

Edgar Filing: FONECASH INC - Form 10QSB

FONECASH INC  
Form 10QSB  
August 19, 2002

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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 June 30, 2002  
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

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

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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\_\_

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 \$.0001 per share, was 53,074,056 on June 30, 2002.

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Fonecash, Inc.  
Quarterly Report on Form 10-QSB  
For the Quarter Ended on June 30, 2002

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FONECASH, INC. AND SUBSIDIARIES  
(A Development Stage Company)  
Consolidated Balance Sheets

### ASSETS

	June 30, 2002	December 31, 2001
	-----	-----
Current assets:		
Cash	\$ 13,788	\$ --
Accounts receivable	10,840	10,840
Stock subscriptions receivable	25,694	--
Inventory	177,800	177,800
Prepaid expenses	25,000	25,000

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	----- 253,122 -----	----- 213,640 -----
Property and equipment, net	----- 16,906 -----	----- 30,320 -----
Other assets:		
Patent rights, net	1,500	2,000
Other	--	--
	----- 1,500 -----	----- 2,000 -----
	\$ 271,528 =====	\$ 245,960 =====

LIABILITIES AND STOCKHOLDERS' DEFICIT  
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Current liabilities:		
Accounts payable	\$ 150,991	\$ 161,478
Due to officer/stockholder	472,582	478,691
Notes payable	181,601	196,024
	----- 805,174 -----	----- 836,193 -----
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 - 53,074,056 shares in 2002 and 14,899,056 in 2001	5,307	1,490
Additional paid-in capital	4,244,453	3,127,624
Treasury stock, 500 shares at cost	(1,500)	(1,500)
Deficit accumulated during the development stage	(4,781,906)	(3,717,847)
	----- (533,646) -----	----- (590,233) -----
	\$ 271,528 =====	\$ 245,960 =====

See accompanying notes to the financial statements.

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	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001	Aug. 7, 1997 (Inception) to June 30, 2002
	-----	-----	-----
Revenue:			
Sales	\$ --	\$ 15,660	\$ 10,840
Cost of sales	--	8,524	5,662
	-----	-----	-----
Gross profit	--	7,136	5,178
Interest income	17	7	5,228
	-----	-----	-----
Total revenue	17	7,143	10,406
	-----	-----	-----
Costs and expenses:			
Depreciation	13,414	36,690	203,719
Amortization	500	537	3,868
Research and development, related party	--	9,700	432,256
Officer's compensation	223,000	1,200	936,429
Impairment of investment in related party	--	--	50,000
Impairment of investment in subsidiaries	--	450,000	450,000
General and administrative	827,162	434,086	2,716,040
	-----	-----	-----
	1,064,076	932,213	4,792,312
	-----	-----	-----
Net loss	\$ (1,064,059)	\$ (925,070)	\$ (4,781,906)
	=====	=====	=====
Basic and diluted loss per common share	\$ (.04)	\$ (.13)	
	=====	=====	
Weighted average common shares outstanding	27,584,166	6,919,720	
	=====	=====	

See accompanying notes to the financial statements.

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	Common Stock		Additional Paid-in Capital	Sha
	Shares	Amount		
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				
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	
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				
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, 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	--	--	--	
Net loss				
Balances, December 31, 2000	5,951,372	\$ 595	\$ 1,801,743	
Common stock issued for services, valued at \$.12 per share	6,959,708	696	858,080	
Sale of common stock (\$.017 per share)	1,087,976	109	17,891	

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Common stock issued in acquisition of subsidiaries, valued at \$.50 per share	900,000	90	449,910
Net loss	-----	-----	-----
Balances, December 31, 2001	14,899,056	\$ 1,490	\$ 3,127,624
Sale of common stock (\$.011 per share)	14,275,000	1,427	163,219
Common stock issued for services, valued at \$.04 per share	23,900,000	2,390	953,610
Net loss for the period	-----	-----	-----
Balances, June 30, 2002	53,074,056	5,307	4,244,453
	=====	=====	=====

See accompanying notes to the financial statements.

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FONECASH, INC. AND SUBSIDIARIES  
(A Development Stage Company)  
Consolidated Statements of Cash Flows

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001	Aug (Inc)
	-----	-----	---
Cash flows from operating activities:			
Net loss	\$ (1,064,059)	\$ (925,070)	\$ (
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	13,414	36,690	
Amortization	500	537	
Common stock issued for services	956,000	386,000	
Common stock issued in acquisition of subsidiaries	--	450,000	
Write-down of lost inventory	--	--	
Changes in assets and liabilities			
Increase in accounts receivable	--	(15,660)	
(Increase) decrease in inventory	--	(166,476)	
Increase in prepaid expenses	--	--	
Increase (decrease) in accounts payable	(10,487)	84,750	
Net cash used in operating activities	(104,632)	(149,229)	(
	-----	-----	---
Cash flows from investing activities:			
Organization costs	--	--	

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Purchases of property and equipment	--	--	
Acquisition of patent rights	--	--	
	-----	-----	-----
Net cash used in investing activities	--	--	
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from short-term debt	2,625	15,972	
Repayment of short-term debt	(17,048)	(15,974)	
Increase (decrease) in amounts due to an officer/stockholder	(6,109)	139,707	
Purchase of treasury stock	--	--	
Proceeds from sale of common stock	138,952	10,000	
	-----	-----	-----
Net cash provided by financing activities	118,420	149,705	
	-----	-----	-----
Net increase (decrease) in cash	13,788	476	
Cash at beginning of period	--	1,822	
	-----	-----	-----
Cash at end of period	\$ 13,788	\$ 2,298	\$
	=====	=====	=====

See accompanying notes to the financial statements.

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FONECASH, INC AND SUBSIDIARIES  
(A Development Stage Company)  
Form 10QSB  
Quarter Ended June 30, 2002  
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, 2002. 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

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December 31, 2001.

### Note 2 - Stockholders' Equity (Deficit)

#### Common Stock

Since December 31, 2001, the Company has issued 18,500,000 shares of common stock for consulting services and 5,400,000 shares for officers' compensation, valued at \$.04 per share. The Company has also sold 14,275,000 shares of common stock at an average price of \$.01 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 \$4,781,906 from Inception to June 30, 2002. 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



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the Company to operate profitably.

### General

The Company has developed 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 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.

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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 period ending June 30, 2002 were \$827,162 as compared to \$434,086 for the same period in 2001, representing an increase of \$393,076. The increase during the three month period ending June 30, 2002 was primarily due to cost associates with legal, accounting and printing associated with the filing of various documents with the Securities and Exchange Commission, as well as cost associated with the for mailing of annual report to investors.

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Compensation and related benefits during these three months was \$223,000 and represented compensation to its consultant; but not to its president whose total compensation for the three months ended June 30, 2002. amounted \$2,000.

### Balance Sheet Data

The Company's combined cash and cash equivalents totaled \$253,122 for the period ending June 30, 2002. This is an increase of \$39,482 from \$213,640 for the period ending June 30, 2001

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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.

Property and equipment was valued at \$16,906 for the period ending June 30, 2002 and this represents an decrease of \$13,414 representing depreciation on the molds which have a useful life of 3 years and are depreciated on a straight-line basis.

### Part II Other Information

#### Item 1 Legal Proceedings

On April 8, 2002, the Company was served with a Notice of an Administrative Hearing at the Securities and Exchange Commission (SEC) offices in Washington, D.C. to be held on April 23, 2002, relating to certain allegations of the Enforcement Division of the SEC, that a Registration Statement on Form SB-2, filed on December 26, 2001 and amended thereafter, contained misrepresentations and omissions of material facts. The Commission seeks to have the ability to sell shares registered pursuant to the Registration Statement stopped. The Company is currently in discussions with the SEC to resolve this matter without a hearing and believes that this matter will be resolved shortly, in a manner that will not materially affect the ability to operate or to engage in further financing. On May 21, 2002, The Company executed an Offer of Settlement to the administrative proceeding agreeing to allow the Commission to suspend the Registration Statement and all amendments previously filed by the Company. This agreement and the Consent to the findings contained therein are limited solely to the Proceeding and any other proceeding to which the Commission is a party, except the pending Civil Action, and are made without admitting or denying the accuracy of the allegations in the Commission's Statement of Matters or any Order Making Finding and Issuing Stop Order which may be issued.

Also, on April 8, 2002, in a concurrent action, the Company was served with a Summons and Complaint, entitled Securities and Exchange Commission, Plaintiff v. Fonecash, Inc, and Daniel E. Charboneau, Defendants, entered at the United States District Court, District of Columbia. This action contains the same allegations as in the Notice of Administrative Hearing, related to alleged misrepresentations and omission in the filings of the Company. The Company is in discussions with the Commission related to the resolution of this matter and believes that a resolution will shortly be reached that will not materially impact on the operations of the Company. The Company has filed a Motion for an extension on the time to file an Answer to the Complaint and is awaiting a decision of the court. On May 9, 2002, The Company executed and entered into a consent of Preliminary Injunctions in the pending action. This Consent was

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without admitting or denying the allegations of the Commission's Complaint. The proposed Order enjoins the Company from violating, directly or indirectly the Rules of the Securities Act of 1933 as cited in the Complaint.

The Company has been served with a Summons and Complaint from Fleet National Bank in an action commenced in the Supreme Court of the State of New York, County of New York entitled, Fleet National Bank v. Fonecash, Inc, Jean-Paul Charboneau, Individually and Jiann-Shong Wu, Individually. This action is for the failure to pay the monthly payments on a Line of Credit with Fleet National Bank. The Company has filed an Answer and a Request for Documents and is waiting for a response. The Company intends to defend the action and believes that it will be resolved in a manner that does not materially impact the Company.

The Company has been served with a Summons and Complaint from Edgar Filings, LTD in an action commenced in Harris County, Texas, entitled Edgar Filings, Ltd. v. FoneCash, Inc. This action is for failure to pay various invoices amounting to

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\$2,303.31 for services incurred for filings documents with the Securities and Exchange Commission. The Company is in the process of working out a reasonable payment schedule with plaintiffs.

The Company has been threatened with litigation related to the use of Merrill Communications LLC. Merrill was used to file the Company's filings on the EDGAR system. They claim that a balance of \$21,371.07, including interest is currently due. The Company has not yet been served with a Complaint by Merrill. Furthermore, the Company disputes the total amount due to Merrill. The Company believes that a resolution will be worked out that will not materially affect the Company. However, if a resolution can not be worked out, a judgment in the amount sought by Merrill might have a material adverse impact on the operations of the Company at this point in time.

### Item 2 Changes in Securities

On June 29, 2002, 200,000,000 shares of the Company's common stock, previously issued to Hedley Finance, Ltd. and deposited into an escrow account in London, were returned to the Company's transfer agent. All 4000 stock certificates issued in values of 50,000 shares each were cancelled and the records of the Company were adjusted.

During the period ending June 30, 2002, the Company issued 9,825,000 shares of common stock to non-domestic investors for cash in accordance with Regulation S.

### Items 3 Defaults upon Senior Securities

None

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

The Company amended and restated its Certificate of Incorporation, authorizing the Company to issued one or more series of the Preferred Stock. The Board of

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Directors of the Company approved this amendment and obtained the necessary approval of a majority of the shareholders. The Company filed Form 14C Information with the Securities and Exchange Commission on June 11, 2002.

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### Item 5 Other Information Regulation FD Disclosure

Certification Pursuant to 18 U.S.C., Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

I, Daniel E. Charboneau, Chief Executive Officer and Chief Financial Officer of FoneCash, Inc. (the "Company"), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C., Section 1350, that::

- E. the Company's Quarterly Report on Form 10-QSB for the fiscal quarter ended June 30, 2002, as files with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) for the Securities Exchange Act of 1934; and
- F. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company for the period presented therein.

/s/Daniel E. Charboneau  
Chief Executive Officer  
Chief Financial Officer

August 19, 2002

### Item 6 Exhibits and reports on Form 8-K

- a. Exhibit Index
- b. Reports of Form 8-K

On June 7, 2002, the Company filed an 8-K with the Commission, reporting the Offer of Settlement to the Administrative Hearing brought by the Commission against the Company, and the Consent to the Preliminary Injunctions in the Civil Action pending in the United States District Court, District Court in Columbia.

### 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  
-----  
Daniel E. Charboneau, Chairman/CEO

Date: August 19, 2002

