

FONECASH INC
Form 10KSB
April 15, 2005

OMB APPROVAL

OMB Number: 3235-0420

Expires: April 30, 2006

Estimated average burden

hours per response: 1646

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20546

FORM 10-KSB

GENERAL FORM FOR REGISTRATION OF SECURITIES OF

Small Business Issuers

Under Section 12(b) or 12(g) of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2003

FONECASH, INC

(Name of Small Business Issuer in its charter)

DELAWARE

000-30536

22-3530573

Edgar Filing: FONECASH INC - Form 10KSB

(State or other jurisdiction of incorporation (Commission File No.)
or organization)

(I.R.S. Employer Identification
Number)

162 M Homestead Street, Manchester, Connecticut 06040

(Address of principal executive offices) (Zip Code)

Issuer's telephone number (860) 805-0701

Securities to be registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act: COMMON STOCK, par value \$.0001 per share

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not 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]

Number of shares of Common Stock outstanding at December 31, 2004: 111,074,056

SEC 2337 (12-03) **Persons who potentially are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

FORM 10-KSB
TABLE OF CONTENTS

PART I

Item 1 Description of Business

3

Item 2 Description of Property

5

Item 3 Legal Proceedings

5

Item 4 Submission of Matters to a Vote of Security Holders

6

PART II

Item 5 Market for Common Equity and Related Stockholder Matters

6

Item 6 Management's Discussion and Analysis or Plan of Operation

7

Item 7 Financial Statements

7

Item 8 Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

26

Item 8a Controls and Procedures

26

Item 8b Other Information

26

PART III

Item 9 Directors, Executive Officers, Promoters and Control Persons

26

Item 10 Executive Compensation

28

Item 11 Security Ownership of Certain Beneficial Owners and Management

28

Item 12 Certain Relationships and related Transactions

29

Item 13 Exhibits and reports on Form 8-K

30

Item 14 Principal Accountant Fees and Services

31

Signatures

32

Certifications

2

PART I

Item 1 -Business

Fonecash, Inc. (the "Company") was incorporated under the laws of the State of Delaware on August 7, 1997. During the fourth quarter of December 2002, the Company began to wind down its operations. This occurred because of management's inability to raise sufficient funds to finance the continued development of the Company's business plan.

Until that point the Company had been engaged in the payment processing of transactions for banks and their merchants through its terminals and proprietary system. As part of that operation, the Company was developing a wired and wireless gateway to convert consumers' credit and debit card information collected by mobile merchants into a format that can be processed by banks. The Company intended to act as a payment system service provider between banks, mobile merchants and their customers. The Company intended to charge merchants a fixed transaction fee to process their payments.

Currently, the Company remains in development stage and it has no operating profits to date. With the cessation of its pursuit of the credit card processing business, the Company currently has no business operations. The Company is actively seeking a possible merger candidate in an effort to provide shareholders value.

The Company incurred operating losses of \$105,037 during 2004. The Company spent a total of \$432,256 on Research and Development from inception to December 31, 2004. The Company expects its accumulated deficit to grow for the foreseeable future.

The Company's Operations to Date

The Company was developing a system of processing credit cards for an under served community of low volume merchants and in-home salespersons consisting of a fixed wire or wireless terminal and a system of computers, utilizing established communications networks, both wired and wireless, for processing the data from credit and debit cards. The Company ceased this operation during the fourth quarter of 2002.

Currently the Company is seeking merger candidates. It has not yet identified nor negotiated with any candidates.

Employees

The Company has one full time employee.

Sources of Revenues

From inception through December 31, 2003, the Company had revenue of \$ 10,840 from sale of its products. If the Company can locate, negotiate and acquire a merger candidate revenue could potentially come from the merger candidates business operation.

Additional Risks Factors

An investment in the Company's common stock involves a high degree of risk. Investors should consider the following risk factors and the other information in this registration statement carefully before investing in the Company's common stock. The Company's business and results of operations could be seriously harmed if any of these risks actually happen.

The Company's Limited Operating History May Prevent it From Achieving Success.

The Company's inception date was August 1997. It has a limited operating history, which may prevent it from achieving success. The Company's has had limited revenues and its operating profits are unproven. It will encounter challenges and difficulties frequently encountered by early-stage companies in new and rapidly evolving markets. The Company may fail to address any of these challenges and the failure to do so would seriously harm the Company's business and operating results. It has limited insights into trends that may emerge and affect the Company's business.

The Company has Incurred Losses and Expects Future Losses

The Company has experienced operating losses in each period since inception and expects to incur losses in the future. On December 31, 2003, the Company had an accumulated deficit of \$5,701,321. The Company expects to increase its operating expenses. As a result, the Company will need to achieve revenues and profits. The Company's failure to achieve revenues would seriously harm the Company's business and operating results. In fact, the Company may not have any revenue growth.

Future Operating Results Will Likely Fluctuate

The Company's quarterly operating results will likely vary significantly in the future. As a result, period-to-period comparisons of the Company's operating results will not be meaningful and should not be relied upon as indicators of the Company's future performance. In the future, the Company's operating results may be below the expectations of securities analysts and investors. The Company's failure to meet these expectations would likely depress the market price of the Company's common stock. To date, the Company has not had sufficient operating results to gauge any period-to-period fluctuations.

The Company Must Retain and Attract Key Personnel

The Company's success depends largely on the skills, experience and performance of the members of its senior management and other key personnel. In the future, the Company's growth will depend upon its ability to attract and retain key management personnel.

Reliance on Key Personnel

The Company considers Abraham Pierce to be a key employee. The loss of his services could seriously harm the Company's business. The loss of its employee will add a significant burden to the Company's future prospects.

Future Sales of Shares Could Affect the Company's Stock Price

If the Company's stockholders sell substantial amounts of the Company's common stock in the public market, the market price of the Company's common stock could fall. Of the Company's outstanding common stock as of December 31, 2003, 10% is eligible for sale in the public market immediately.

Shareholders Will Receive No Dividends

The Company has never paid dividends and has no current plans to do so. Given the Company's financial position, it is unlikely that it will pay any dividends in the foreseeable future. The Company plans instead to retain earnings, if any, to fund internal growth.

The Company Needs Future Capital

The Company needs to raise funds, and funds may not be available on favorable terms or at all. Failure to obtain funds on favorable terms could seriously harm the Company's business and operating results. Furthermore, if the Company issues additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of the holders of the Company's common stock. If the Company cannot raise funds on acceptable terms, it will seriously hamper its growth.

Special Note Regarding Forward-Looking Statements

This document contains forward-looking statements. These statements relate to future events or the Company's future financial performance. In some cases, one can identify forward-looking statements by terminology. For example, "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", or "continue", or the negative of these terms or other comparable terminology, indicate forward-looking statements. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, one should specifically consider various factors, including the risks outlined in the Risk Factors section. These factors may cause the Company's actual results to differ materially from any forward-looking statement.

Although it believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. Accordingly, neither the Company nor any other person assumes responsibility for whether the forward-looking statements ultimately prove accurate. The Company will not update any of the forward-looking statements after the date of this registration statement to conform to actual results or to make changes in the Company's expectations that occur after the date this registration statement becomes effective.

Item 2. Properties

The Company owns no property. Currently, the Company's principal office is located at 165 M Homestead Street, Manchester, Connecticut 06040. This space is provided to the Company by its President Abraham Pierce. Mr. Pierce will continue to provide this space for the foreseeable future until a suitable merger candidate can be acquired at which point the Company intends to move its business to the merger candidate's location.

Item 3. Legal Proceedings

The Company was served with a summons and complaint for failure to pay the monthly payments on its line of credit with Fleet National Bank. Pursuant to the lawsuit, the Company would be liable to Fleet National Bank for the outstanding principal balance of \$107,645 plus attorney's fees. Management has indicated its intentions to defend the action.

On April 8, 2002 the Securities and Exchange Commission filed a complaint alleging that a registration statement and amendments, filed with the Commission by the Company in December 2001, January 2002 and March 2002, and signed by the former president of the Company, Daniel E. Charboneau, contained material misrepresentations and omissions. On January 6, 2004, a United States District Judge from the District of Columbia entered a default judgment against the Company restraining the Company from further violations of Section 17(a) of the Securities Act of 1933, Sections 10(b) and 13a-13 of the Securities Exchange Act of 1934 and Rules 10b-5, 12b-20, 13a-1 and 13a-13 thereunder. As part of this order the Court also ordered penalties and interest in the amount of \$110,977.

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

No matters were submitted to a vote of security holders during the fourth quarter. However, the Company did file notification that the majority of shares entitled to vote, did vote on January 16, 2002, to amend the Certificate of Incorporation of the Company to change authorized number of shares from 20,000,000 million shares of Common Stock, par value \$0.0001 and 5,000,000 shares of preferred stock, par value \$0.0001, to 500,000,000 million shares of Common Stock, par value \$0.0001 and 10,000,000 shares of preferred stock, par value \$0.001, for a total of 510,000,000 shares authorized.

PART II

Item 5 Market for the Registrant's Common Equity and Related Stockholder Matters.

The Company's common stock has traded on the OTC Bulletin Board under the symbol "FCSH" since July 3, 2000. The following table sets forth the high and low closing prices for the common stock for the periods indicated:

2004

High

Low

Fourth Quarter

\$0.0001

\$0.0001

Third Quarter

\$0.0002

\$0.0001

Second Quarter

\$0.005

\$0.0001

First Quarter

\$0.003

\$0.0001

2003

Fourth Quarter

\$0.005

\$0.0001

Third Quarter

\$0.005

\$0.0001

Second Quarter

\$0.002

\$0.0001

First Quarter

\$0.0001

\$0.0001

As of December 31, 2004 there were approximately 207 holders of record of the common stock. On December 31, 2004, the closing sales price of the Company's common stock was \$0.0035 per share.

The Company has not paid any cash dividends on its Common Stock and does not presently intend to do so. Future dividend policy will be determined by its Board of Directors on the basis of its earnings, capital requirements, financial condition and other factors deemed relevant.

The Company's transfer agent is Manhattan Transfer Registrar Co., P.O. Box 361, Holbrook, New York 11741, (631) 585-7341.

Recent Sales of Unregistered Securities

During the period ended December 31, 2004, the Company issued 12,500,000 shares to its President and sole officer in lieu of cash compensation. This issuance was valued at \$0.0001 per share or \$1,250.

During the period ended December 31, 2003, the Company issued 40,000,000 shares to its two officers in lieu of cash compensation. This issuance was valued at \$0.001 per share or \$40,000.

Item 6 - Management's Discussion and Analysis of Financial Condition and Plan of Operation

General

The Company has had revenues of \$10,840 since its inception in August 1997 due to the fact that the Company is in the development stage mode for five years. The Company had a net loss of \$5,806,358 since inception to December 31, 2004. All depreciable assets were written down to \$ -0- because such assets would no longer provide a future benefit to the Company. Depreciation expense of \$ -0- was charged to operations for the period ended December 31, 2003. The Company expects its accumulated deficit to grow for the foreseeable future.

For the period ending December 31, 2004 general and administrative expenses were \$51,287 as compared to \$21,307 for the same period in 2003, representing an increase of \$29,980. The increase during the period ending December 31, 2004 was primarily due to officer's compensation due to a former officer of the Company and to the costs associated with the Company coming current in its SEC reporting obligations and charges associated to the cessation of the business activities of the Company.

The Company's combined cash and cash equivalents totaled \$ 1,192 for the period ended December 31, 2004 compared to \$ -0- for the period ending December 31, 2003.

The Company does not expect to generate a positive internal cash flow for at least the foreseeable future. The Company currently has limited internal and external sources of liquidity. At this time the Company has no material commitment for capital expenditures.

Liquidity and Capital Resources

The Company presently has no business operations or activity. It has no cash or cash equivalents. It is actively seeking a potential candidate with whom to merge or acquire.

Item 7. Financial Statements

FONECASH, INC. AND SUBSIDIARIES

(A Development Stage Company)

Audited Financial Statements

For the years ended December 31, 2004 and 2003

FONECASH, INC. AND SUBSIDIARIES

(A Development Stage Company)

Consolidated Balance Sheets**ASSETS**

	December 31, 2004	December 31, 2003
Current assets:		
Cash	\$ 1,192	\$ --
Loan receivable	1,200	--
Total Current Assets	2,392	--
Total Assets	\$ 2,392	\$ --

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:		
Accounts payable	\$ 456,166	\$ 445,487
Due to officer/stockholder	636,743	584,243
Notes payable	295,881	252,881
Total Current Liabilities	1,388,790	1,282,611

Contingencies

Stockholders' deficit :

Preferred stock; \$.0001 par value; authorized - 10,000,000 shares; issued - none	--	--
Common stock; \$.0001 par value; authorized - 500,000,000 shares; issued and outstanding - 111,074,056 shares in 2004 and 98,574,056 in 2003	11,107	9,857
Additional paid-in capital	4,410,353	4,410,353
Treasury stock, 500 shares at cost	(1,500)	(1,500)
	(5,806,358)	(5,701,321)

Deficit accumulated during the development stage

Total Stockholders' (Deficit)	(1,386,398)	(1,282,611)
Total Liabilities and Stockholders' (Deficit)	\$ 2,392	\$ --

The accompanying notes are an integral part of these statements.

FONECASH, INC. AND SUBSIDIARIES

(A Development Stage Company)

Consolidated Statements of Operations

	Year Ended December 31, 2004	Year Ended December 31, 2003	Aug. 7, 1997 (Inception) to December 31, 2004
Revenue:			
Sales	\$ --	\$ --	\$ 10,840
Cost of sales	--	--	5,662
Gross profit	--	--	5,178
Interest income	--	--	5,257
 Total revenue	 --	 --	 10,435
Costs and expenses:			
Depreciation	--	--	210,426
Amortization	--	--	4,118
Research and development, related party	--	--	432,256
Officer's compensation	53,750	105,000	1,137,070
Impairment of investment in related party	--	--	50,000
Impairment of investment in subsidiaries	--	--	450,000
Loss on disposition of assets	--	--	11,449
SEC litigation settlement	--	--	110,977
General and administrative	51,287	21,307	3,410,497
	105,037	126,307	5,816,793
 Net loss	 \$ (105,037)	 \$ (126,307)	 \$ (5,806,358)
 Basic and diluted loss per common share	 \$ (.00)	 \$ (.00)	

Weighted average common shares outstanding	101,039,809	79,176,796
---	-------------	------------

The accompanying notes are an integral part of these statements.

FONECASH, INC. AND SUBSIDIARIES

(A Development Stage Company)

**Consolidated Statements of Changes in Stockholders' Equity
For the Period August 7, 1997 (Inception) to December 31, 2004**

	Common Stock		Additional	Treasury Stock		Deficit
	Shares	Amount	Paid-in Capital	Shares	Amount	Accumulated During the Development Stage
Balances, August 7, 1997 (inception)	-	\$ -	\$ -	-	\$ -	\$ -
Common stock issued for services and costs advanced, valued at \$.0001 per share	2,000,000	200	-	-	-	-
Common stock issued for services, valued at \$.15 per share	200,000	20	29,980	-	-	-
Net loss for the period						(61,404)
Balances, December 31, 1997	2,200,000	220	29,980	-	-	(61,404)
Sale of common stock (\$.4156 per share)	204,500	20	84,965	-	-	-
Net loss						(95,211)
Balances, December 31, 1998	2,404,500	240	114,945	-	-	(156,615)
Sale of common stock (\$.7622 per share)	1,098,505	110	837,160	-	-	-

Services contributed by the president of the Company	-	-	60,000	-	-	-
Common stock issued for services, valued at \$.81 per share	333,333	33	269,967	-	-	-
Net loss						(785,366)
Balances, December 31, 1999	3,836,338	383	1,282,072	-	-	(941,981)

(continued)

The accompanying notes are an integral part of these statements.

FONECASH, INC. AND SUBSIDIARIES

(A Development Stage Company)

**Consolidated Statements of Changes in Stockholders' Equity
For the Period August 7, 1997 (Inception) to December 31, 2004**

	Common Stock		Additional	Treasury Stock		Deficit
	Shares	Amount	Paid-in Capital	Shares	Amount	Accumulated During the Development Stage
Sale of common stock (\$1.25 per share)	25,000	3	31,247	-	-	-
Common stock issued for services, valued at \$.11 per share	1,466,667	147	157,353	-	-	-
Common stock issued for services, valued at \$.5312 per share	623,367	62	331,071	-	-	-
Purchase of treasury stock	-	-	-	500	(1,500)	-
Net loss						(897,368)
Balances, December 31, 2000	5,951,372	595				