

Edgar Filing: FONECASH INC - Form 10QSB

FONECASH INC  
Form 10QSB  
November 14, 2001

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549  
Form 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001  
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OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-30536

\_\_\_\_\_  
FoneCash, Inc.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

22-3530573  
(I.R.S. Employer  
Identification No.)

90 Park Avenue, 1700, New York, New York  
(Address of principal executive offices)

10016-1301  
(Zip-Code)

Registrant's telephone number, including area code: (212) 984-0641

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 X No  
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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12,13,or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes X No  
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The number of outstanding shares of the registrant's Common Stock, par value \$.001 per share, was 9,039,348 on September 30, 2001.

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Fonecash, Inc.  
Quarterly Report on Form 10-QSB  
For the Quarter Ended on September 30, 2001

Table of Contents

Part I. FINANCIAL INFORMATION

Item 1 Consolidated Financial Statements (Unaudited)

Balance Sheets as of September 30, 2001 and December 31, 2000

Statement of Operations for Nine Month Period Ending September 30, 2001

Statement of Cash Flow for Nine Month Period Ending September 30, 2001

Notes to Consolidated Financial Statements

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

Part II OTHER INFORMATION

Incorporated by reference in the Company's Form 10-SB, Amendment 3 registration statement, along with all exhibits, submitted on May, 2000

2

FONECASH, INC  
(A Development Stage Company)

Balance Sheets

ASSETS

-----

|                     | September 30<br>2001 | December 31<br>2000 |
|---------------------|----------------------|---------------------|
|                     | -----                | -----               |
| Current assets:     |                      |                     |
| Cash                | \$ 2,298             | \$ 1,822            |
| Accounts receivable | 15,660               | --                  |
| Inventory           | 201,476              | 35,000              |
| Prepaid expenses    | 25,000               | 25,000              |
|                     | -----                | -----               |
|                     | 244,434              | 61,822              |
|                     | -----                | -----               |

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|                             |            |            |
|-----------------------------|------------|------------|
| Property and equipment, net | 67,010     | 103,700    |
|                             | -----      | -----      |
| Other assets:               |            |            |
| Patent rights, net          | 2,500      | 3,000      |
| Other                       | 80         | 116        |
|                             | -----      | -----      |
|                             | 2,580      | 3,116      |
|                             | -----      | -----      |
|                             | \$ 314,024 | \$ 168,638 |
|                             | =====      | =====      |

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

|  |             |             |
|--|-------------|-------------|
| Current liabilities:   |             |             |
| Accounts payable   | \$ 168,263  | \$ 83,513   |
| Due to an officer/stockholder  | 140,391     | 683         |
| Note payable   | 122,951     | 122,953     |
|  | 431,605     | 207,149     |
| Stockholders' equity(deficit): (Note 2)  |             |             |
| Preferred stock; \$.0001 par value; authorized -<br>5,000,000 shares; issued - none  | --          | --          |
| Common stock; \$.0001 par value; authorized -<br>20,000,000 shares; issued and outstanding -<br>6,651,372 shares in 2001 and 5,951,372 in 2000 | 904         | 595         |
| Additional paid-in capital   | 2,647,434   | 1,801,743   |
| Treasury stock, 500 shares at cost   | (1,500)     | (1,500)     |
| Deficit accumulated during the development stage   | (2,764,419) | (1,839,349) |
|  | -----       | -----       |
| Total stockholders' equity   | (117,581)   | (38,511)    |
|  | -----       | -----       |
|  | \$ 314,024  | \$ 168,638  |
|  | =====       | =====       |

See accompanying notes and accountant's review report

FONECASH, INC.  
(A Development Stage Company)  
Statements of Operation

|          | Nine<br>Months Ended<br>September 30,<br>2001<br>----- | Nine<br>Months Ended<br>September 30,<br>2000<br>----- | Aug.<br>(Incept<br>Septem<br>2<br>----- |
|----------|--|--|---|
| Revenue: |  |  |   |
| Sales    | \$ 15,660  | --   | \$                                      |

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|  |              |              |         |
|--|--------------|--------------|---------|
| Cost of sales                              | 8,524        | --           |         |
|  | -----        | -----        | -----   |
| Gross profit                               | 7,136        | --           |         |
| Interest Income                            | 7            | 4,154        |         |
|  | -----        | -----        | -----   |
| Total revenue                              | 7,143        | 4,154        |         |
|  | -----        | -----        | -----   |
| Cost and expenses                          |              |              |         |
| Depreciation                               | \$ 36,690    | \$ 22,464    | \$ 1    |
| Amortization                               | 537          | 536          |         |
| Research and development, related party    | 9,700        | 24,090       | 3       |
| Officer's compensation                     | 1,200        | 28,129       | 2       |
| Impairment of investment in related party  |              |              |         |
| Impairment of investment in subsidiaries   | 450,000      |              | 4       |
| General and administrative                 | 434,086      | 115,734      | 1,4     |
|  | -----        | -----        | -----   |
|  | 932,213      | 190,953      | 2,7     |
|  | -----        | -----        | -----   |
| Net loss                                   | \$ (925,070) | \$ (186,799) | \$ (2,7 |
|  | =====        | =====        | =====   |
| Basic and diluted loss per common share    | \$ (.13)     | \$ (.05)     | \$      |
|  | =====        | =====        | =====   |
| Weighted average common shares outstanding | \$ 6,919,720 | \$ 3,836,338 | \$ 3,9  |
|  | =====        | =====        | =====   |

See accompanying notes and accountant's review report

4

FONECASH, INC.  
(A Development Stage Company)  
Statements of Change in Stockholders' Equity  
For the period August 7, 1997 (Inception) to September 30, 2001

|                                       | Common<br>Shares | Stock<br>Amount | Additional<br>Paid-in<br>Capital | Treasury<br>-----<br>Stock |
|---------------------------------------|------------------|-----------------|----------------------------------|----------------------------|
|                                       | -----            | -----           | -----                            | -----                      |
| Balances, August 7, 1997 (Inception)  |                  |                 | \$                               |                            |
| Common stock issued for services      |                  |                 |                                  |                            |
| And costs advanced, valued at \$.0001 |                  |                 |                                  |                            |
| Per share                             | 2,000,000        | 200             | --                               |                            |

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|  |           |        |             |       |
|--|-----------|--------|-------------|-------|
| Common stock issued for services         |           |        |             |       |
| Valued at \$.15 per share                | 200,000   | 20     | 29,980      |       |
| Net loss for the period                  | --        | --     | --          |       |
|  | -----     | -----  | -----       | ----- |
| Balances, December 31,1997               | 2,200,000 | 220    | 29,980      |       |
| Sale of common stock (\$.4156 per share) | 204,500   | 20     | 84,965      |       |
| Net Loss                                 | --        | --     | --          |       |
|  | -----     | -----  | -----       | ----- |
| Balances, December 31,1998               | 2,404,500 | 240    | 114,945     |       |
| Sale of common stock (\$.7622 per share) | 1,098,505 | 110    | 837,160     |       |
| Capital contributed for services         | --        | --     | 60,000      |       |
| Common stock issued for services         |           |        |             |       |
| Valued at \$.81 per share                | 333,333   | 33     | 269,967     |       |
| Net loss                                 |           | --     | --          |       |
|  | -----     | -----  | -----       | ----- |
| Balances, December 31, 1999              | 3,836,338 | 383    | 1,282,072   |       |
| Sale of common stock (\$1.25 per share)  | 25,000    | 3      | 31,247      |       |
| Common stock issued for services         | 623,367   | 62     | 331,071     |       |
| valued at \$.5312 per share              |           |        |             |       |
| Purchase of treasury stock               |           |        |             | 500   |
| Net Loss for the period                  |           |        |             |       |
|  | -----     | -----  | -----       | ----- |
| Balances, December 31,2000               | 5,951,372 | 595    | 1,801,743   | 500   |
|  | -----     | -----  | -----       | ----- |
| Common stock issued for services         | 700,000   | 70     | 265,930     |       |
| valued at \$.38 per share                |           |        |             |       |
|  | -----     | -----  | -----       | ----- |
| Sale of common stock (\$.035 per share)  | 287,976   | 29     | 9,971       |       |
|  | -----     | -----  | -----       | ----- |
| Common stock issued for services,        |           |        |             |       |
| valued at \$.10 per share                | 1,200,000 | 120    | 119,880     |       |
|  | -----     | -----  | -----       | ----- |
| Common stock issued in acquisition       |           |        |             |       |
| of subsidiaries, valued at \$.50/share   | 900,000   | 90     | 449,910     |       |
|  | -----     | -----  | -----       | ----- |
| Net loss for the period                  |           |        |             |       |
|  | -----     | -----  | -----       | ----- |
| Balances, September 30, 2001             | 9,039,348 | \$ 904 | \$2,647,434 | 500   |
|  | =====     | =====  | =====       | ===== |

See accompanying notes and accountant's review report.

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|  | Nine<br>Months Ended<br>September 30,<br>2001<br>----- | Nine<br>Months Ended<br>September 30,<br>2000<br>----- | Aug. 7, 1<br>(Inceptio<br>September<br>2001<br>----- |
|--|--|--|--|
| Cash flows from operating activities   |  |  |  |
| Net loss   | \$ (925,070)   | \$ (186,799)   | \$ (2,764,   |
| Adjustments to reconcile net loss to net<br>cash used in operating activities: |  |  |  |
| Depreciation   | 36,690   | 22,464   | 153,   |
| Amortization   | 537  | 536  | 2,   |
| Cash surrender value of life insurance   | --   | 6,838  | --   |
| Common stock issued for services   | 386,000  | --   | 1,234,   |
| Common stock issued in acquisition of subsidiaries                             | 450,000  | --   | 450,   |
| Changes in assets and liabilities:   |  |  |  |
| (Increase in accounts receivable   | (15,660)   | --   | (15,   |
| (Increase) in inventory  | (166,476)  | (28,311)   | (201,  |
| (Increase) in prepaid expenses   | --   | --   | (25,   |
| Increase (decrease) in accounts payable  | 84,750   | (1,306)  | 168,   |
|  | -----  | -----  | -----  |
| Net cash used in operating activities  | (149,229)  | (186,578)  | (997,  |
|  | -----  | -----  | -----  |
| Cash flows from investing activities:  |  |  |  |
| Organization costs   | --   | --   | (  |
| Purchase of property and equipment   | --   | (9,788)  | (220,  |
| Acquisition of patent rights   | --   | --   | (5,  |
|  | -----  | -----  | -----  |
| Net cash used in investing activities  | --   | (9,788)  | (225,  |
|  | -----  | -----  | -----  |
| Cash flow from financing activities:   |  |  |  |
| Proceeds from short-term debt  | 15,972   | 42,500   | 163,   |
| Repayment of short term debt   | (15,974)   | (4,956)  | (40,   |
| Increase (decrease) in amounts due to<br>officer/stockholder                   | 139,707  | (5,660)  | 140,   |
| Purchase of treasury stock   | --   | --   | (1,  |
| Proceeds from sale of common stock   | 10,000   | --   | 963,   |
|  | -----  | -----  | -----  |
| Net cash provided by financing activities                                      | 149,705  | 31,884   | 1,225,   |
|  | -----  | -----  | -----  |
| Net increase (decrease) in cash  | 476  | (164,482)  | 2,   |
| Cash at beginning of period  | 1,822  | 208,702  | --   |
|  | -----  | -----  | -----  |
| Cash at end of period  | \$ 2,298   | \$ 44,220  | \$ 2,  |
|  | =====  | =====  | =====  |

See accompanying notes and accountant's review report.

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(A Development Stage Company)  
Form 10QSB  
Quarter Ended September 30, 2001  
Notes to Consolidated Financial Statements

Note 1 -- Condensed Consolidated Financial Statements

Basis of Presentation

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The accompanying interim unaudited consolidated financial statements include the accounts of FoneCash, Inc. and its subsidiaries which are hereafter referred to as (the "Company"). All intercompany accounts and transactions have been eliminated in consolidation. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, such interim statements reflect all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position and the results of operations and cash flows for the interim periods presented. The results of operations for these interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2001. These financial statements should be read in conjunction with the audited financial statements and footnotes included in the Company's report on Form 10-KSB for the year ended December 31, 2000.

Note 2 -- Business Combination

On April 10, 2001, pursuant to an agreement with Richwoodland Profits Corporation ("RPC") and Universal Venture Limited "UVL"), each a British Virgin Island holding company, the Company has acquired all of the voting stock of four foreign companies that were wholly-owned by RPC and UVL in return for 900,000 shares of common stock of the Company, valued at \$.50 per share. The companies acquired are start-up companies that have no assets, liabilities, revenue, expenses and results of operations. The investment in the companies has been reported entirely as goodwill, as there is no value in the companies.

The four acquired companies are Universal Information Technology, (Hong Kong) Limited, a company which has developed a video compression technology for Internet and wireless applications Firstech Ventures (Hong Kong) Limited, a company that locates engineering services for

FONECASH, INC. AND SUBSIDIARIES  
(A Development Stage Company)  
Form 10QSB  
Quarter Ended September 30, 2001  
Notes to Consolidated Financial Statements

environmental projects in China, especially land fill projects, waste water and waste oil treatment facilities, and waste liner projects, Tech Unity Technology, (Hong Kong) Limited, which engages in gathering information and research about business opportunities in China for dissemination among U.S. and Australian bidders, and Fonecash.com (Hong Kong) Limited, a company engaged in the wireless

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processing of credit and debit cards for the mobile merchants.

In July 2001, the FASB issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Statement 141 requires that the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001. Statement 141 also specifies criteria intangible assets acquired in a purchase business combination must meet to be recognized and reported apart from goodwill. The Company has adopted the provisions of Statement 141 in reporting the business combination.

Statement 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. Statement 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of Furthermore, any goodwill and any intangible asset determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001 will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-Statement 142 accounting literature. The Company has adopted the provisions of Statement 142 and has written the goodwill associated with the business combination down to zero, as no future benefit can be determined. An impairment loss of \$450,000 has been reflected in the consolidated statements of operations.

Note 2 -- Stockholders' Equity (Deficit)

Common Stock  
-----

Since December 31, 2000, the Company has issued 1,900,000 shares of common stock for consulting services, of which 700,000 shares were valued at \$0.38 per share and 1,200,000 were valued at \$0.10 per share. The Company has also sold 287,976 shares of common stock at \$0.035 per share. The Company has issued 900,000 of

8

FONECASH, INC. AND SUBSIDIARIES  
(A Development Stage Company)  
Form 10QSB  
Quarter Ended September 30, 2001  
Notes to Consolidated Financial Statements

common stock valued at \$0.50 per share in exchange for four foreign companies, as previously discussed.

Stock Options  
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At June 30, 2001 the Company has granted 800,000 shares of common stock for issuance in compensation for business services to Reginald Clarke at the price of \$0.50 per share.

Loss Per Common Share



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Loss per common share is computed by dividing the net loss by the weighted average shares outstanding during the period.

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Item 2. Management's Discussion and Analysis

This Quarterly Report on Form 10-QSB, including the information incorporated by reference herein, includes "forward looking statement" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Act") and Section 21E of the Securities Act of 1934, as amended ("Act of 34"). All of the statements contained in this Quarterly Report on Form 10-QSB, other than statements of historical fact, should be considered forward looking statements, including, but not limited to, those concerning the Company's strategies, objectives and plans for expansion of its operation, products and services and growth in demand for it's products and services. There can be no assurances that these expectations will prove to have been correct. Certain important factors that could cause actual results to differ materially from the Company's expectations (the "Cautionary Statements") are disclosed in this Quarterly report on Form 10-QSB. All subsequent written and oral forward looking statements by or attributable to the Company or persons acting on behalf are expressly qualified in their entirety by such Cautionary Statements. Investors are cautioned not to place undue reliance on these forward looking statements which speak only as of the date hereof and are not intended to give any assurance as to future results. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or reflect the occurrence of unanticipated events.

Fonecash, Inc. (the "Company") was incorporated under the laws of the State of Delaware on August 7,1997 and is in its development stage. The first sale of its products was made in during this period.

The Company incurred operating losses of \$2,764,419 from Inception to September 30, 2001. The Company expects its accumulated deficit to grow for the foreseeable future as total costs and expenses increases due principally to increased marketing expenses associated with its plans to undertake trials of its products and services. There can be no assurances that the Company will complete successful trials of its products and services, nor that sufficient revenues will be generated from the possible sales of such products and services to allow the Company to operate profitably.

General

The Company has developed, under an exclusive license agreement with a holder of a U.S. Patent, a system of processing credit cards for an under served community of low volume merchants and in-home salespersons consisting of a terminal and a system of computers, utilizing established communications networks, both wired and wireless, for processing the data from credit and debit cards.

Terminals are electronic collectors of credit and debit data from the magnetic stripe on cards. In the case of debit and credit cards the Fonecash system collects the data from the magnetic stripe when a merchant accepts the card for payment of goods or services. This data is transmitted to processors where the validity of the card number is confirmed and the amount of the purchase is

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authorized to the cardholder's account. Settlement occurs when the collected and stored data is sent to the card issuing bank which charges the customer's account and electronically deposits payment in the merchant's bank account, usually within 24 - 48 hours.

10

The Company intends to market a product line and a complete processing system that is high quality and simple to operate, because the Company, and not the individual merchant, takes the responsibility for closing the day's receipts and uploading the data to a third party payment processor, such as Paymenttech, Visanet, or First Data Resources, for settlement which results in payments being deposited in the merchants' bank account within 48 hours. Because the Company, not only provides a terminal, but also, provides a service that facilitates the collection of daily payment receipts, and transmits these electronic receipts for payment and deposit of funds to each merchant, the Company believes that it will be able to compete with the current makers of terminals, who only sell terminals, but also, able to compete with payment processors who only support terminals which transmit credit card data to their computers after the merchant has manually closed out the day's electronic receipts and transmitted the totals to the payment processor.

The Company intends to establish up to three master distributors in the United States with the most likely candidates being current Independent Sales Organizations (ISO's) who are already engaged in the business of distributing automated credit card processing terminals to established merchants who have been approved by their sponsoring banks. These ISO's have trained commissioned sales persons and have an interest in placement of any terminal in the market regardless of manufacturer.

The Company has never operated under any other name, nor has it ever been involved with any bankruptcy, receivership or similar proceeding or engaged in any material reclassification, merger, consolidation, or purchase or sale of assets.

### Results of Operation

General and administrative expenses during the nine months ending September 30, 2001 were \$932,213 as compared to \$190,953 for the same period in 2000, representing an increase of \$741,260. The increase during the nine month period ending September 30, 2001 was primarily due to an expansion of the general operations of the Company, including legal, accounting and printing associated with the filing of various documents with the Securities and Exchange Commission, as well as cost associated with the manufacture, shipping and storage of products for sale.

Compensation and related benefits during this nine months was \$1,200 and represented compensation to its president; this compares with compensation to its president of \$28,129 for the nine months ended September 30, 2000.

### Balance Sheet Data

The Company's combined cash and cash equivalents totaled \$7,143 for the period ending September 30, 2001. This is an increase of \$2,989 from \$4,154 for the period ending September 30, 2000

The Company does not expect to generate a positive internal cash flow for at least the next nine months due to expected increase in spending for salaries and the expected costs of marketing and sales activities.

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11

Property and equipment was valued at \$67,010 for the period ending September 30, 2001 and this represents an increase of \$36,690 for purchases of additional molds used the manufacturing of its products in Taiwan. The molds have a useful life of 3 years and are depreciated on a straight-line basis.

Part II Other Information

Item 1 Legal Proceedings

None

Item 2 Changes in Securities

None

Items 3 Defaults upon Senior Securities

None

Item 4 Submission of Matters to a Vote of Security Holders

None

Item 5 Other Information

None

Item 6 Exhibits and reports on Form 8-K

a. Exhibit Index

b. Reports of Form 8-K

The Company did not file any reports on Form 8-K during the quarter ended September 30, 2001.

Signatures

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned who is duly authorized to sign as an officer and as the principal officer of the Company.

Fonecash, Inc

By: /s/ Daniel E. Charboneau

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Daniel E. Charboneau, Chairman/CEO

Date: November 14, 2001

12