheduled, will occur at all and whether the Company will retain its 49% interest in JobBank USA, Inc. Accordingly, the Company has recorded its investment in JobBank USA, Inc. under the equity method of accounting as of December 31, 2001 as follows:

Acquisition price (2,000,000 shares at \$0.63 per share)	\$1,260,000
Acquisition costs	5,000
	-----
Total consideration paid	1,265,000
Amortization of related goodwill (over 5 years)	(466,680)
Equity in earnings of JobBank USA, Inc. 5,000	
Investment in nonconsolidated subsidiary at December 31, 2001	\$803,320

Following is summarized financial information extracted from the JobBank USA, Inc. unaudited internal financial statements:

(Unaudited)

Revenues for the period from

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March 31, 001 to December 31, 2001	\$497,000
Net income for the period from March 31, 2001 to December 31, 2001	\$ 10,000
Total assets as of December 31, 2001	\$132,952
Total equity as of December 31, 2001	\$ 44,822

### 6. Furniture.

Furniture, fixtures and equipment consists of the following:

	December 31,	
	2001	2000
Computer equipment and software	\$165,912	\$38,332
Furniture and fixtures	30,083	9,890
Leasehold improvements	4,187	4,187
	-----	-----
	200,182	52,409
Less accumulated depreciation and amortization	(28,910)	(4,185)
	\$171,272	\$48,224

### 7. Notes payable

	December 31,	
	2001	2000
Notes payable-related party:		
Note payable	\$ 30,000	\$30,000
Consideration due related to SoloSearch acquisition		
	300,000	300,000
Note payable	102,053	102,053
	-----	-----
Total notes payable-related party	\$ 432,053	\$ 432,053
Notes payable		
Note payable-trade creditor	\$ 63,539	\$ -
Note payable-equipment vendor	13,251	-
76,790		
Less current maturities	(73,107)	-
Notes payable (long-term due in 2003)	\$ 3,683	\$ -

The \$30,000 note payable-related party represents unsecured loans incurred for working capital purposes and bears interest at 11.5%. The original maturity date of the note was September 30, 2001 and is now on a demand basis.

Amounts due to related party in the amount of \$300,000 as of December 31, 2001 and 2000 represents payments due to the previous owners of SoloSearch relating to the cash consideration portion of the acquisition of SoloSearch (see Note 3). Due to SearchHound's current working capital deficiencies, the cash consideration was not paid at closing (July 11, 2000) and the previous owners have informally agreed to not demand payment or charge interest until cash is available through operations or new capital is raised.

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The \$102,053 note payable is secured by substantially all assets of the Company, bears a variable interest rate equivalent to prime (6.5% and 8.5% at December 31, 2001 and 2000, respectively) and is due on demand. This note was assumed as part of the SoloSearch acquisition (Note 3).

The note payable-trade creditor bears interest at a variable rate equivalent mid-term applicable Federal rate (4.49% at December 31, 2001), and is due on demand. The Company issued 1,291,617 shares of restricted common stock as collateral for the note, which are held in treasury at December 31, 2001.

The note payable-equipment vendor bears interest at 15.9% and is due June 2003. The computer equipment acquired with the financing agreement serves as collateral for the obligation.

All of the notes payable-related party become due within the next year.

### 8. Stockholders' equity

#### Common stock issuances

For the year ended December 31, 2001, the Company issued 8,463,205 shares of its common stock as follows:

- 1,700,000 unregistered shares were issued to shareholders of Godado UK, Ltd., FreeAirMiles, Inc., MoneyMessage, LLC, FastCashOffers.com and EarlyBirdDomain.com, Mesia.com, Inc. and Speak Globally, LLC in connection with their acquisition as described in Note 3 to the consolidated financial statements.
- 2,000,000 shares were issued to the shareholder of JobBank USA, Inc. for the acquisition of 49% of its common stock as described in Note 5 to the consolidated financial statements.
- 566,658 unregistered shares were issued pursuant to a Private Placement memorandum during the year ended December 31, 2001. Such common shares were issued for cash consideration of \$114,900. Certain of the purchasers also received detachable common stock purchase warrants as further described in Note 9 to the consolidated financial statements.
- 2,694,940 shares of common stock registered pursuant to a Form S-8 during the period ended December 31, 2001. During 2001, the Company filed amendments to its Form S-8 Registration Statement with the Securities and Exchange Commission wherein it registered an additional 4,500,000 shares of the Company's common stock for issuance to employees, consultants and Board Members for services rendered to the Company. The Form S-8, as amended, authorizes the issuance of a maximum of 6,000,000 shares of common stock as of December 31, 2001, provides for a grant of incentive stock options, non-qualified stock options, restricted stock, performance grants and other types of awards to officers, key employees, board members, consultants and independent contractors of the Company.
- 1,291,617 shares of common stock were issued as treasury stock and serves as collateral for a note payable to a creditor as described in Note 7 to the consolidated financial statements.

For the period ended December 31, 2000, the Company issued 25,380,621 shares of its common stock as follows:

- 13,500,000 unregistered shares were issued to former shareholders of SearchHound.com 2000 Ltd. In connection with the reverse acquisition dated June 1, 2000 as described in Note 1 to the consolidated financial statements. In addition, as of the date of the reverse acquisition there were 5,484,330 shares of Pan International common shares outstanding which remain outstanding at December 31, 2000.
- 5,486,703 shares were outstanding as of the merger date (June 1, 2000) with Pan International as described in Note 1 to the consolidated financial

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statements.

- 4,850,000 unregistered shares were issued to the shareholders of SoloSearch on July 11, 2000 as described in Note 3 to the consolidated financial statements
- 628,619 unregistered shares were issued pursuant to a Private Placement memorandum during the period ended December 31, 2000. Such common shares were issued for cash consideration. Certain of the purchasers also received detachable common stock purchase warrants as further described in Note 9 to the consolidated financial statements.
- 915,299 shares of common stock registered pursuant to a Form S-8 during the period ended December 31, 2000. On December 21, 2000, the Company filed a Form S-8 Registration Statement with the Securities and Exchange Commission wherein it registered 1,500,000 shares of the Company's common stock for issuance to employees, consultants and Board Members for services rendered to the Company. The Form S-8 authorizes the issuance of common stock for services, provides for a grant of incentive stock options, non-qualified stock options, restricted stock, performance grants and other types of awards to officers, key employees, board members, consultants and independent contractors of the Company.

In connection with this plan, on December 18, 2000 the Board of directors authorized the grant of 200,000 common shares to members of the Company's Board of Directors pursuant to its Board Directors Compensation package and 515,299 common shares to certain employees and consultants for services rendered to date. In addition, an aggregate of 200,000 shares were issued to two officers and directors of the company in accordance with their respective employment agreements. For financial accounting and reporting purposes, the Company has recorded compensation expense (general and administrative expense) based on the trading price of the Company's common stock on the date of grant (December 18, 2000) or an aggregate of \$164,754 (\$0.18 per share).

During the period ended December 31, 2000 the Company recorded the return and cancellation of 3,224,000 shares from a shareholder of the Company. The shares were returned/cancelled to settle a contractual dispute regarding the shareholder's inability to raise required capital and other requirements contained in the Reverse Acquisition agreement. The shareholder has committed to return a total of 5,000,000 shares for which the Company would acknowledge and agree to the repayment of approximately \$300,000 in capital the shareholder previously raised. As a result of the shareholder's failure to return the balance of 1,876,000 shares, the Company has withdrawn its offer to repay the \$300,000. The Company has recorded the return/cancellation of stock at the consideration given which is the share's par value.

### 9. Common stock purchase warrants

During the periods ended December 31, 2001 and 2000, the Company, in conjunction with the private placement of common stock, granted detachable warrants to purchase shares of its common stock. In addition, during 2001, the Company granted warrants to purchase shares of its stock in connection with the acquisition of certain businesses (see Note 4). All warrants are exercisable at December 31, 2001. The following table summarizes activity about all of the Company's warrants outstanding at December 31, 2001:

Warrant exercise price	Expiration date	Outstanding December 31, 2000	Issued	Exercised	Expired	Outstanding December 31 2001
\$0.59	August 2003	16,863	-	-	-	16,863
\$0.53	September 2003	9,434	-	-	-	9,434
\$0.55	August 2003	27,272	-	-	-	27,272
\$0.48	September 2003	41,668	-	-	-	41,668
\$0.30	September 2002	160,000	-	-	-	160,000

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\$0.25	March 2004	-	88,888	-	-	88,888
\$0.37	March 2004	-	54,054	-	-	54,054
\$0.21	June 2003	-	150,000	-	-	150,000
\$0.15	September 2003	-	350,000	-	-	350,000
\$0.04	December 2003	-	100,000	-	-	100,000
			-----			
			255,237	742,942	-	998,179

### 10. Income tax provision

The income tax provision for the periods ended December 31, 2001 and 2000 consists of the following:

	2001	2000
Current	\$ -	\$ -
Deferred	-	-
Income tax provision	\$ -	\$ -

The following table summarizes the significant differences between the Federal statutory tax rate and the Company's effective tax rate for financial reporting purposes:

	2001	2000
Federal statutory tax rate	(34.0)%	(34.0)%
State and local taxes net of Federal tax effect	(5.8)	(4.0)
Intangible assets amortization	10.1	22.0
Intangible asset charge-off	21.7	-
Valuation allowance on deferred tax asset	8.0	16.0
Effective tax rate	- %	- %

The tax effects of temporary differences and carry forwards that give rise to deferred tax assets or liabilities are summarized as follows:

	2001	2000
Net operating loss carryforward	\$1,755,000	\$1,468,000
Valuation allowance on net deferred tax asset	(1,755,000)	(1,468,000)
Deferred tax asset, net	\$ -	\$ -

The Company has provided for full valuation allowances on the net deferred tax assets due to the uncertainty of whether the Company will generate sufficient future taxable income and the restriction on the usage of pre-merger net operating loss carryforwards. The Company has increased its valuation allowance on deferred tax assets by \$287,000 during 2001.

At December 31, 2001, the Company has estimated net tax operating loss carryforwards in excess of \$4,600,000 available, subject to certain restrictions, to offset future income tax liabilities, if any. The carryforward losses expire in the year's 2011 through 2016 and have not been recognized in the accompanying consolidated financial statements as a result of a valuation of the total potential tax asset. Approximately \$3,070,000 of these carryforwards were generated by Pan International prior to the reverse acquisition and, accordingly, are subject to significant restriction pursuant to the Internal Revenue Code whenever a more than 50% change in ownership has occurred.

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### 11. Related party transactions

The Company has incurred interest expense aggregating \$10,083 and \$870 during the periods ended December 31, 2001 and 2000, respectively, in connection with obligations to related parties as described in Note 7 to the consolidated financial statements.

The Company has incurred license fee expense aggregating \$-0- and \$2,500 during the periods ended December 31, 2001 and 2000, respectively, in connection with the Neural Technologies, LLC license agreement as described in Note 13.

### 12. Goodwill impairment charges

In conjunction with the company's ongoing review of its businesses, certain assets (including goodwill) are reviewed for impairment pursuant to the provisions of SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. As a result of this review, a goodwill impairment charge of \$8,672,493 was recorded during 2001, related primarily to the SoloSearch operations acquired in July 2000. SoloSearch was acquired for an aggregate of 4,850,000 shares (valued at \$2.969 per share at the acquisition date) of restricted common stock and \$300,000 cash. The Company has not had sufficient working capital necessary to fully deploy the SoloSearch software and the related revenue has been substantially less than expectations. In addition, general market conditions have deteriorated for SoloSearch which has led management to reconsider its overall strategy with respect to SoloSearch. Management's strategy is to continue deploying the SoloSearch software on a limited basis while it markets the SoloSearch software for a possible sale to an outside party. The timing of a sale, if any, is not reasonably predictable given current market conditions and other technology factors.

A summary of goodwill as of December 31, 2001 and 2000 follows:

	December 31	
	2001	2000
Goodwill	\$17,854,324	\$17,523,485
Accumulated amortization	(5,337,112)	(1,752,348)
Goodwill impairment charge	(8,672,493)	-
Goodwill, net	\$3,844,719	\$15,771,137

### 13. Commitments and contingencies

#### Leases:

The Company has entered into leases for office space, office equipment and computer equipment all of which expire in 2002. At December 31, 2001, the Company's office lease required monthly payments of \$1,100 through June 30, 2002 at which time it converts to a month-to-month lease subject to a 30-day advance written termination notice.

Total rent expense for the year ended December 31, 2001 and for the period from inception (April 11, 2000) to December 31, 2000 was \$27,006 and \$34,230, respectively.

#### Employment agreements:

The Company entered into employment agreements with 2 executives during the period ended December 31, 2000. The agreements cover initial terms of 12 and 24 months with automatic 12-month renewal periods thereafter. Each of the agreements are substantially identical and provide for a base salary, customary

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benefits, noncompetition covenants, nondisclosure provisions and salary continuation provisions upon termination without cause (as defined). In addition, the agreements provided for the issuance of an aggregate of 200,000 shares of common stock upon signing the agreement.

### License agreement:

In connection with the acquisition of SoloSearch (Note 3), the Company assumed a license agreement with Neural Technologies, LLC whereby SoloSearch was allowed to use certain technology within its search engine. Neural Technologies, LLC is majority-owned by a related party. The agreement was entered into on December 1, 1999 and has an initial term of seven years with automatic one-year renewals. Either party can cancel the agreement after the initial term upon at least 60 days written notice. The agreement provides for an initial license fee of \$35,000, payable in monthly installments through January 2001. In addition, an annual royalty fee equivalent to 1% of gross search engine sales (which utilize the licensed technology) with a yearly maximum of \$50,000 in 2000 and \$75,000 thereafter. For financial accounting and reporting purposes, the Company has capitalized the initial license fee and is amortizing the amount over the seven-year initial term. The 1% annual royalty is expensed as incurred. License fee expense during the period from inception (April 11, 2000) to December 31, 2000 aggregated \$2,500.

During 2001, the Company exercised its rights to cancel the agreement and charged off the remaining prepaid license fee of \$24,200 net of the related obligation of the same amount.

### Legal matters:

Certain claims, suits and complaints arising in the normal course with respect to the Company's services have been filed or are pending against the Company including its subsidiaries and Pan International. In the opinion of management, the resolution of all such matters would not have a significant effect on the financial position, results of operations or cash flows of the Company, if disposed of unfavorably.

### 14. Segment and geographic information

Based on the criteria established by SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," the Company operates in a number of principal business-to-consumer (b2c) and business-to-business (b2b) segments globally.

In accordance with SFAS 131, the Company is required to describe its reportable segments and provide data that is consistent with the data made available to the Company's management to assess performance and make decisions. The Company does not allocate any operating costs separately to its segments as management does not use this information to measure the performance of the operating segments. Management reviews revenues generated by each segment and does not believe that allocating these operating expenses is material in evaluating the segment's performance.

Summarized information by segment for the year ended December 31, 2001 and for the period ended December 31, 2000, as excerpted from the internal management reports, is as follows:

	2001	2000
Keyword advertising	\$665,003	\$24,303

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Special product offerings	50,126	40,991
Affiliate partnership	387,912	35,622
Website banner advertising	-0-	4,992
Solosearch customization	-0-	105,256
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	\$1,103,041	\$211,164

Enterprise-wide information is to be provided in accordance with SFAS 131. Revenue is attributed to individual countries according to the international online property that generated the revenue. No single foreign country or geographic area accounted for more than 10% of net revenues for the year ended December 31, 2001 and for the period ended December 31, 2000.

### 15. Subsequent events

On January 17, 2002, the Company was notified that it had been awarded an arbitration ruling, which totaled \$123,253 plus post judgment interest at 6.25%. The binding arbitration ruling was awarded to the Company as a result of monetary damages it incurred as a result of Globalnet Financial.com's refusal to honor the demand registration rights related to common stock of Globalnet Financial.com owned by the Company. The Company must pay certain legal and administrative costs approximating \$65,000 from the proceeds of the award. Currently, the Company is pursuing the collection of the award and will record the related income when collection is assured.

Effective January 1, 2002, the Company entered two separate lease agreements with officers and directors of the Company to lease space to be utilized for office purposes at a rate totaling \$5,134 per month. The initial term of the lease is one year with a two-year renewal option (at the Company's option) at a rate totaling \$10,000 per month.

On March 20, 2002, the Company issued demand promissory notes to its two executive officers with a principal balance aggregating \$326,377 representing accrued but unpaid wages as of that date. Interest on the notes accrue at a rate equal to the mid-term applicable rate (4.49% as of December 31, 2001). The Company has pledged 19,366,365 shares of common stock (issued and held in treasury) as collateral for the payment of these promissory notes.

### 16. Going Concern

The Company is engaged in new operations and is attempting to implement its business plan, which includes rapid growth requiring external sources of equity or debt funding to meet its current and anticipated obligations. In addition, the Company has incurred substantial operating losses, a working capital deficit and is experiencing negative cash flows from operations. Current cash balances and available credit are insufficient to fund the Company's cash flow needs for the next year. As a result, there is uncertainty of future equity or debt funding to fund the Company's upcoming cash flow needs, which raises substantial doubt about the ability of the Company to continue as a going concern. The Company has historically raised capital through external equity funding and related party debt financing however there can be no assurance that such funding will continue in the future. The Company anticipates that raising additional working capital through private equity placement initiatives, the sale of certain businesses/operations and improvements in current operations will enable the Company to continue in existence for the upcoming year. However, no assurance can be given that the Company will be successful in raising the necessary capital to fund its operations in order to pay its obligations as they become due and that ultimately it will be successful in implementing its business plan. The consolidated financial statements do not include any



adjustments that might result from the outcome of this uncertainty.

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