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INNOFONE COM INC
Form 10QSB
February 11, 2003

FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

(Mark One)

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

For the quarterly period ended December 31, 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 0-31949

INNOFONE.COM, INC.

(Exact name of registrant as specified in its charter)

Nevada

98-0202313

(State or other jurisdiction of incorporation or organization)

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

3470 Olney-Laytonsville Rd., Suite 118, Olney, MD

20832

(Address of principal executive office)

(Zip Code)

(301) 774-8294

(Registrant's telephone number, including area code)

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

The number of shares outstanding of each of Issuer's classes of common equity as of December 31, 2002.

Common Stock at Par Value \$0.001

123,880,331

Title of Class

Number of Shares

(Stated in United States dollars)

I N N O F O N E . C O M ,
I N C O R P O R A T E D

For the quarter ended DECEMBER 31, 2002
(Unaudited)

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INNOFONE.COM, INCORPORATED

(Stated in United States dollars)

December 31, 2002 with comparative figures as at June 30, 2002

| | December 31, 2002 | June 30, 2002 |
|---|-------------------|---------------|
| | (unaudited) | (audited) |
| Assets | | |
| ----- | | |
| Current assets: | | |
| Prepaid expenses and deposits | \$ 25,000 | \$ - |
| | ----- | ----- |
| | 25,000 | |
| Investment in 908651 Alberta Ltd. | 210,000 | 210,000 |
| | ----- | ----- |
| | \$ 235,000 | \$ 210,000 |
| ===== | | |
| Liabilities and Shareholders' Deficiency | | |
| ----- | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 220,272 | \$ 212,572 |
| Due to officers and directors | 104,000 | 104,000 |
| Convertible debt | 500,000 | 500,000 |
| Note payable | 150,000 | 150,000 |
| | ----- | ----- |
| | 974,272 | 966,572 |
| Shareholders' deficiency: | | |
| Share capital (note 2): | | |
| Common shares | 4,854,522 | 4,841,522 |
| Preferred shares | 1,250 | 1,250 |
| Additional paid-in capital | 7,841,593 | 7,719,593 |
| | ----- | ----- |
| | 12,697,365 | 12,562,365 |
| Deficit | (13,436,637) | (13,318,937) |
| | ----- | ----- |
| | (739,272) | (756,572) |
| Future operations (note 1(a)) | | |
| Subsequent event (note 5) | | |
| | ----- | ----- |
| | \$ 235,000 | \$ 210,000 |
| ===== | | |

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See accompanying notes to financial statements.

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INNOFONE.COM, INCORPORATED

(Stated in United States dollars)

For the three months ended December 31, 2002 with comparative figures for the three months ended December 31, 2001 and the year ended June 30, 2002

| | Three months ended | |
|---|--------------------|-------------------|
| | December 31, 2002 | December 31, 2001 |
| | (unaudited) | (unaudited) |
| Sales | \$ - | \$ (note 4) |
| Cost of sales | - | - |
| Gross profit | - | - |
| Forgiveness of debt | | - |
| Selling, general and administrative expenses | 21,170 | - |
| Net gain on sale of Digital Micro Distribution Canada Incorporated | - | - |
| | 21,170 | - |
| Net income (loss) | (21,170) | - |
| Basic net loss per share | \$ nil | \$ nil |
| Weighted average number of common shares outstanding | 114,788,000 | 31,689,000 |

See accompanying notes to financial statements.

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INNOFONE.COM, INCORPORATED

Statements of Shareholders' Deficiency and Comprehensive Loss
(Stated in United States dollars)

Three months ended December 31, 2002 with comparative figures for the year ended
June 30, 2002

| | Common shares | Preferred shares | Additional paid-in capital | Common share purchase warrants | De |
|---|------------------|---------------------|----------------------------------|---|--------|
| Balance June 30, 2001 | 4,772,715 | 1,250 | 7,098,052 | - | (13,65 |
| Convertible notes converted to stock | 520 | - | 415,480 | - | |
| Stock options exercised | 475 | - | (427) | - | |
| Issuance of stock for equipment | 146 | - | 7,154 | - | |
| Issuance of stock for Digital Micro Distribution Canada Inc. | 67,000 | - | - | - | |
| Convertible notes converted to stock | 666 | - | 199,334 | - | |
| Net earnings | | | | | 33 |

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| | | | | | |
|--|-----------|-------|--------------|------|-------------|
| Balance, June 30, 2002 | 4,841,522 | 1,250 | 7,719,593 | - | (13,311) |
| Net loss for the three months ended December 31, 2002 | | | | | (11,000) |
| Stock issued for consulting services | 7,500 | | 72,500 | | |
| Stock issued for legal services | 500 | | 4,500 | | |
| Stock issued for investor relation services | 5,000 | | 45,000 | | |
| Balance, December 31, 2002 | 4,854,522 | 1,250 | \$ 7,841,593 | \$ - | \$ (13,411) |

See accompanying notes to financial statements.

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INNOFONE.COM, INCORPORATED

Statement of Changes in Financial Position
(Stated in United States dollars)

For the quarter ended December 31, 2002 with comparative figures for the year
ended June 30, 2002

| | December 31, 2002 | June 30, 2002 |
|--|-------------------|---------------|
| | (unaudited) | (audited) |
| Cash flows provided by (used in): | | |
| Operations: | | |
| Net earnings (loss) | \$ (21,170) | \$ 335,940 |
| Change in non-cash operating working capital | | |
| Prepaid expenses and deposits | - | 225 |
| Accounts payable and accrued liabilities | - | (19,938) |
| | (21,170) | 316,227 |
| Financing: | | |

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| | | |
|--|--------|-----------|
| Increase(decrease) in bank indebtedness | - | (546) |
| Due to officers and directors | - | (180,470) |
| Issuance of capital stock | 21,170 | 690,348 |
| Convertible debt | | (616,000) |
| ----- | | |
| | 21,170 | (106,668) |
| Investments: | | |
| Investment in 908651 Alberta Ltd. | - | (210,000) |
| Capital assets | - | 441 |
| ----- | | |
| | - | (209,559) |
| Effect of exchange rate changes on cash | - | - |
| ----- | | |
| Increase (decrease) in cash and cash equivalents | nil | nil |
| Cash and cash equivalents, beginning of period | nil | nil |
| ----- | | |
| Cash and cash equivalents, end of period | \$ nil | \$ nil |
| ===== | | |

Cash interest paid for the quarter ended December 31, 2002 and the year ended June 30, 2002 was \$0 and \$0 respectively.

See accompanying notes to financial statements

INNOFONE.COM, INCORPORATED

Notes to Financial Statements
(Stated in United States dollars)
(Unaudited)
For the quarter ended December 31, 2002

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Innofone.com, Incorporated (the "Company") is incorporated under the laws of the State of Nevada. Effective October 15, 2001, the Company acquired Digital Micro Distribution Canada Inc. ("DMD Canada") which operated in Canada as a reseller of used computer related products. DMD Canada, the Company's legal subsidiary was sold pursuant to an agreement of purchase and sale dated June 11, 2002. The Company is currently working on a strategy to raise capital in order to survive.

1. Basis of presentation:

(a) Going concern Issue:

The Company currently has a going concern issue as there are insufficient assets or prospective cash flows to fund its liabilities. The effect of this on the Company being able to meet its current or future obligations cannot be determined.

(b) Bulletin Board Listing:

In January 2001, the Company completed a Registration Statement that has been filed with the United States Securities and Exchange Commission in order for the Company's shares to be eligible for trading in the United States on the NASD over-the-counter Bulletin Board.

(c) Acquisition and Disposition of Digital Micro Distribution Canada Inc.:

On October 15, 2001, the directors of the Company approved a share exchange takeover bid whereby, all of the common shares of Digital Micro Distribution Canada Inc. ("DMD Canada") were acquired in exchange for 67,000,000 shares of its common stock. The exchanged shares would be "restricted securities" as defined under Rule 144(A) under the Securities Act of 1993, as amended. The result of this transaction is that the former shareholders of DMD Canada would hold 67% of the outstanding common shares of the Company.

Pursuant to an agreement dated June 11, 2002 between the Company and 908651 Alberta Ltd. operating as Qvest Management Group ("Qvest"), the Company disposed of its interest in DMD Canada in exchange for 1,750,000 shares of Qvest. This investment represents approximately a 13.5% interest in Qvest. Qvest has undertaken to amalgamate with another public company by reverse takeover within 6 months upon meeting the criteria for a qualifying transaction for a company with approval from the TSX Venture Exchange. The value of the Company's investment in Qvest has been recorded at the approximate book value of DMD Canada as at the date of the transaction.

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(Stated in United States dollars)
(Unaudited)
For the quarter ended December 31, 2002

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1. Basis of Presentation (continued):

(d) Interim financial statements:

These unaudited financial statements should be read in conjunction with the Company's annual audited financial statements which were completed as of June 30, 2002. In the opinion of management, the unaudited interim financial statements have been prepared on the same basis as the audited financial statements and include all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of the results of such periods. The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year.

2. Share Capital:

The number of outstanding common shares of the Company as at December 31, 2002 is computed as follows:

| | Common Shares | Preferred Shares |
|---|------------------|---------------------|
| Existing outstanding shares as at September 30, 2002 | 113,022,505 | 1,250,000 |
| Shares issued for debt conversion | 10,857,826 | |
| Outstanding shares as at December 31, 2002 | 123,880,331 | 1,250,000 |

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INNOFONE.COM, INCORPORATED

Notes to Financial Statements (continued)
 (Stated in United States dollars)
 (unaudited)
 For the quarter ended December 31, 2002

3. Stock options :

The following table summarizes the stock option activity:

| | Number of options | Weighted- average exercise price |
|---|----------------------|--|
| Outstanding at June 30, 2001 | 3,667,000 | \$ 0.42 |
| Exercised | (475,000) | 0.0001 |
| Expired or forfeited | (3,032,000) | 0.47 |
| Outstanding (held by 3 optionees) at June 30, 2002 and December 31, 2002 | 160,000 | \$ 0.40 |

4. Comparative figures:

The 2001 quarterly statements of operation and cash flows have not been presented in these financial statements as the 2001 figures represented the consolidated operations and cash flows of the Company and its subsidiary. As the subsidiary was sold as described in Note 1(c), the comparative figures would not be meaningful to the readers of these financial statements.

5. Subsequent event:

Effective November 7, 2002, the Company entered into a non-binding letter of intent to acquire a majority interest in Universal Life Holding Corporation ("Universal") of Illinois. Completion of the transaction is subject to the negotiation of a stock purchase agreement whereby the Company will acquire approximately 90% of Universal in exchange for approximately 130,000,000 shares of the Company, and is conditional upon completion of due diligence, third party consents and regulatory body approval. The parties agreed to cancel the agreement with no future action required by either party.

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Management's Discussion and Analysis For the Quarter ended December 31st, 2002

Forward-Looking Statements -----

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes thereto for the year ended June 30, 2002 filed with the SEC on October 15, 2002. This quarterly report includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Words such as "may," "plans," "expects," "anticipates," "approximates," "believes," "estimates," "intends," "hopes," "potential," or "continue", and variations of such words and similar expressions, are intended to identify such forward-looking statements. The Company intends such forward-looking statements, all of which are qualified by this statement, to be covered by the safe harbor provisions for forward-looking statements contained in the Private Litigation Securities Reform Act of 1995, and is including this statement for purposes of complying with these safe harbor provisions. The Company has based these statements on its current expectations and projections about future events. These forward-looking statements are not guarantees of future performance, and are subject to risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Forward-looking statements include, but are not limited to:

Our expectations regarding collectable receivables from Innofone Canada is low.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's views only as of the date hereof. The Company is not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Quarterly Report on Form 10-QSB might not occur. Readers should carefully review the risk factors described in the previously filed Form 10-KSB and in any other documents the Company files from time to time with the Securities and Exchange Commission, including any future Annual Reports on Form 10-KSB and Quarterly Reports on Form 10-QSB.

Overview -----

Innofone.com Inc. currently operates out of the offices of 3470 Olney-Laytonsville Rd Olney, MD 2082.

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The Company currently does not have sufficient funds with which to sustain its operations. The company plans to issue restricted 144 stock to try and raise operating capital for the company. There is no assurance that this can be done. There is little chance that the company will receive a dividend from the bankruptcy of its previously owned subsidiary, Innofone Canada.

The Company is currently reviewing and implementing new disclosure controls and procedures to ensure that they fully comply with the new Securities Exchange Act Rules 13a-15 and 15d-15.

- (a) Plan of Operations
- (b) Acquisitions
- (c) Future

The company plans to look for new acquisitions and will not invest or operate any current or previously owned subsidiaries.

The company plans to relocate to Maryland and may change it's offices again if the company is successful in finding a new acquisition.

The Company currently has a going concern issue, as there are insufficient assets or prospective cash flows to fund its liabilities. While the Company is hopeful that it can raise money through the sale of stock, there are no assurances that this can be achieved, it cannot be determined if the company will be able to meet its current or future obligations.

Due to the going concern issues and lack of sufficient operating funds, the new Board is currently funding operations.

(b) Results of Operations

As reflected in the company's statement of operations the company has recorded no sales for the year and the comparative information has been deleted due to the disposition of DMD Canada. The company does not currently conduct any operations.

The company has been increasing its trade debts since year-end June 30th 2002 and is currently not paying any wages. The current officers and directors are covering all expenses of the company via short-term loans and advances. The company has paid for consulting and legal expenses with the issuance of common shares and will continue to do so. The services include the preparation of company filings, the search of acquisition targets and legal expenses.

Liquidity and Capital Resources

As previously mentioned, the company has a going concern issue, as there are insufficient assets or prospective cash flows to fund its liabilities. The effect of this on the company is grave and the future of the company is in great peril.

PART II- OTHER INFORMATION.

Item 1. Legal Proceedings.

There are currently no legal proceedings against the company at this time.

Item 2. Change in Securities.

The company issued an additional Ten Million Eight Hundred Fifty Seven Thousand Eight Hundred and Twenty Six Common Shares as per a debt conversion. No additional shares were issued during the quarter ended December 31, 2002.

Item 3. Defaults Upon Senior Securities.

There was no material default in payments of any Senior Securities.

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

There were no matters requiring a vote of security holders during this period.

Item 5. Other Information.

Subsequent event, the company entered into a non-binding letter of intent with Universal Life Holding Corporation (Universal) in October 2002. Under the terms of the agreement, the Company will acquire approximately 5,500,000 shares of common stock of Universal in exchange for 130,000,000 common stock of Innofone.com Inc. If a definitive agreement were reached, this action would effectively change the control of the Company. The companies have agreed to cancel this agreement and are looking at future opportunities together. There is no assurance that any thing will be consummated.

The Company authorize the sale of a controlling interest in it's newly formed subsidiary, Compubec, in order to for Compubec to raise the required investment capital it needed to survive, and as set by the government of Quebec and its agencies. Due to the past and current trading price of the companies' common stock, the sale of a convertible note, or the sale of securities is and unfavorable to shareholders at this time. In addition no accredited investor was willing to help fund the company to provide the needed funds for this subsidiary.

Resignation of a former officer and director occurred in November of 2002 without dispute. A new Board was app le the vacancies. Mr. Frederic Richardson has accepted the position of Chairman and President. Ed Huyta has accepted the position of Director and Treasurer and Richard Swartzman has accepted the position of Secretary and Director. Mr. Jamie Lobo is still our CFO.

SIGNATURES

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.

INNOFONE.COM, INC.

Date: February 6, 2003

By: /s/ Frederic Richardson

Frederic Richardson, President

