

Edgar Filing: EASYWEB INC - Form 10QSB

EASYWEB INC
Form 10QSB
November 13, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-QSB

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

For Quarter Ended: September 30, 2002

Commission File Number 0-32353

EASYWEB, INC.

(Exact name of registrant as specified in its charter)

COLORADO

84-1475642

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

6025 South Quebec Street, Suite 150, Englewood, Colorado

80111

(Address of principal executive offices)

(Zip code)

(720) 489-8873

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if
changed since last report.)

Indicate by check 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 the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

Common stock, no par value
Class

4,506,200
Number of shares outstanding at
November 13, 2002

This document is comprised of 12 pages.

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FORM 10-QSB
3RD QUARTER

INDEX

	Page

PART 1 - FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed balance sheet, September 30, 2002 (unaudited)	3
Condensed statements of operations, three and nine months ended September 30, 2002 (unaudited) and 2001 (unaudited), and September 24, 1998 (inception) through September 30, 2002 (unaudited)	4
Condensed statements of cash flows, nine months ended September 30, 2002 (unaudited) and 2001 (unaudited), and September 24, 1998 (inception) through September 30, 2002 (unaudited)	5
Notes to unaudited condensed financial statements	6
Item 2. Plan of Operation	8
PART 2 - OTHER INFORMATION	
Item 1. Legal Information	9
Item 2. Changes in Securities	9
Item 3. Defaults Upon Senior Securities	9
Item 4. Submission of Matters to a Vote of Security Holders	9
Item 5. Other Information	9
Item 6. Exhibits and Reports on Form 8-K	9
Signatures	10

EASYWEB, INC.
(A Development Stage Company)

Condensed Balance Sheet
(Unaudited)

September 30, 2002

Assets

Cash	\$ 33
Computer software and web site development costs, net	700

	\$ 733
	=====

Liabilities and Shareholders' Deficit

Liabilities:

Accounts payable and accrued liabilities	\$ 4,670
--	----------

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Indebtedness to related parties (Note B)	7,053	-----
Total liabilities ..	11,723	-----
Shareholders' deficit (Note D):		
Common stock	120,050	
Outstanding stock options	20,600	
Additional paid-in capital	48,066	
Deficit accumulated during development stage	(199,706)	-----
Total shareholders' deficit ..	(10,990)	-----
	\$ 733	=====

See accompanying notes to condensed financial statements

3

EASYWEB, INC.
(A Development Stage Company)

Condensed Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenue:				
Commissions, related party	\$ --	\$ --	\$ --	\$ --
Commissions, other	--	543	2,570	--
Total revenue	--	543	2,570	--
Operating expenses:				
Stock-based compensation	--	--	--	--
Rent (Note B)	--	1,000	1,000	--
Contributed rent (Note B)	1,500	500	3,500	--
Administrative support (Note B)	375	375	885	--
Contributed administrative support (Note B)	2,625	2,625	8,115	--
Salaries and payroll taxes	--	--	--	--
Professional fees	689	2,134	14,742	--
Web site consulting and maintenance	320	409	570	--
Information technology agreement	--	--	--	--
Advertising	--	--	--	--
Depreciation and amortization	210	188	585	--
Other	832	240	2,345	--
Total operating expenses	(6,551)	(7,471)	(31,742)	--

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Operating loss	(6,551)	(6,928)	(29,172)	
Income taxes (Note C)	---	---	---	---
Net Loss	\$ (6,551)	\$ (6,928)	\$ (29,172)	\$
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$
Basic and diluted weighted average common shares outstanding	4,506,200	3,590,200	4,497,667	3,

See accompanying notes to condensed financial statements

4

EASYWEB, INC.
(A Development Stage Company)

Condensed Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,		Septe 1 (Inc th Sept 2
	2002	2001	
Net cash (used in) operating activities	\$ (13,655)	\$ (25,883)	\$ (1
Cash flows from investing activities:			
Equipment purchase	(316)	--	
Payments for intangible assets	--	--	
Net cash (used in) investing activities	(316)	--	
Cash flows from financing activities:			
Proceeds on advances from related parties	2,553	--	
Repayment of advances from related parties	(5,500)	--	
Proceeds from the sale of common stock	16,500	--	1
Payments for offering costs	--	--	(
Net cash provided by financing activities	13,553	--	1
Net change in cash	(418)	(25,883)	
Cash, beginning of period	451	26,707	
Cash, end of period	\$ 33	\$ 824	\$

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Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest	\$ --	\$ --	\$
	=====	=====	=====
Income taxes	\$ --	\$ --	\$
	=====	=====	=====
Non-cash financing activity:			
Stock issued for satisfaction of debt	\$ --	\$ --	\$
	=====	=====	=====

See accompanying notes to condensed financial statements

EASYWEB, INC.
(A Development Stage Company)

Notes to Unaudited Condensed Financial Statements

Note A: Basis of presentation

The financial statements presented herein have been prepared by the Company in accordance with the accounting policies in its Form 10-KSB dated December 31, 2001, and should be read in conjunction with the notes thereto.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim period presented have been made. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

The Company is in the development stage in accordance with Statements of Financial Accounting Standards (SFAS) No. 7 "Accounting and Reporting by Development Stage Enterprises". As of September 30, 2002, the Company has devoted substantially all of its efforts to financial planning, raising capital and developing markets.

Financial data presented herein are unaudited.

Note B: Related party transactions

Rent

The Company paid an affiliate \$4,000 in April 2001 to rent office space for the period from April 1, 2001 through March 31, 2002. As of March 31, 2002, all \$4,000 was expensed as rent expense including \$1,000 for the nine months ended September 30, 2002 in the accompanying condensed unaudited financial statements. The Company's management has estimated the fair market value of the office space at \$500 per month. Therefore, an additional \$3,500 was expensed as rent during the nine months ended September 30, 2002, with an offsetting credit to additional paid-in capital.

Administrative support

An affiliate charged the Company \$1,000 per month for administrative support. The Company paid the affiliate \$885 during the nine months ended September 30, 2002. The remaining balance of \$8,115 is recorded as contributed services. The contribution is reflected as a credit to additional paid-in capital in the

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accompanying condensed financial statements.

Indebtedness to related parties

 The Company owed an affiliate \$6,403 for administrative expenses paid on behalf of the Company at September 30, 2002. The Company also owed an officer \$650 for working capital advances made during the nine months ended September 30, 2002. Both amounts are included in the accompanying condensed financial statements as "indebtedness to related parties".

In January 2002, the Company repaid two directors a total of \$5,500 for working capital advances received in prior periods.

6

EASYWEB, INC.
 (A Development Stage Company)

Notes to Unaudited Condensed Financial Statements

Note C: Income taxes

The Company records its income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". The Company incurred net operating losses during the nine months ended September 30, 2002 resulting in a deferred tax asset, which was fully allowed for; therefore, the net benefit and expense resulted in \$-0- income taxes.

Note D: Shareholder's deficit

Following is a schedule of changes in shareholders' deficit for the nine months ended September 30, 2002:

	Common stock		Outstanding	Additional	Deficit
	Shares	Amount	Stock	Paid-In	Accumulat
	-----	-----	Options	Capital	During
	-----	-----	-----	-----	Developme
	-----	-----	-----	-----	Stage
	-----	-----	-----	-----	-----
Balance, January 1, 2002	3,940,200	\$ 99,550	\$ 20,600	\$ 36,451	\$ (170,53
January 2002, sale of common stock at \$.03 per share	500,000	15,000	--	--	--
January 2002, sale of common stock to officers at \$.03 per share	50,000	1,500	--	--	--
April 2002, conclusion of Arizona rescission offer	16,000	4,000	--	--	--
Office space and administrative support contributed by an affiliate	--	--	--	11,615	--
Net loss for the six months ended June 30, 2002	--	--	--	--	(29,17
Balance, June 30, 2002	4,506,200	\$ 120,050	\$ 20,600	\$ 48,066	\$ (199,70
	=====	=====	=====	=====	=====

During January 2002, the Company sold 550,000 shares of its common stock for \$16,500, or \$.03 per share. Of the 550,000 shares sold, 50,000 shares were sold to officers of the Company and 500,000 shares were sold to unrelated third parties.

Rescission offer

On July 5, 2000, the Company notified the State of Arizona that it had collected proceeds from a common stock offering prior to meeting all Blue Sky laws required by that State. The Company sold 16,000 shares of its no par value common stock to three Arizona residents for \$4,000 through the private stock offering. To remedy this situation, the Company undertook a voluntary rescission offering pursuant to R14-4-101 of the Regulations of the Arizona Corporation Commission, Title 14, Chapter 4, as amended, which was approved by the Arizona Corporation Commission, Securities Division on April 10, 2002. The Rescission Offer was subsequently submitted to the Arizona investors, all of whom declined to rescind their shares.

Part I. Item 2. Plan of operation

EASYWEB, INC.
(A Development Stage Company)

PLAN OF OPERATION

The Company plans to continue to design, market, sell and maintain customized and turnkey web sites on the Internet that are hosted by third parties. To date, revenues from these services have been minimal. The Company intends to generate increased revenue through the expenditure of additional funds for marketing, advertising and promotion. The Company believes that the revenue generated from operations may not be sufficient to finance future activities and that it may be necessary to raise additional funds through equity and/or debt financing in the next twelve months. There is no assurance that the Company will be able to generate additional capital for marketing, advertising and promotion and/or other purposes. In the event that only limited additional financing is received, the Company expects its opportunities in the design, marketing, and sale of Internet web sites to be limited.

Furthermore, if we are unable to raise additional capital to support our future operations, we may begin exploring business opportunities for possible investments and/or business combinations with companies that may be outside of our original business plan. As of the date of this filing, we have had no discussions and no agreements have been reached with any third parties regarding such an investment or business combination.

The Company does not intend to hire any additional employees in the foreseeable future. The Company does not intend to make significant equipment purchases or conduct any research and development within the next twelve months.

Special note regarding forward-looking statements

This report contains forward-looking statements within the meaning of federal securities laws. These statements plan for or anticipate the future.

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Forward-looking statements include statements about our future business plans and strategies, statements about our need for working capital, future revenues, results of operations and most other statements that are not historical in nature. In this Report, forward-looking statements are generally identified by the words "intend", "plan", "believe", "expect", "estimate", and the like. Investors are cautioned not to put undue reliance on forward-looking statements. Except as otherwise required by applicable securities statutes or regulations, the Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise. Because forward-looking statements involve future risks and uncertainties, these are factors that could cause actual results to differ materially from those expressed or implied.

9

Part 2. Other Information

EASYWEB, INC.
(A Development Stage Company)

Item 1 - Legal Information.

No response required.

Item 2 - Changes in Securities.

During January 2002, the Company sold 550,000 shares of its common stock for \$16,500, or \$.03 per share. Of the 550,000 shares sold, 50,000 shares were sold to officers of the Company and 500,000 shares were sold to unrelated third parties. The shares were sold to seven persons pursuant to the exemption from the registration requirements of the Securities Exchange Act of 1933 (the "Act"), as amended, provided by Section 4(2) of the Act for transactions by an issuer not involving any public offering.

Item 3 - Defaults Upon Senior Securities.

No response required.

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

No response required.

Item 5 - Other Information.

Dispute with Consultant. The Company is currently in dispute with a consultant whom the Company was heavily dependent upon for certain previous business and technical development. While engaged by the Company, the consultant developed proprietary information that is essential for the Company to perform certain aspects of its business. The Company believes that this proprietary information has been paid for and is the property of the Company. The Company is currently exploring its options as to the approach it plans to take with the consultant to retrieve this proprietary information.

SEC Investigation. We are informed that the Securities and Exchange Commission has commenced a formal inquiry regarding trading in the stock of a non-affiliated entity for which David Olson and Summit Financial Relations, Inc., a company that Mr. Olson is affiliated

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with, acted as public and investor relations firm.

The SEC staff has notified Summit and Mr. Olson that they intend to recommend that the SEC bring a civil injunctive action against Summit and Mr. Olson, alleging that Summit and Mr. Olson violated section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934 (and SEC Rule 10b-5 under the 1934 Act). The SEC staff also has indicated that they may recommend that the SEC action seek disgorgement of profits and civil penalties from Summit and Mr. Olson.

Summit and Mr. Olson have indicated they intend to contest the SEC staff position as being wholly without merit, and intend to make a submission to the SEC in opposition to the SEC staff recommendation to the SEC.

10

To date, the SEC has not brought an action against Summit or Mr. Olson, and it is possible that the SEC will not bring an action against Summit or Mr. Olson.

The ultimate outcome of the SEC staff investigation and recommendation to the SEC (and resulting impact to Summit and Mr. Olson) cannot be currently determined with any degree of certainty. Item 6 - Exhibits and Reports on Form 8-K.

(a) Exhibits:

1. 99.1: Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - CEO
2. 99.2: Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - CFO

(b) Reports on Form 8-K:

None.

11

SIGNATURES

The financial information furnished herein has not been audited by an independent accountant; however, in the opinion of management, all adjustments (only consisting of normal recurring accruals) necessary for a fair presentation of the results of operations for the three and nine months ended September 30, 2002 have been included.

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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EASYWEB, INC.
(Registrant)

DATE: November 13, 2002

BY: /s/ David C. Olson

David C. Olson
President