## INTERNET PICTURES CORP Form SC 13D/A May 30, 2001

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SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

SCHEDULE 13D AMENDMENT NO. 1

UNDER THE SECURITIES EXCHANGE ACT OF 1934

Internet Pictures Corporation

(Name of Issuer)

COMMON STOCK

(Title of Class of Securities)

46059S101 -----

(CUSIP Number)

Warner B. Rodda, Esq.
Paradigm Capital Equity Partners, LLC
6410 Poplar Ave., Ste 395
Memphis, TN 38119
(901) 682-6060

\_\_\_\_\_

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

May 29, 2001

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Sections 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. []

NOTE: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Section 240.13d-7(b) for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(Continued on following page(s))

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CUSIP	No. 46059S101			13D		Pag
(1)			SS or I.R.S. Identification			
				=		
(2)			If A Member Of A Group		(a) (b)	:
(3)	SEC Use Only					
(4)	Source Of Funds*					
	WC					
	Check Box If Dis	sclosure (	Of Legal Proceedings Is Requi	red Pursuant To Items 2(d	l) Or	2(e):
(6)			Organization			
	Delaware					
Benefi	icially Owned	(7)	Sole Voting Power			
_	ch Reporting n With	(8)	Shared Voting Power	0		
		(9)	Sole Dispositive Power	140,000,000 (1)		
		(10)	Shared Dispositive Power 0			
(11)			cially Owned By Each Reporting			000,0
(12)			Amount In Row (11) Excludes Ce			
(13)			ented By Amount In Row (11)			

(14) Typ	pe Of Reporti	ng Person			
shares issued defined warrant Closing a warra in the	of Series B in connection the herein); (in the "Trang; and (iii) in the "Trangs Second Closing Second Closing in the "Trangs" second Closing in the "Trangs	of Common Preferred n with th i) 250,00 che A War 1,000,000 nche B Wa ng. Each	Stock issuable upon convers Stock underlying a converti- ee First Closing and Second C 0 shares of Series B Preferr rants") issued in the First shares of Series B Preferre errant") that Image Investor share of Series B Preferred of Common Stock.	ble promissory note losing (each as ed Stock underlying Closing and Second d Stock underlying Portfolio acquired	
	Sl	EE INSTRU	CTION BEFORE FILLING OUT!		
3					
CUSIP No. 40	6059S101 			13D	Pá
	of Reporting	C	SS or I.R.S. Identificatio		
(2) Check	The Appropria	ate Box I	f A Member Of A Group		(a): X (b):
	C Use Only				
(4) Sou	arce Of Funds	*			
			Of Legal Proceedings Is Requ		
Delav	zizenship Or 1 ware	Place Of	•		
Number Of Sh Beneficially	nares 7 Owned		Sole Voting Power		
By Each Repo	JICING	(8)	Shared Voting Power	0	
		(9)	Sole Dispositive Power	140,000,000 (1)	
		(10)	Shared Dispositive Power 0		

Aggregate Amount Beneficially Owned By Each Reporting Person

(11)

(12	Check If The Aggregate Amount In Row (11) Excludes Certain Shares* [ ]	
(13	Percent Of Class Represented By Amount In Row (11)	
(14	Type Of Reporting Person	
	Consists of shares of Common Stock issuable upon conversion of (i) 500,000 shares of Series B Preferred Stock underlying a convertible promissory note issued in connection with the First Closing and Second Closing (each as defined herein); (ii) 250,000 shares of Series B Preferred Stock underlying warrants (the "Tranche A Warrants") issued in the First Closing and Second Closing; and (iii) 1,000,000 shares of Series B Preferred Stock underlying a warrant (the "Tranche B Warrant") that Image Investor Portfolio acquired in the Second Closing. Each share of Series B Preferred Stock is convertible into 80 shares of Common Stock. All of such shares are held or may be acquired by Image Investor Portfolio, a separate series of Memphis Angels LLC, a Delaware limited liability company.	
	SEE INSTRUCTION BEFORE FILLING OUT!	
4		
CUSIP	No. 46059S101 13D	Pag
(1)	Names of Reporting Persons. SS or I.R.S. Identification Nos. of Above Persons	
	Paradigm Capital Equity Partners, LLC	
(2)	Check The Appropriate Box If A Member Of A Group	(a):X (b):
(3)	SEC Use Only	
(4)		
 (5)	AF  Check Box If Disclosure Of Legal Proceedings Is Required Pursuant To Items 2(	

140,000,0

Citizenship Or	Place Of	Organization		
Delaware				
ally Owned	(7)			
By Each Reporting Person With		Shared Voting Power	0	
	(9)	Sole Dispositive Power	140,000,000 (1)	
	(10)	Shared Dispositive Power	r 0	
Aggregate Amou	nt Benefic	ially Owned By Each Reporti	ing Person	140,000,
Check If The A	ggregate A	mount In Row (11) Excludes	Certain Shares* [ ]	
Percent Of Cla	ss Represe	ented By Amount In Row (11)		
	Delaware  Of Shares  Hally Owned  Reporting  With  Aggregate Amount  Check If The Act	Delaware  Of Shares (7) Lally Owned Reporting With (8)  (9)  (10)  Aggregate Amount Benefic  Check If The Aggregate A  Percent Of Class Represe	Of Shares (7) Sole Voting Power Lally Owned Reporting With (8) Shared Voting Power (9) Sole Dispositive Power (10) Shared Dispositive Power Aggregate Amount Beneficially Owned By Each Report:  Check If The Aggregate Amount In Row (11) Excludes  Percent Of Class Represented By Amount In Row (11)	Delaware  Of Shares (7) Sole Voting Power 140,000,000 (1)  Lally Owned Reporting With (8) Shared Voting Power 0  (9) Sole Dispositive Power 140,000,000 (1)  (10) Shared Dispositive Power 0  Aggregate Amount Beneficially Owned By Each Reporting Person  Check If The Aggregate Amount In Row (11) Excludes Certain Shares* [ ]  Percent Of Class Represented By Amount In Row (11)

(1) Consists of shares of Common Stock issuable upon conversion of (i) 500,000 shares of Series B Preferred Stock underlying a convertible promissory note issued in connection with the First Closing and Second Closing (each as defined herein); (ii) 250,000 shares of Series B Preferred Stock underlying warrants (the "Tranche A Warrants") issued in the First Closing and Second Closing; and (iii) 1,000,000 shares of Series B Preferred Stock underlying a warrant (the "Tranche B Warrant") that Image Investor Portfolio acquired in the Second Closing. Each share of Series B Preferred Stock is convertible into 80 shares of Common Stock. All of such shares are held or may be acquired by Image Investor Portfolio, a separate series of Memphis Angels LLC, a Delaware limited liability company, of which Paradigm Capital Equity Partners, LLC, a Delaware limited liability company, is the Manager.

SEE INSTRUCTION BEFORE FILLING OUT!

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CUSIP No. 46059S101

13D

Pag

(1)			SS or I.R.S. Identificati	on Nos. of Above Persons	
	Paradigm Holdings				
(2)			f A Member Of A Group		(a): X (b):
(3)	SEC Use Only				
(4)	Source Of Fund				
(5)			Of Legal Proceedings Is Req		
(6)	Citizenship Or		Organization		
			Sole Voting Power		
	cially Owned h Reporting With	(8)	Shared Voting Power	0	
		(9)	Sole Dispositive Power	140,000,000 (1)	
		(10)	Shared Dispositive Power	0	
(11)	Aggregate Amou	nt Benefic	ially Owned By Each Reporti	ng Person	140,000,0
(12)			mount In Row (11) Excludes		
(13)	Percent Of Cla	.ss Represe	nted By Amount In Row (11)		
(14)	_				
s i d w C	chares of Series E ssued in connecti defined herein); ( varrants (the "Tra closing; and (iii) warrant (the "Tr	on with th ii) 250,00 nche A War 1,000,000 anche B Wa	Stock issuable upon conver Stock underlying a convert e First Closing and Second O shares of Series B Prefer rants") issued in the First shares of Series B Preferr rrant") that Image Investor share of Series B Preferred	ible promissory note Closing (each as red Stock underlying Closing and Second ed Stock underlying Portfolio acquired	

convertible into 80 shares of Common Stock. All of such shares are held or may be acquired by Image Investor Portfolio, a separate series of Memphis Angels LLC, a Delaware limited liability company, of which Paradigm Capital Equity Partners, LLC, a Delaware limited liability company, is the Manager, of which Paradigm Holdings, a Delaware general partnership, is the Managing Member.

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(12)

CUSIP	No.	46059S101 		13D			
(1)	Name	es of Reporting	Persons.	SS or I.R.S. Identification	on Nos. of Above Persons		
	Fran	nk A. McGrew IV	7				
(2)	(2) Check The Appropriate Box If A Member Of A Group  (a): 2  (b):						
(3)		SEC Use Only					
(4)		Source Of Funds					
	AF						
(5)	(			Of Legal Proceedings Is Requ		or 2(e):	
(6)	(	Citizenship Or		Organization			
	Tei	nnessee					
Benef	icia	Shares lly Owned eporting	(7)				
Person			(8)	Shared Voting Power	140,000,000(1)		
			(9)	Sole Dispositive Power			
			(10)	Shared Dispositive Power	140,000,000(1)		
(11)	) I	Aggregate Amour	nt Benefic	ially Owned By Each Reportin	ng Person	140,000,0	

Check If The Aggregate Amount In Row (11) Excludes Certain Shares\* [ ]

\_\_\_\_\_\_

(13) Percent Of Class Represented By Amount In Row (11)

(14) Type Of Reporting Person

\_\_\_\_\_\_

(1) Consists of shares of Common Stock issuable upon conversion of (i) 500,000 shares of Series B Preferred Stock underlying a convertible promissory note issued in connection with the First Closing and Second Closing (each as defined herein); (ii) 250,000 shares of Series B Preferred Stock underlying warrants (the "Tranche A Warrants") issued in the First Closing and Second Closing; and (iii) 1,000,000 shares of Series B Preferred Stock underlying a warrant (the "Tranche B Warrant") that Image Investor Portfolio acquired in the Second Closing. Each share of Series B Preferred Stock is convertible into 80 shares of Common Stock. All of such shares are held or may be acquired by Image Investor Portfolio, a separate series of Memphis Angels LLC, a Delaware limited liability company, of which Paradigm Capital Equity Partners, LLC, a Delaware limited liability company, is the Manager, of which Paradigm Holdings, a Delaware general partnership, is the Managing Member, of which Mr. McGrew is the Managing Partner.

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#### ITEM 1. SECURITY AND ISSUER.

This Amendment No. 1 to Schedule 13D relates to the Common Stock, \$.001 par value per share (the "Shares"), of Internet Pictures Corporation, a Delaware corporation (the "Company"), and is being filed on behalf of the undersigned to amend the Schedule 13D originally filed on May 24, 2001 (the "Schedule 13D"). The principal executive offices of the Company are located at 1009 Commerce Park Dr, Oak Ridge State: TN, 37830, (865) 482-3000. Unless otherwise indicated, all capitalized terms used herein but not defined shall have the same meaning as set forth in the Schedule 13D.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

Item 3 to the Schedule 13D is amended, in pertinent part, to add the following paragraph:

On May 29, 2001, pursuant to the Second Closing to the Purchase Agreement, in exchange for an investment of \$7,000,000 in the Company (i) the principal amount of the Promissory Note increased from \$3,000,000 to \$10,000,000, (ii) the Tranche A Warrants increased to become exercisable for an aggregate of 250,000 shares of Series B Preferred Stock of the Company, and (iii) Image received the Tranche B Warrant to purchase 1,000,000 shares of Series B Preferred Stock of the Company. The source of funds used by Image in the Second Closing was working capital and other funds.

#### ITEM 4. PURPOSE OF TRANSACTION.

Item 4 to the Schedule 13D is amended, in pertinent part, to add the following sentences at the end of the third paragraph:

The Second Closing occurred on May 29, 2001. In connection with the Second Closing Mr. McGrew and three other nominees of Image were appointed to four of the Company's seven positions on the Board of Directors.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER.

Item 5 to the Schedule 13D is amended, in pertinent part, to replace the second paragraph in its entirety with the following:

The 140,000,000 shares of Common Stock beneficially owned by the Filing Persons include 40,000,000 shares of Common Stock underlying the \$10 million Promissory Note and an aggregate of 20,000,000 shares of Common Stock currently underlying the related Tranche A Warrants. It also includes an additional 80,000,000 shares of Common Stock that Image has the right to acquire upon exercise of the Tranche B Warrant issued in the Second Closing.

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#### SIGNATURE

After reasonable inquiry and to the best of its knowledge and belief, the undersigned each certifies that the information set forth in this statement is true, complete and correct.

Dated May 30, 2001

IMAGE INVESTOR PORTFOLIO,
a separate series of

MEMPHIS ANGELS, LLC, a Delaware limited liability company

By: PARADIGM CAPITAL EQUITY
PARTNERS, LLC,
its Manager

By: PARADIGM HOLDINGS, its Managing Member

By: /s/ Frank A. McGrew IV

Name: Frank A. McGrew IV Title: Managing Partner

PARADIGM CAPITAL EQUITY
PARTNERS, LLC,
a Delaware limited liability company

By: PARADIGM HOLDINGS, its Managing Member

By: /s/ Frank A. McGrew IV

Name: Frank A. McGrew IV Title: Managing Partner

PARADIGM HOLDINGS, a Delaware general partnership

By: /s/ Frank A. McGrew IV

Name: Frank A. McGrew IV Title: Managing Partner

FRANK A. MCGREW IV

/s/ Frank A. McGrew IV