

Edgar Filing: YSEEK INC - Form 10QSB

YSEEK INC
Form 10QSB
August 14, 2001

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 June 30, 2001

or

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

Commission file number: 0001058307

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

Florida
(State or other jurisdiction of
incorporation or organization)

65-078-3722
(I.R.S. Employer Identifi-
fication No.)

412 East Madison Street, Suite 1000, Tampa, Florida
(Address of principal executive offices)

33602
(Zip Code)

Registrant's telephone number, including area code: (813) 221-4429

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 August 13, 2001 was 22,315,100.

Table of Contents to Form 10QSB

Part I - Financial Information	Page
Item 1. Financial Statements (unaudited)	
Balance Sheet June 30, 2001.....	2

Edgar Filing: YSEEK INC - Form 10QSB

Statements of Operations - six Months	
Ended June 30, 2001 and 2000	3
Statements of Cash Flows - six Months	
Ended June 30, 2001 and 2000.....	4
Notes to Financial Statements.....	6
Item 2. Management's Discussion and Analysis or Plan of Operation.....	8
Part II - Other Information	
Item 2. Changes in Securities and Use of Proceeds.....	None
Item 3. Reports on 8-K.....	None
Item 6. Exhibits and Reports on Form 8-K.....	None

YSEEK, INC. BALANCE SHEET

		June 30, 2001

		(unaudited)
ASSETS		
Current assets		
Cash	\$	5,348
Prepaid expenses		1,565,321

Total current assets		1,570,669

Property and equipment, net		615,855
Other assets		
Shareholder loan receivable		136,955

Total Assets	\$	2,323,479
		=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$	11,781
Current maturities of notes payable		44,579

Total current liabilities		56,360

Long-term debt, less current portion		8,790

Edgar Filing: YSEEK INC - Form 10QSB

Stockholders' equity	
Common stock; \$.0001 par value; 50,000,000 shares authorized; 22,315,100 shares issued and outstanding	2,231
Paid in capital	8,152,562
Accumulated deficit	(5,896,464)

Total stockholders equity	2,258,329

Total Liabilities and Stockholders' Equity	2,323,479
	=====

The accompany notes are an integral part of the financial statements.

YSEEK, INC.
STATEMENTS OF OPERATIONS

	Three Months Ended June 30		2001 (unaudited)
	2001 (unaudited)	2000 (unaudited)	
Revenues	\$ 171	\$ -	\$ -
Expenses			
Selling, general and administrative	827,415	485,696	1,833,111
Total expenses	827,415	485,696	1,833,111
Other income (expense)			
Interest income	2,888	2,180	(1,833,111)
Interest expense	(1,608)	(660)	(1,833,111)
Total other income (expense)	1,280	1,520	(1,833,111)
Loss from continuing operations	(825,964)	(484,176)	(1,833,111)
Discontinued operations			
Income (loss) from discontinued carwash and quick-lube operations	-	629	(1,833,111)
Loss on disposal of property, equipment and related assets	-	-	(1,833,111)
Loss from discontinued operations	-	629	(1,833,111)
Net Loss	\$ (825,964)	\$ (483,547)	\$ (1,833,111)
Loss per common share			
From continuing operations	\$ (.03)	\$ (.04)	\$ (1,833,111)

Edgar Filing: YSEEK INC - Form 10QSB

Discontinued operations:			
Loss from operations	-	-	
Loss on disposal	-	-	
<hr style="border-top: 1px dashed black;"/>			
Total loss per share	\$ (.03)	\$ (.04)	\$
<hr style="border-top: 3px double black;"/>			
Weighted average common shares outstanding	24,715,100	11,742,956	24,89

The accompany notes are an integral part of the financial statements.

YSEEK, INC. STATEMENTS OF CASH FLOWS

		Six
		2001
		(unaudited)
Cash flows from operating activities		
Net loss		\$ (1,83
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock issued for services		10
Contributed services		5
Depreciation and amortization		1
Loss from disposal of assets from discontinued operations		12
Loss from disposal of equipment		(32
Writedown of property and equipment due to impairment		1,78
Recovery of amortization expense due to stock recision		(
Decrease in prepaid expenses		(2
Increase in interest receivable		-----
Increase (decrease) in accounts payable and accrued expenses		1,73
Total adjustments		-----
Net cash used in operating activities		(9
Cash flows from investing activities		
Acquisition of property and equipment		3
Decrease in deposits and other assets		-----
Net proceeds from sale of discontinued business segment		3
Net cash provided by investing activities		-----
Cash flows from financing activities		
Payments on notes payable		(
Net proceeds from issuance of stock		4
Net proceeds from issuance of note payable		3
Net advances from stockholder		-----
Net cash provided by financing activities		6
Net increase in cash and cash equivalents		-----

Edgar Filing: YSEEK INC - Form 10QSB

Cash and cash equivalents, beginning of period

Cash and cash equivalents, end of period

\$
=====

The accompany notes are an integral part of the financial statements.

YSEEK, INC.
STATEMENTS OF CASH FLOWS
(Continued)

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.

The Company issued 1,235,000 shares of stock for goodwill and capitalized software valued at \$1,206,250 during the six months ended June 30, 2000.

The Company issued 297,000 shares of stock for contributed services valued at \$273,540 during the six months ended June 30, 2000.

Supplemental disclosure of cash flow information:

The Company paid approximately \$1,087 in interest for the six months ended June 30, 2001 and \$33,000 in interest for the six months ended June 30, 2000.

The accompany notes are an integral part of the financial statements.

YSEEK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

The information presented herein as of June 30, 2001, and for the three and six-months ended June 30, 2001 and 2000, 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

Edgar Filing: YSEEK INC - Form 10QSB

of normal required adjustments) considered necessary for a fair presentation have been included.

Operating results for the six month period ended June 30, 2001, are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. 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, 2000.

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:

In December 1999, the Company purchased all the outstanding stock of Rankstreet.com, Inc. 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 web site 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 businesses. 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. Therefore the assets were written down to zero resulting in a loss from impairment of \$2,368,201. This loss was reflected in the March 2001 statement of operations as selling, general and administrative expenses.

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 June 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 June 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 results in the elimination of the impairment related to goodwill and the recovery of amortization in the amount of \$324,187. The impairment loss due to the Rankstreet website remains unchanged. The March 31, 2001 financial statements have been restated to reflect this agreement.

(3) Stock Transactions:

During January and February of 2001, the Company issued 150,000 shares of common stock to individuals and other entities for services performed during the first quarter of 2001. The Company recognized an expense of \$31,250, the market value of the shares less a 50% discount because the shares are unregistered and the Company stock is not easily marketable.

During January and February of 2001, the Company issued 200,000 and 125,000

Edgar Filing: YSEEK INC - Form 10QSB

shares of common stock under six month and one year consulting agreements, respectively. The Company recorded a prepaid expense of \$73,438 related to these agreements, the market value of the shares less a 50% discount because the shares are unregistered and the stock is not easily marketable. The Company expensed \$61,719 and \$30,859 utilizing the straight line method over the life of the agreements for the six month and three month periods ended June 30, 2001, respectively. Additionally, options were granted to an individual as part of one of the agreements. The option agreement allows for the purchase of 75,000 shares of Company common stock for \$.50 per share for a period of three years. The other consulting agreement included issuance of 500,000 warrants at an exercise price of \$.50 per share.

During February 2001, the Company issued the final contingent 1,000,000 shares related to the 1999 business acquisition. The Company capitalized goodwill of \$203,100, the market value of the shares less a 50% discount because the shares are unregistered, are a significant block of stock and the Company stock is not easily marketable. See Note 2 regarding goodwill and shares rescinded.

(4) Note Payable:

On April 23, 2001, the Company borrowed \$40,000 from a relative of a Board member. The note calls for interest at a rate of 14% per annum. Interest and principal are due in full on April 22, 2002. The note is uncollateralized.

Item 2. Management's Discussion and analysis of Financial Condition and Results 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. Additionally, the Company acquired a ten-year software license for the use of a keyword biddable search engine and related domain names. Lastly, the Company entered into two traffic promotion agreements whereby each promoter will provide an aggregate of 45,000,000 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.

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.

The Company's plans for the next twelve months include the launching of its search engine, Yseek.com. With the traffic promotion agreements in place, the Company believes there will be sufficient traffic to make the site a profitable internet portal. Additionally the Company's expansion plans include acquiring and developing other profitable business ventures.

In conjunction with planning the course of action for the next twelve months, the new Board of Directors investigated the viability of Rankstreet.com. Rankstreet was to be an all-in-one Web site including a directory, web counter and business to business Internet advertising agency. The Board determined that there was no value in pursuing the marketing and enhancement of the Rankstreet web site and has abandoned any such plans. Additionally, management determined that the contingencies stated in the acquisition agreement had not been met. In

Edgar Filing: YSEEK INC - Form 10QSB

June, 2001, the former stockholders of Rankstreet.com, Inc. entered into a reformation agreement and returned 3,000,000 shares for which the contingencies were not met.

The Companies plans to market the Yseek.com search engine and to acquire and develop other profitable business ventures which will require additional funds. During April 2001, the Company received a \$40,000 loan from a relative of a Board member. The loan bears interest at 14% per annum and is due in April 2002.

As of June 30, 2001 the Company had minimal available funds. However, most of the Company's operations are being conducted within the consulting agreements entered into in the fourth quarter of 2000 and the cash outflows have been substantially reduced. Additionally two of the Company's officers and board members have agreed to fund the Company's operations as they currently exist.

There is currently no expected purchase or sale of plant and equipment or expected significant changes in the number of employees.

Item 6. Exhibits and Reports on Form 8-K

Exhibits

Exhibit	Description	Number
(2)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession.....	None
(3)	Articles of Incorporation and By-Laws.....	None
(11)	Statement re: computation of per share earnings.....	Note 1 to Financial Statements
(15)	Letter re: Unaudited Interim Financial Information.....	None
(16)	Letter regarding Changes in Certifying Accountant.....	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

(b) REPORTS ON FORM 8-K:

NONE

Edgar Filing: YSEEK INC - Form 10QSB

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.

Dated: August 14, 2001

By: /s/ Bruce Hammil

BRUCE HAMMIL, President