

Edgar Filing: E DEAL NET INC - Form 10-Q

E DEAL NET INC
Form 10-Q
February 19, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended December 31, 2001

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: 333-52040

e.Deal.Net, Inc.

(Exact name of registrant as specified in its charter)

Nevada

98-0195748

(State or Other Jurisdiction of
Incorporation or Organization)

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

1628 West 1st Ave., Suite 214
Vancouver, British Columbia, Canada V6J 1G1

(Address of principal executive offices (zip code))

(604) 659-5024

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the last 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

APPLICABLE ONLY TO CORPORATE ISSUERS Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Class

Common Stock, par value \$0.0001

Outstanding at December 31, 2001

7,840,000

Edgar Filing: E DEAL NET INC - Form 10-Q

e.DEAL.NET, INC.

FORM 10-QSB

FOR THE QUARTER ENDED DECEMBER 31, 2001

TABLE OF CONTENTS

	PAG NO --
PART 1	
ITEM 1	
FINANCIAL INFORMATION	
Condensed Financial Statements:	
Balance Sheets as of December 31, 2001 (Unaudited) and March 30, 2001	2
Unaudited Statements of Operations for the Three months and Nine months Ended December 31, 2001 and 2000 and for the period from November 6, 1998 (Date of Inception) to December 31, 2001	3
Unaudited Statements of Cash Flows for the Nine months Ended December 31, 2001 and 2000 and for the period from November 6, 1998 (Date of Inception) to December 31, 2001	4
Notes to Financial Statements	5
ITEM 2	
Management's discussion and analysis of financial condition And results of operations	8
PART II	
OTHER INFORMATION (NONE)	
Signature Page	11

e.DEAL.NET, INC
(A DEVELOPMENT STAGE COMPANY)
CONDENSED BALANCE SHEETS

	December 31, 2001 ---- (Unaudited)
ASSETS	
Current Assets:	
Cash	\$ 215,130
Prepaid expenses	
Total current assets	

Edgar Filing: E DEAL NET INC - Form 10-Q

	215,13
Property and Equipment	2,21
Other Assets	
TOTAL ASSETS	\$ 217,34
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	
Current Liabilities:	
Accounts payable	\$ 2,87
Accrued expenses	89,20
Notes payable, related party	110,00
Total current liabilities	202,07
STOCKHOLDERS EQUITY (DEFICIENCY):	
Common stock: \$0.001 Par Value	7,84
Additional paid-in-capital	332,16
Deficit accumulated during the development stage	(324,73)
Total Stockholders' Equity (Deficiency)	15,26
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	\$ 217,34

See notes to condensed financial statements.

2

e.DEAL.NET, INC
(A DEVELOPMEN STAGE COMPANY)
CONDENSED STATEMENT OPERATIONS
(Unaudited)

	For the Three Months Ended Dec. 31, 2001 -----	For the Three Months Ended Dec. 31, 2000 -----	For the Nine Months Ended Dec. 31, 2001 -----
DEVELOPMENT STAGE REVENUE	\$ 0	\$ 0	\$
DEVELOPMENT STAGE EXPENSES:			
Professional fees	3,075	24,947	41,13

Edgar Filing: E DEAL NET INC - Form 10-Q

Payroll and payroll related expenses	0	19,563	37,58
Management fees	8,000	24,000	24,00
Rent	0	2,682	13,40
Depreciation and amortization	165	164	49
Other development stage expenses	892		7,50
		2,722	
Total Development Stage expenses	12,132		124,12
		74,078	
Loss from operations	(12,132)		(124,12
		(74,078)	
OTHER INCOME (EXPENSE):			
Interest income	496	393	49
Interest expense			(5,65
	(1,994)	0	(5,15
	(1,498)	393	
NET LOSS	(13,630)	(73,685)	(129,28
NET LOSS PER COMMON SHARE - BASIC AND DILUTED	\$ (0.00)	\$ (0.01)	\$ (0.0
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	7,478,889	5,340,000	6,052,96

See notes to condensed financial statements.

3

e.DEAL.NET, INC.
(A DEVELOPMET STAGE COMPANY)
CONDENSED STATEMNTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended Dec. 31, 2001 -----	For the Nine Months Ended Dec. 31, 2000 -----
Cash Flows from Operating Activities:		
Net loss	\$ (129,283)	\$ (75,878)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	495	410
Common stock issued for management services	0	0
Changes in operating assets and liabilities:		

Edgar Filing: E DEAL NET INC - Form 10-Q

Decrease (increase) in prepaid expenses	2,681	(2,944)
Decrease in security deposits	2,631	0
Increase in accounts payable & accrued expenses	8,162	44,288
Net cash used in operating activities	(115,314)	(34,124)
Cash Flows from Investing Activities:		
Purchase of property and equipment	0	(3,286)
Net cash used in investing activities	0	(3,286)
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock	250,000	0
Proceeds from loans from related parties	70,000	0
Net cash provided by financing activities	320,000	0
Net Increase (Decrease) in Cash	204,686	(37,410)
Cash, Beginning	10,447	80,738
Cash, Ending	\$ 215,133	\$ 43,328
SUPPLEMENTAL DISCLOSURE:		
Interest paid during the period	\$ 0	\$ 0
Income taxes paid during the period	\$ 0	\$ 0

See notes to condensed financial statements

4

e.DEAL.NET, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO INTERIM FINANCIAL STATEMENTS
December 31, 2001

NOTE 1 - BASIS OF PRESENTATION

The condensed balance sheet as of December 31, 2001, the condensed statements of operations for the three months and nine months ended December 31, 2001 and 2000 and the period from November 6, 1998 (date of inception) to December 31, 2001, and the condensed statements of cash flows for the nine months ended December 31, 2001 and 2000 and the period from November 6, 1998 (date of inception) to December 31, 2001 have been prepared by the Company. In the opinion of management, all adjustments (which include reclassifications and normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at December 31, 2001 and for all periods presented, have been made.

Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the Company's financial statements and notes thereto included in the Company's March 31, 2001 Form SB-2. The results of operations for the three months and nine

Edgar Filing: E DEAL NET INC - Form 10-Q

months periods ended December 31, 2001 are not necessarily indicative of the operating results for the full year.

Certain reclassifications were made to the statements of operations for the three months and nine months ended December 31, 2001 and the period from November 6, 1998 (date of inception) to December 31, 2001 to conform to the December 30, 2001 presentation.

NOTE 2 - DEVELOPMENT STAGE OPERATIONS AND GOING CONCERN MATTERS

e.Deal's initial activities have been devoted to developing a business plan, negotiating contracts and raising capital for future operations and administrative functions. During the nine months ended December 31, 2001, the Company has focused its efforts in the development of its online auto auction site at www.edeal.net, and to locate and acquire additional working capital. The ability of e.Deal to achieve its business objectives is contingent upon its success in raising additional capital until such time as adequate revenues are realized from operations. The accompanying financial statements have been presented in accordance with generally accepted accounting principles, which assume the continuity of e.Deal as a going concern.

5

NOTE 2 - DEVELOPMENT STAGE OPERATIONS AND GOING CONCERN MATTERS (Continued)

As shown in the financial statements, development stage losses from November 6, 1998 (date of inception) to December 31, 2001 amounted to \$324,731. e.Deal's cash flow requirements during this period have been primarily met by contributions of capital and debt financing. No assurance can be given that these sources of financing will continue to be available. If e.Deal is unable to generate profits, or unable to obtain additional funds for its working capital needs, it may have to cease operations.

e.Deal intends to meet its long-term liquidity needs through available cash as well as through additional financing from outside sources. During the nine months ended December 31, 2001, the Company borrowed \$70,000 from its President and CEO. On July 25, 2001, the Company's SB-2 registration statement, as filed with the Securities and Exchange Commission, became effective. The Company expected to raise up to \$500,000 from a public offering and was able to raise the minimum amount of \$250,000 in October 2001. Management will seek to raise additional capital to meet its sales and marketing objectives as set forth in the SB-2 filing.

The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should e.Deal be unable to continue as a going concern. e.Deal's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to retain additional paid-in capital, and to ultimately attain profitability.

NOTE 3 - NOTE PAYABLE - RELATED PARTY

On February 14, 2001, e.Deal executed a \$40,000 note payable to Herdev S. Rayat (Mr. "Rayat"), president and related party. The note bears interest at a rate of 7.25% per annum. The entire principal and related accrued interest is due and payable on demand.

Edgar Filing: E DEAL NET INC - Form 10-Q

On April 24, 2001, eDeal executed a note payable to Mr. Rayat in the principal sum of \$40,000 at a rate of 7.25% per annum. The entire principal amount and accrued interest is due and payable on demand.

On June 8, 2001, eDeal executed a note payable to Mr. Rayat in the principal sum of \$20,000 at a rate of 7.25% per annum. The entire principal amount and accrued interest is due and payable on demand.

On July 27 2001, eDeal executed a note payable to Mr. Rayat in the principal sum of \$10,000 at a rate of 7.25% per annum. The entire principal amount and accrued interest is due and payable on demand.

Accrued interest amounted to \$1,994 as of December 31, 2001.

6

NOTE 4 - SALE OF COMMON STOCK

In October 2001, the Company sold 2,500,000 shares of common stock at \$0.10 per share in a public offering, for net proceeds of \$250,000. Each share came with a warrant to purchase one common share at \$0.20 per share. The warrants are exercisable for a period of 36 months from the date of issuance.

NOTE 5 - NET INCOME (LOSS) PER COMMON SHARE

The following table sets forth the computation of basic and diluted net loss per common share for the three months and nine months ended December 31, 2001 and 2000, and for the period from November 6, 1998 (date of inception) to December 31, 2001.

	For The Nine Months Ended Dec. 31, 2001 -----	For The Ni Months End Dec. 31, 2 -----
Numerator for basic and diluted Income (loss) per share - Net		
Income (loss)	\$ (129,283)	\$ (75,87
Denominator for basic and diluted Income (Loss) per Share -		
Weighted average shares	6,052,963	5,340,00
Basic and diluted net income (loss) per common share	\$ (0.02)	\$ (0

	For The Three Months Ended Dec. 31, 2001 -----	For The Th Months End Dec. 31, 2 -----
Numerator for basic and diluted Income		

Edgar Filing: E DEAL NET INC - Form 10-Q

(loss) per share - Net Income (loss)	\$ (13,630)	\$ (73,68
Denominator for basic and diluted Income (Loss) per Share - Weighted average shares	7,478,889	5,340,00
Basic and diluted net income (loss) per common share	\$ (0.00)	\$ (0

7

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

When used in this discussion, the words "believe", "anticipates", "expects" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Actual results, performance or achievements could differ materially from those anticipated in such forward-looking statements as a result of numerous factors, including but not limited to the Company's ability to continually expand its auto auction subscriber base and opt-in email lists, market its services to potential clients and advertisers, the regulatory environment in which the Company operates, future acceptance of its services and other factors described in the Company's filings with Securities and Exchange Commission. The Company undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of the unanticipated events. Readers are also urged to carefully review and consider the various disclosures made by the Company which attempt to advise interested parties of the factors which affect the Company's business, in this report, as well as the Company's periodic reports as filed with the Securities and Exchange Commission.

Overview

We are developing an on-line auto auction web site, www.edeal.net, to connect buyers and sellers of cars and trucks. We will provide useful information to both buyer and seller on how to prepare a vehicle for sale, how to buy the right vehicle, used vehicle reviews, recall notices, new vehicle reviews, road test results, links to manufacturers and to information sources, on-line maintenance records, email alerts for service, educational forums, insurance and financing sources, shipping sources, appraisal sources, repair sources, parts finder service and many other automotive related ancillary services.

We expect to generate revenues primarily through listing fees and percentage of the selling price of each vehicle. The Company will also establish an affiliate marketing plan by offering incentives to its affiliates who refer clients who transact business through our web site. The Company also expects to generate minimal revenues through advertising on its web site.

The Company has been engaged in the development of its on-line auto auction site, www.edeal.net, which is expected to be operational during the second quarter of 2002, and in raising capital through an offering of securities under a registration statement under form SB-2 declared effective July 25, 2001. In October, 2001, the Company raised \$250,000, which will be used for web site

Edgar Filing: E DEAL NET INC - Form 10-Q

development costs, working capital, office and staffing costs, legal and consulting, and marketing. The Company expects to raise additional capital in order to further develop its business.

8

Results of Operations

Revenues. The Company has generated zero revenues since inception. To date, the Company has not relied on revenues for funding. For the next twelve to twenty-four months, the Company expects to generate minimal, if any, revenues due to the early stage of its operations.

General and Administrative Expenses. During the three month period ended December 31, 2001 and 2000, the Company incurred \$12,132 and \$74,078 in general and administrative expenses, respectively. This decrease of \$61,946 is primarily a result of decreased expenses incurred for rent, management fees and other expenses as a result of the Company reducing its staff and closing one location during the quarter. For the nine months period ended December 31, 2001 and 2000, the Company incurred \$124,129 and \$78,331 in general and administrative expenses, respectively. This increase of \$45,798 is primarily a result of increased expenses incurred for professional fees, payroll fees and other operational expenses.

Interest Income. Interest income was \$496 and \$393 for the three-month period ended December 31, 2001 and 2000, respectively, and \$496 and \$2,453 for the nine-month period ended December 31, 2001 and 2000, respectively. Interest earned in the future will be dependent on Company funding cycles and prevailing interest rates.

Provision for Income Taxes. As of December 31, 2001, the Company's accumulated deficit was \$324,731 and as a result, there has been no provision for income taxes to date.

Liquidity and Capital Resources

As at December 31, 2001, the Company had a cash balance of \$215,133, compared to \$43,328 as at December 31, 2000.

Net cash used by operating activities was \$115,314 for the nine-month period ending December 31, 2001, compared to net cash used of \$34,124 for the same period in 2000. The increase in net cash used in operating activities is primarily due to our web site development, office rent and expenses, support personnel and professional fees.

We had no cash flows from investing activities in the nine months ended December 31, 2001, as compared to \$3,286 of cash used in investing activities in the nine months ended December 31, 2000 in connection with the purchase of equipment.

Net cash provided by financing activities amounted to \$70,000 during the nine months ended December 31, 2001, as compared to zero during the nine months ended December 31, 2000. This loan was provided by the Company's President and CEO.

As of December 31, 2001, cash provided by financing activities came from loans

Edgar Filing: E DEAL NET INC - Form 10-Q

from our President and CEO of \$110,000 and proceeds from issuance of common stock of \$335,000.

9

Plan of Operation

For the next two quarters, the Company plans to continue developing its website, www.edeal.net to connect buyers and sellers of cars and trucks along with providing useful information on how to buy and sell their vehicles. The company does not expect to purchase any significant equipment, hire any additional employees, or incur significant research and development expenses. The Company has sufficient cash requirements to satisfy its cash needs over the next twelve months. However, the Company's future funding requirements will depend on numerous factors. These factors include the Company's ability to operate its business profitably in the future, recruit and train qualified management, technical and sales personnel, and the ability to compete against other, better capitalized corporations who offer similar web based services. The Company may raise additional funds through private or public equity investment in order to expand the range and scope of its business operations. The Company may seek access to the private or public equity but there is no assurance that such additional funds will be available for the Company to finance its operations on acceptable terms, if at all.

Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued the following SFAS's, none of which are expected to have a significant effect on the financial statements:

SFAS No. 138, an amendment to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and for hedging activities, effective for fiscal years beginning after June 15, 2000.

SFAS No. 141, "Business combinations," which requires all business combinations initiated after June 30, 2001, to be accounted for under the purchase method of accounting for which the date of acquisition is July 1, 2001 or later.

SFAS No. 142, "Goodwill and Other Intangible Assets," which addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. This statement is required to be applied starting with fiscal years beginning after December 15, 2001.

SFAS No. 143, "Accounting for Asset Retirement Obligations," which discusses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs, effective for financial statements issued for fiscal years beginning after June 15, 2002.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which supersedes SFAS No. 121. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and is effective

Edgar Filing: E DEAL NET INC - Form 10-Q

for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years.

10

Signature Page

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

e.Deal.net, Inc.

/s/ Herdev S. Rayat

Herdev S. Rayat
CEO and President

/s/ Arian Soheili

Arian Soheili
Secretary, Treasurer and
Director

/s/ Harv Dhaliwal

Harv Dhaliwal
Director

11