

Edgar Filing: YSEEK INC - Form 10QSB

YSEEK INC
Form 10QSB
November 14, 2002

U.S. 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 the quarterly period ended September 30, 2002

or

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 0-25097

YSEEK, INC.
(Exact Name of Small Business Issuer in Its Charter)

Florida
(State or other jurisdiction of
incorporation or organization)

65-0783722
(I.R.S. Employer
Identification No.)

7732 N. Mobley Drive, Odessa, Florida
(Address of principal executive offices)

33556
(Zip Code)

Registrant's telephone number, including area code: (813) 926-3298

Check whether the issuer: (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 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

The number of shares of the registrant's common stock, par value \$.0001 per
share, outstanding as of November 14, 2002 was 24,201,765.

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Part I - Financial Information Page

Item 1. Financial Statements (unaudited)

YSEEK, INC.

FINANCIAL STATEMENTS

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SEPTEMBER 30, 2002

	September 30, 2002 (unaudited)
ASSETS	
Current assets	
Cash	\$ 22,103
Software license, net	534,104
Other assets	
Shareholder loan receivable, net	7,224
Total Assets	<u>\$ 563,431</u> =====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Accounts payable and accrued expenses	\$ 38,461
Current maturities of long-term debt	59,749
Total current liabilities	<u>98,210</u>
Long-term debt, less current maturities	<u>1,529</u>
Commitments and contingencies	
Stockholders' equity	
Common stock; \$.0001 par value; 50,000,000 shares authorized; 24,201,765 shares issued and outstanding (excluding 5,720 shares held in the treasury)	2,420
Paid in capital	8,267,873
Accumulated deficit	(7,796,101)
	<u>474,192</u>
Less: Subscriptions receivable	(10,500)
Total stockholders' equity	<u>463,692</u>
Total Liabilities and Stockholders' Equity	<u>\$ 563,431</u> =====

YSEEK, INC.
STATEMENTS OF OPERATIONS

Three Months Ended September 30,		Nine Months Ended September 30,	
2002	2001	2002	2001

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Revenues	(unaudited) \$ -	(unaudited) \$ 214	(unaudited) \$ 254	(unaudited) \$ 38
Expenses				
Selling, general and administrative	23,840	997,689	94,229	2,835,45
Total expenses	23,840	997,689	94,229	2,835,45
Other income (expense)				
Interest income	-	583	-	6,68
Interest expense	6,002	(2,348)	(2,853)	(4,51
Total other income (expense)	6,002	(1,765)	(2,853)	2,16
Net loss	\$ (17,838)	\$ (999,240)	\$ (96,828)	\$ (2,832,9
Net loss per common share	\$ -	\$ (.04)	\$ -	\$ (.
Weighted average common shares outstanding	24,051,989	22,315,100	22,894,063	23,947,2

YSEEK, INC.
STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2002	2001
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net loss	\$ (96,828)	\$ (2,832,900)
Adjustments to reconcile net loss to net cash used in operating activities:		
Contributed services	-	8,750
Stock issued for services	-	104,688
Amortization	49,050	66,691
Write down of property and equipment due to impairment	-	129,773
Recovery of amortization expense due to stock recision	-	(324,187)
Loss from disposal of equipment	-	13,566
Decrease (increase) in other receivables	2,025	(3,075)
Increase in interest receivable	-	(8,249)
Decrease in prepaid expenses	-	2,732,933
Increase (decrease) in accounts payable and accrued expenses	3,564	(18,639)
Total adjustments	54,639	2,702,251
Net cash used in operating activities	(42,189)	(130,649)
Cash flows from investing activities		

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Decrease in deposits and other assets	-	30,000
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Cash flows from financing activities		
Proceeds from sale of common stock	105,000	-
Payments on notes payable	(68,201)	(3,130)
Proceeds from issuance of loans payable	23,314	70,200
Net advances from a stockholder	3,941	32,540
	<hr/>	
Net cash provided by financing activities	64,054	99,610
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Net increase (decrease) in cash	21,865	(1,039)
	<hr/>	
Cash, beginning of period	238	1,050
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Cash, end of period	\$ 22,103	\$ 11
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Supplemental disclosures of noncash investing and financing activities:

In June 2001, 3,000,000 shares of common stock were returned to the Company related to goodwill originally valued at \$2,562,500.

In September 2002, the Company received a stock subscription for 700,000 common shares in exchange for a future cash payment of \$10,500.

Supplemental disclosure of cash flow information:

The Company paid approximately \$2,853 and \$1,572 in interest for the nine months ended September 30, 2002 and 2001, respectively.

The information presented herein as of September 30, 2002, and for the three and nine months ended September 30, 2002 and 2001, is unaudited.

(1) Basis of Presentation:

The accompanying financial statements of Yseek, Inc. (the Company) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and item 310(b) of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal required adjustments) considered necessary for a fair presentation have been included.

Operating results for the nine-month period ended September 30, 2002, are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the financial statements and footnotes included in the Company's annual report of Form 10-KSB for the year ended December 31, 2001.

Net loss per common share is computed in accordance with the requirements of Statement of Financial Accounting Standards No. 128 (SFAS 128). SFAS 128 requires net loss per share information to be computed using a simple weighted average of common shares outstanding during the periods presented. In computing diluted loss per share, warrants exercisable into common shares were excluded because the effect is antidilutive.

(2) Reformation Agreement and Loss From Impairment of Assets:

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In December 1999, the Company purchased all the outstanding stock of Rankstreet.com, Inc. In the transaction accounted for as a purchase, the total purchase price of \$2,763,510 (including the value of contingent shares issued in May 2000 and February 2001) was classified as goodwill. The goodwill was being amortized over five years and as of December 31, 2000, accumulated amortization totaled \$525,082.

Additionally, during 2000 the Company contracted with consultants to develop a web site for Rankstreet. The website was capitalized with a value of \$206,250 and was being amortized over three years. Accumulated amortization as of December 31, 2000 was \$59,289.

In April 2001, the existing management and Board of Directors of the Company resigned and were replaced by individuals with experience with internet based business. The new Board of Directors evaluated the website and the goodwill that was acquired in the purchase of Rankstreet.com, Inc. and deemed it to be impaired and of no future value to the Company.

Upon further investigation by the Company's new management it was determined that certain contingencies in the original acquisition agreement had not been met. In September 2001, the original stockholders of Rankstreet.com, Inc. entered into a reformation agreement with the Company. This agreement concluded that the 3,000,000 shares issued in December 1999 and May 2000 would be returned since the contingencies related to these shares had not been met. Those shares were returned to the Company in September 2001. This reformation results in a reduction in goodwill related to the Rankstreet acquisition of \$2,562,500, the original value of the shares issued. This resulted in the recovery of amortization in the amount of \$324,069. The Company recognized an impairment loss due to the Rankstreet website of \$129,773. The 2001 financial statements reflect this agreement.

(3) Common Stock Transactions:

During the third quarter of 2002, the Company sold 7,606,665 shares of common stock for cash of \$105,000 and a stock subscription receivable of \$10,500.

In 2000, the Company issued 5,720,000 shares of common stock under two traffic promotion agreements, with two companies related to then officers or directors of Yseek. These agreements expired one year later. The Company recognized an expense of \$1,287,000 related to these agreements. In September 2002, the two companies returned the entire 5,720,000 common shares. Yseek and the companies executed mutual releases from any future claims, losses or rights. The shares received by the Company have been reflected as treasury shares and were recorded at cost, which was zero.

Item 2. Management's Discussion and Analysis or Plan of Operation

PLAN OF OPERATION

In the fourth quarter of 2000 and the first quarter of 2001, the Company entered into strategic alliances with companies and individuals with substantial experience in the Internet industry. The alliances allowed the Company to acquire management and marketing expertise through consulting agreements. In April 2001, the Company's officers resigned. Individuals affiliated with the consultants noted above were elected to the Board of Directors. These individuals have substantial experience with profitable Internet companies and web sites. In September 2002 these officers and directors elected new officers and directors and then resigned. The new officers and directors have been involved with the company since its inception, except for the period from April 2001 to September 2002.

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In late 2000, the Company acquired a ten-year software license for the use of a keyword biddable search engine and related domain names. The Company entered into two traffic promotion agreements whereby each promoter provided hits to the Company web site. The Company issued stock in exchange for these agreements enabling the Company to move forward on its plans without the use of any funds. The stock issued under the traffic promotion agreements was returned in September 2002. New management is determining the future plans for the search engine.

The Company's plans include acquiring profitable business ventures. The Company is currently actively exploring several possible acquisitions however there are no pending letters of intent, active negotiations or other plans.

The Companies plans to acquire other profitable business ventures will require additional funds. During September and October of 2002, the Company received \$115,500 from sales of common stock, of which \$35,000 was from one of the new officers who is a major stockholder. This initial funding was used primarily to pay off debts. The Company plans to fund the operations of the company through additional sales of common stock. Acquisitions will be funded through a combination of cash, stock and debt. The Company believes that in the current marketplace they are an attractive merger partner due to their public company status.

As of September 30, 2002 the Company had cash available of approximately \$22,000. However, the Company's operations are currently minimal and the cash outflows have been substantially reduced.

Additionally the Company's officers and board members have agreed to fund the Company's operations if necessary.

In October, 2002 the Company entered into employment agreements with its vice president and treasurer. The employment agreements are for the period October 1, 2002 through September 30, 2003. Compensation under both agreements will be 4,500,000 common shares valued at \$.01 per share.

Part II.

Item. 2. Changes in Securities

From September 9, 2002, to September 25, 2002, Registrant sold a total of 6,966,665 common shares for a cash purchase price of \$.015 per share as follows:

Name	Number Common Shares Purchased	Date
Rachel L. Steele	2,300,000	09-10-02
Gary H. Anderson	1,000,000	09-25-02
Barbara B. Reschly	1,000,000	09-09-02
Alvin L. Ferrer	333,333	09-10-02
Jainarine Leonard	66,666	09-19-02
Frances Best-Ferrer	266,666	09-18-02
Timothy C. Minnehan	2,000,000	09-09-02

All sales were made pursuant to Section 4(2) of the 1933 Act. The proceeds of the sale of these securities were used to pay \$53,439.05 due to 2D&H, Inc. a corporation controlled by David G. Marshlack and Charles Bruce Hammil, \$80,000 to David G. Marshlack, Dan Marshlack, and Charles Bruce Hammil, and to provide operating capital.

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Item 6. Exhibits and Reports on Form 8-K

Exhibits

Exhibit	Description	Number
(2)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession.....	None
(4)	Instruments defining the rights of holders, including Indentures	None
(10)	Material contracts	None
(10.1)	Employment Agreement with Rachel L. Steele dated October 1, 2002....*	
(10.2)	Employment Agreement with Tanya Ostrowski dated October 1, 2002.. ..*	
(11)	Statement re: computation of per share earnings.....	Note 1 to Financial Statements
(15)	Letter re: Unaudited Interim Financial Information.....	None
(18)	Letter on change in accounting principles.....	None
(19)	Report Furnished to Security Holders	None
(22)	Published report regarding matters submitted to vote.....	None
(23)	Consents of Experts and Counsel.....	None
(24)	Power of Attorney.....	None
(99)	Additional Exhibits.....	None
99.1	Certification of CEO and CFO.....	*

* Filed herewith

(b) REPORTS ON FORM 8-K:

Report on Form 8-K filed September 11, 2002, reporting Item 1 and Item 6.

Amended Report on Form 8-K filed September 25, 2002, amending the Report on Form 8-K filed September 11, 2002.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

YSEEK, INC.

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Dated: November 14, 2002

By: /s/ David Weintraub

David Weintraub
Chief Executive Officer
Chief Financial Officer