FONECASH INC
Form 10QSB
November 20, 2002

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ECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-QSB

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

For the quarterly period ended September 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

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

Delaware	22-3530573
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
90 Park Avenue, 1700, New York, New York	10016-1301
(Address of principal executive offices)	(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__

The number of outstanding shares of the registrant's Common Stock, par value $.0001 per share, was 57,974,056 on September 30, 2002.

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

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

ASSETS

	September 30, 2002	December 31, 2001
Current assets:		
Cash	$ 1,686	$ --
Accounts receivable	10,840	10,840
Stock subscriptions receivable	20,694	--
Inventory	177,800	177,800
Prepaid expenses	25,000	25,000
	236,020	213,640

Property and equipment, net	10,199	30,320
Other assets:		
Patent rights, net	1,250	2,000
Other	--	--
	1,250	2,000
	$ 247,469	$ 245,960

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:		
Accounts payable	$ 153,008	$ 161,478
Due to officer/stockholder	468,303	478,691
Notes payable	211,601	196,024
	832,912	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 - 57,974,056 shares in 2002 and 14,899,056 in 2001	5,797	1,490
Additional paid-in capital	4,365,963	3,127,624
Treasury stock, 500 shares at cost	(1,500)	(1,500)
Deficit accumulated during the development stage	(4,955,703)	(3,717,847)
	(585,443)	(590,233)
	$ 247,469	$ 245,960

See accompanying notes to the financial statements.

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

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001	Aug. 7, 1997 (Inception) to September 30, 2002

Revenue:			
Sales	$ --	$ 15,660	$ 10,840
Cost of sales	--	8,524	5,662
Gross profit	--	7,136	5,178
Interest income	44	17	5,255
Total revenue	44	7,153	10,433
Costs and expenses:			
Depreciation	20,121	55,035	210,426
Amortization	750	805	4,118
Research and development, related party	--	9,700	432,256
Officer's compensation	228,110	1,200	941,539
Impairment of investment in related party	--	--	50,000
Impairment of investment in subsidiaries	--	450,000	450,000
General and administrative	988,919	460,770	2,877,797
	1,237,900	977,510	4,966,136
Net loss	$ (1,237,856)	$ (970,357)	$ (4,955,703)
Basic and diluted loss per common share	$ (.03)	$ (.13)	
Weighted average common shares outstanding	37,318,488	7,660,617	

See accompanying notes to the financial statements.

FONECASH, INC. AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statements of Changes in Stockholders' Equity
For the Period August 7, 1997 (Inception) to September 30, 200

	Common Stock		Additional	
	Shares	Amount	Paid-in Capital	Sh
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	
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	28,800,000	2,880	1,075,120	
Net loss for the period				
Balances, September 30, 2002	57,974,056	5,797	4,365,963	

See accompanying notes to the financial statements.

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

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001	Aug. (Ince Sept 2
Cash flows from operating activities:			
Net loss	$(1,237,856)	$ (970,357)	$(4,9
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	20,121	55,035	2
Amortization	750	805	
Common stock issued for services	1,078,000	386,000	2,7
Common stock issued in acquisition of subsidiaries	--	450,000	4
Write-down of lost inventory	--	--	
Changes in assets and liabilities			
Increase in accounts receivable	--	(15,660)	(
(Increase) decrease in inventory	--	(166,476)	(2
Increase in prepaid expenses	--	--	(
Increase (decrease) in accounts payable	(8,470)	93,393	1
Net cash used in operating activities	(147,455)	(167,260)	(1,5
Cash flows from investing activities:			
Organization costs	--	--	
Purchases of property and equipment	--	--	(2
Acquisition of patent rights	--	--	

Net cash used in investing activities	--	--	(2
Cash flows from financing activities:			
Proceeds from short-term debt	32,625	23,637	2
Repayment of short-term debt	(17,048)	(15,974)	(
Increase (decrease) in amounts due to an officer/stockholder	(10,388)	147,215	4
Purchase of treasury stock	--	--	
Proceeds from sale of common stock	143,952	18,000	1,1
Net cash provided by financing activities	149,141	172,878	1,7
Net increase (decrease) in cash	1,686	5,618	
Cash at beginning of period	--	1,822	
Cash at end of period	$ 1,686	$ 7,440	$

See accompanying notes to the financial statements.

FONECASH, INC AND SUBSIDIARIES
(A Development Stage Company)
Form 10QSB
Quarter Ended September 30, 2002
Notes to Consolidated Financial Statements

Note 1 - Condensed Consolidated Financial Statements

Basis of Presentation

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 December 31, 2001.

Note 2 - Stockholders' Equity (Deficit)

Common Stock

Since December 31, 2001, the Company has issued 23,400,000 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

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 $4,955,703 from Inception to September 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 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 September 30, 2002 were $988,919 as compared to $460,770 for the same period in 2001, representing an increase of $528,149. The increase during the three month period ending September 30, 2002 was primarily due to cost associates with legal, accounting and manufacturing of samples of the Company's wireless products.

Compensation and related benefits during these three months was $228,110 and represented compensation to its consultant; but not to its president whose total compensation for the three months ended September 30, 2002. amounted $3,000.

Balance Sheet Data

The Company's combined cash and cash equivalents totaled $236,020 for the period ending September 30, 2002. This is an increase of $22,380 from $213,640 for the period ending December 31, 2001

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

Property and equipment was valued at $10,199 for the period ending September 30, 2002 and this represents a decrease of $20,121 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. This matter has been resolved and the registration statement withdrawn. The Company is complying with all requirements in the Consent order.

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 agreement of Preliminary Injunctions in the pending action. This Consent was 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. This civil action has not been resolved, and the Company has decided to litigate this case as it believes it has defenses to the allegations. It is the opinion of the Company that the matter will reach a resolution that does not have a material adverse effect on the Company.

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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 Plaintiff has obtained a judgment against the defendants. The Company is seeking a method to pay the outstanding balance so as not to adversely affect the Company. If the judgment creditor seeks to enforce the judgment it would have an adverse material effect on the Company to operate.

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 $2,303.31 for services incurred for filings documents with the Securities and Exchange Commission. The Plaintiff has received a judgment against the Company. The Company intends to pay the amount due upon receipt of funds. If the judgment creditor seeks to enforce the judgment it would have an adverse effect on the ability of the Company to operate.

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. At present the Company has a preliminary resolution with the claimant to make payments on the outstanding amount. The Company has made an initial payment. If the creditor was to reduce the amount, sue to judgment, after instituting litigation, any enforcement of the judgment, it would have an adverse material effect on the ability of the Company to operate.

On August 13, 2002, the United Stated Attorney for the Southern District of Florida handed up an indictment in the United States District Court for the Southern District of Florida, naming four defendants, including Daniel E. Charboneau, President, CEO and Chairman of the Company. The indictment does not name the Company, or any other Company employee. Although alleging a broader conspiracy, the indictment alleges that Mr. Charboneau engaged in a scheme to circumvent and violated certain restrictions on the raising of capital for public companies through the sale of restricted shares at an inflated price in the Company and the maximum amount that can be paid for commissions to intermediaries, among other counts of various wire and mail fraud. The other defendants named in the indictment have no involvement in the business of the Company. Mr. Charboneau has entered a plea of "Not Guilty" to the charges against him and intends to vigorously defend himself. The Company intends to continue its normal day-to-day business operations while Mr. Charboneau vigorously contest the allegations .It is impossible to determine at this time if this action will have any material affect on the Company.

Item 2 Changes in Securities

During the period ending June 30, 2002, the Company issued 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

None

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 September 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
November 20, 2002

Item 6 Exhibits and reports on Form 8-K

a. Exhibit Index

b. Reports of Form 8-K

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: November 20, 2002