

Edgar Filing: Infinicall CORP - Form 10QSB

Infinicall CORP
Form 10QSB
February 22, 2005

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

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

For the quarterly period ended: December 31, 2004

Commission file number 000-24408

INFINICALL CORPORATION

(Exact name of small business issuer as specified in its charter)

DELAWARE

33-0611753

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

8447 WILSHIRE BLVD., 5TH FLOOR
BEVERLY HILLS, CALIFORNIA

90211

(Address of Principal Executive Offices)

(Zip Code)

(310) 289-2338

(Issuer's telephone number, including area code)

Check mark whether the issuer (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 ____

The number of shares of Common Stock, \$0.001 par value, outstanding on December 31, 2004 was 145,212,289 shares.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE):

Yes No X

The Company is required to have its consolidated financial statements reviewed by its independent accountants prior to filing. As of the date of this report, we have not submitted our financial statements to our independent accountants for their review. We will file an amendment to this Form 10-QSB when our independent accountants complete their review of these financial statements.

ITEM 1. FINANCIAL STATEMENTS

Edgar Filing: Infinicall CORP - Form 10QSB

INFINICALL CORPORATION
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET
SEPTEMBER 30, 2004
(UNAUDITED)

		ASSETS

		CURRENT ASSETS:
Cash and cash equivalents	\$	309
PROPERTY AND EQUIPMENT, NET		11,202
OTHER ASSETS		
Technology rights, FoneFriend license net of amortization . .		244,331
	\$	255,842
		=====

LIABILITIES AND STOCKHOLDERS' DEFICIT		

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$	268,703
Consulting contract payable		120,141
Notes payable		802,200

Total current liabilities		1,191,044
STOCKHOLDERS' DEFICIT		
Common stock, \$0.001par value ;200,000,000 shares authorized; 145,212,289 shares issued and outstanding		145,212
Additional paid-in capital		18,109,527
Prepaid consulting expenses		(388,024)
Accumulated deficit		(18,801,916)
Total stockholders' deficit		(935,202)
	\$	255,842
		=====

		FOR THE THREE MONTH PERIOD ENDED DECEMBER 31,	
		2004	2003
REVENUES	\$	-	\$ -
OPERATING EXPENSES:			
General and administrative		383,590	74,344
Impairment of investment		-	-
Impairment of long-lived assets		11,314,285	-

Edgar Filing: Infinicall CORP - Form 10QSB

Consulting expenses	489,017	241,539
	-----	-----
TOTAL OPERATING LOSS	(12,186,892)	(315,883)
	-----	-----
Non-operating expense:		
Loss on settlement of debt	-	-
Interest expense	11,635	-
Total non-operating expense	11,635	-
	-----	-----
LOSS BEFORE INCOME TAX	(12,175,257)	(315,883)
	-----	-----
Provision for income taxes	-	-
	-----	-----
NET LOSS	(12,175,257)	(315,883)
DIVIDEND PAID TO PREFERRED SHAREHOLDERS	-	-
	-----	-----
NET LOSS APPLICABLE TO COMMON SHAREHOLDERS	\$ (12,175,257)	\$ (315,883)
	=====	=====
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON STOCK OUTSTANDING *	138,973,087	9,386,000
	=====	=====
BASIC AND DILUTED NET LOSS PER SHARE FOR COMMON STOCK	\$ (0.09)	\$ (0.03)
	=====	=====

* Weighted average number of shares used to compute basic and diluted loss per share is the same securities is anti-dilutive.

INFINICALL CORPORATION.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS

		2004	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net (Loss)		\$ (12,886,887)	\$	(391)
Adjustments to reconcile loss from development stage operations to net cash used in operating activities				
Shares issued for consulting services & prepaid expense		603,283		80
Shares issued for legal settlement		-		
Shares issued for legal fees		18,000		
Shares issued for interest expense		7,500		
Shares issued for expenses		195,577		195
Loss on settlement of debt		16,716		
Shares issued for dividends to preferred shareholders		-		
Write off of inventory		6,000		
Capitalized development costs		-		
Impairment of capitalized development costs		-		
Impairment of long lived assets		11,314,285		11,314

Edgar Filing: Infinicall CORP - Form 10QSB

Impairment of investment	-	
Depreciation and amortization expense	277,358	1
(Increase) decrease in current assets:		
(Increase)/Decrease in prepaid expenses	-	102
Purchase of inventory equipment	-	
Decrease/(Increase) in Deposits	4,561	
Increase (decrease) in current liabilities:		
(Decrease) in accounts payable and accrued expenses	(18,036)	27
Litigation settlement payable	-	20
Increase in consulting contract payable	120,141	163
Other	-	(14
	<hr/>	
Total adjustments	12,545,385	380
	<hr/>	
Net cash provided (used) by development stage operations.	(341,502)	(10
	<hr/>	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	
Acquisition of technology license	-	
Acquisition of investment	-	
Payment to universal broadband	-	
Payments towards the acquisition of customer list	(250,000)	
	<hr/>	
Net cash used in investing activities	(250,000)	
	<hr/>	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	423,000	
Loan from officers and others	(5,226)	1
Issuance of stock for cash	168,424	
Issuance of preferred stock for cash	5,519	
	<hr/>	
Net cash provided by financing activities	591,717	1
	<hr/>	
Net increase (decrease) in cash & cash equivalents	215	(9
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	94	20
	<hr/>	
CASH & CASH EQUIVALENTS, ENDING BALANCE	\$ 309	\$ 10
	<hr/>	

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid	\$ -
	<hr/>
Income taxes	\$ -

ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

INFINICALL CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

.NOTE 1 - DESCRIPTION OF BUSINESS & BASIS OF PRESENTATION

Edgar Filing: Infinicall CORP - Form 10QSB

A. Description of business

InfiniCall Corporation f/k/a/ FoneFriend, Inc. ("InfiniCall" or the "Company") was incorporated in June of 1992, under the name of Picomatrix. The Company went through a series of corporate changes and ultimately changed its name to Universal Broadband Networks as a public company ("UBN"). UBN went into Chapter 11 in October 2000. The Company reorganized with FoneFriend, Inc., a Nevada corporation on November 20, 2002. FoneFriend changed its name to InfiniCall in October, 2004.

The Company is a development stage enterprise and had not generated any revenue during its history until a majority stock position was acquired by InfiniCom Networks, Inc. ("InfiniCom") on July 1, 2004. The primary business of the Company is Internet Telephony. The Company provides Voice over Internet Protocol (VoIP) communications and related services to customers worldwide for a low monthly fee of about \$15.00 per month.

B. Basis of Presentation

The audited financial statements for the year ended March 31, 2004 were filed on July 16, 2004 with the Securities and Exchange Commission and are hereby incorporated by reference. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three-month period ended December 31, 2004 are not necessarily indicative of the results that may be expected for the year ending March 31, 2005.

Significant Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Statement of financial accounting standard No. 107, Disclosures about fair value of financial instruments, requires that the Company disclose estimated fair values of financial instruments. The carrying amounts reported in the statements of financial position for current assets and current liabilities qualifying as financial instruments are a reasonable estimate of fair value.

Basic and Diluted Net Loss per Share

Net loss per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings per share". SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15). Net loss per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Issuance of Shares for Customers

Edgar Filing: Infinicall CORP - Form 10QSB

On July 1, 2004, the Company issued 50,000 shares of its common stock to InfiniCom as partial consideration for 50,000 VoIP customers. In addition, the Company paid InfiniCom \$250,000 and issued a Promissory Note, due upon demand, for \$500,000. Additional customers were purchased by InfiniCall from Infinicom during the last few months resulting in a present customer base of approximately 120,000 customers,

Issuance of Shares for Service

The Company accounts for the issuance of equity instruments to acquire goods and services based on the fair value of the goods and services or the fair value of the equity instrument at the time of issuance, whichever is more reliably measurable.

Reclassifications

Certain comparative amounts have been reclassified to conform to the current year's presentation.

Recent Pronouncements

On May 15, 2003, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 150 (FAS 150), Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. FAS 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity, by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the statement of financial position. Further, FAS 150 requires disclosure regarding the terms of those instruments and settlement alternatives. FAS 150 affects an entity's classification of the following freestanding instruments: a) Mandatorily redeemable instruments b) Financial instruments to repurchase an entity's own equity instruments c) Financial instruments embodying obligations that the issuer must or could choose to settle by issuing a variable number of its shares or other equity instruments based solely on (i) a fixed monetary amount known at inception or (ii) something other than changes in its own equity instruments d) FAS 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety. The guidance in FAS 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. For private companies, mandatorily redeemable financial instruments are subject to the provisions of FAS 150 for the fiscal period beginning after December 15, 2003. The adoption of SFAS No. 150 does not have a material impact on the Company's financial position or results of operations or cash flows.

In December 2003, the Financial Accounting Standards Board (FASB) issued a revised Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46R). FIN 46R addresses consolidation by business enterprises of variable interest entities and significantly changes the consolidation application of consolidation policies to variable interest entities and, thus improves comparability between enterprises engaged in similar activities when those activities are conducted through variable interest entities. The Company does not hold any variable interest entities.

NOTE 2 - DEPRECIATION AND AMORTIZATION

Property and equipment are stated at cost. Property and equipment at September 30, 2004 consists of the following:

Furniture and office equipment	\$19,611
Accumulated depreciation . . .	8,409

Edgar Filing: Infinicall CORP - Form 10QSB

Total. \$11,205

NOTE 3 - INTANGIBLE ASSETS

Net intangible assets at December 31, 2004 were as follows:

License \$300,000
=====

Less Accumulated amortization (55,669)
\$244,331

Amortization expenses for the Company's intangible assets over the next five twelve-month periods are estimated to be:

2005 . . . \$ 37,113
2006 . . . 37,113
2007 . . . 37,113
2008 . . . 37,113
2009 . . . 37,113
Thereafter 58,766

Total. . . \$244,331
=====

NOTE 4 - NOTE PAYABLE-OFFICER

The note from the officer of the Company is due on demand. The note is unsecured and bears the annual interest rates of 10% on the unpaid principal balance. Interest on this note for the period ended December 31, 2004 amounted to \$ 3,008.

NOTE 5 - NOTE PAYABLE-OTHERS

Notes payable -others are comprised of the following:

Unsecured Note face value of \$168,000 issued at a discounted price of \$140,000, interest free, due December 1, 2004. The note was paid in full in October 2004.

Unsecured note, interest rate 6%, payable on demand to acquire the customer data base	650,000
Unsecured note, interest rate 6%, interest payable on last day of each month, due on demand	5,000
Unsecured note, interest rate 8%, interest payable on last day of each month, due April 1, 2005	5,000
Unsecured note, interest rate 8%, interest payable on last day of each month, due April 1, 2005	5,000
Unsecured note, interest rate 8%, interest payable on last day of each month, due April 1, 2005	5,000

Edgar Filing: Infinicall CORP - Form 10QSB

	5,000
Unsecured note, interest rate 8%, interest payable on last day of each month, due April 1, 2005	
	5,000
Unsecured note, interest rate 8%, interest payable on last day of each month, due April 1, 2005	
	5,000

	680,000
	=====

Interest on these notes for the period ended December 3, 2004 was \$ 10,275.

NOTE 6 - COMMON STOCK

During the quarterly period ended December 31, 2004, the Company issued common stock for various services to following parties:

The Company issued 275,000 shares of common stock for consulting services. These issuances have been valued at the fair market value on the date of issuance and amounted to \$19,250. Included in above, 275,000 shares were issued to officers of the Company valued at \$19,250.

NOTE 7 - GOING CONCERN

The Company's consolidated financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has accumulated a deficit of \$18,801,916 December 31, 2004. The Company incurred net losses of \$12,198,527 and \$526,100 for the periods ended December 31, 2004 and 2003, respectively. In view of matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheets is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management has taken the following steps to revise its operating and financial requirements, which it believes are sufficient to provide the Company with the ability to continue as a going concern. The Company is actively pursuing additional funding and potential merger or acquisition candidates and strategic partners, which would enhance stockholders' investment. Management believes that the above actions will allow the Company to continue operations through the next fiscal year.

NOTE 8 - SUBSEQUENT EVENTS

On July 2, 2004, the Company entered into Asset Purchase Agreement with YAP International, Inc. The Agreement provided for the sale of right, title and interest in Technology License Agreement with FoneFriend Systems, Inc. (FSI) and other tangible and intangible property used in connection with or relating to the sold assets, including, without limitation, the goodwill of the Purchased Assets as a going concern, inventory of FoneFriend "beta" devices, Internet servers and related equipment and software and 225,000 shares of FSI. On July

Edgar Filing: Infinicall CORP - Form 10QSB

16, 2004, the Company received 5,416,151 shares of Yap's common stock as consideration. As set forth in the Company's Form 8-K dated October 28, 2004, on Monday, October 25, 2004, the Company received a letter from Yap International Corporation ("Yap") which purported to rescind the Asset Purchase Agreement dated as of July 2, 2004 between the Company and Yap ("Purchase Agreement") referred to in the preceding paragraph. The Purchase Agreement transferred to Yap certain tangible and intangible assets of the Company relating to the FoneFriend" product and services ("Purchased Assets") in exchange for shares of the common stock of Yap ("Yap Shares"). The Yap Letter did not specifically rescind any of the collateral documents which were signed by the parties at the closing of the Yap transaction nor did Yap return any of the Purchased Assets to the Company. The Yap shares which were delivered to Yap's transfer agent specified the number of Yap shares to be issued to the Company's shareholders without regards to the Liquidating Trust which should have been addressed. The Company thereafter advised Yap that it would not consent to a distribution negating the Liquidating Trust stock position.

FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objections of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements or belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words "may," "could," "will," "estimate," "intend," "continue," "believe," "expect" or "anticipate" or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include, but are not limited to:

- our current lack of working capital;
- increased competitive pressures from existing competitors and new entrants;
- increases in interest rates or our cost of borrowing or a default under any material debt agreements;
- deterioration in general or regional economic conditions;
- adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- loss of customers or sales weakness;
- inability to achieve future sales levels or other operating results;
- the unavailability of funds for capital expenditures; and
- operational inefficiencies in distribution or other systems.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see "Factors That May Affect Our Plan of Operation" in this document and "Risk Factors" in our Annual Report on Form 10-KSB for the year ended March 31, 2004.

Edgar Filing: Infinicall CORP - Form 10QSB

ITEM 2. PLAN OF OPERATION

OVERVIEW

BACKGROUND

We were originally incorporated in 1992 in Delaware under the name Picometrix Inc, and soon thereafter became a publicly traded company. In 1997, Picometrix, Inc. merged with another business and changed its name to IJNT.Net, and finally to Universal Broadband Networks, Inc. ("UBN"). On October 31, 2000, UBN filed a voluntary petition for reorganization pursuant to Chapter 11, Title 11 of the United States Code, 11 U.S.C. 101 et seq., in the United States Bankruptcy Court for the District of Eastern California. Pursuant to an Amended and Restated Plan of Merger, dated as of June 12, 2002 (and subsequently approved by the Bankruptcy Court), between FoneFriend, Inc., a Nevada corporation founded in April, 2001 ("FoneFriend Nevada") and UBN on November 21, 2002, UBN completed its acquisition of all the assets of FoneFriend Nevada. Subsequent to this acquisition, FoneFriend Nevada was dissolved and UBN, a Delaware corporation, changed its name to FoneFriend, Inc. In October 2004, FoneFriend's name was changed to Infinicall Corporation.

OVERVIEW

We are a development stage company which currently had no revenues until we acquired Voice over Internet Protocol customers as described below under the caption "Infinicon Acquisition" below. Our primary business for Fiscal 2004 through June 2004 was to market an Internet telephony device called the "FoneFriend" and related services to consumers and businesses worldwide. The Internet telephony device was licensed from FoneFriend Systems, Inc. ("FSI") in April 2001. On July 2, 2004, subsequent to our year-end, we entered into an agreement with YAP International, Inc. ("YAP") to transfer certain assets and technology relating to the FoneFriend technology and related assets, which assets and technology we determined were unnecessary under our revised Plan of Operation, in exchange for 5,416,151 shares of the common stock of YAP. As set forth in the Company's Form 8-K dated October 28, 2004, on Monday, October 25, 2004, the Company received a letter ("Yap Letter") from Yap International Corporation ("Yap") which purported to rescind that certain Asset Purchase Agreement dated as of July 2, 2004 between The Company and Yap ("Purchase Agreement"). The Purchase Agreement transferred to Yap certain tangible and intangible assets of the company relating to the FoneFriend product and services ("Purchased Assets") in exchange for shares of the common stock of Yap ("Yap Shares"). The Yap Letter did not specifically rescind any of the collateral documents which were signed by the parties at the closing of the Yap transaction nor did Yap return any of the Purchased Assets to the Company. The Yap shares which were delivered to Yap's transfer agent specified the number of Yap shares to be issued to the Company's shareholders without regards to the Liquidating Trust which should have been addressed. The Company thereafter advised Yap that it would not consent to a distribution negating the Liquidating Trust stock position.

INFINICOM ACQUISITION

On July 1, 2004, we completed the acquisition of 50,000 Voice over Internet Protocol ("VoIP") customers from InfiniCom Networks, Inc., a California corporation, ("InfiniCom") whereby we issued 96,428,571 shares of our common stock to InfiniCom, in addition to cash of \$250,000 and a promissory note for \$500,000. Further, on July 8, 2004, we acquired an additional 10,000 VoIP customers from InfiniCom in exchange for 19,285,714 shares of common stock and a promissory note for \$150,000. Both promissory notes bear simple interest at the rate of six (6%) percent per annum and are due upon demand.

Edgar Filing: Infinicall CORP - Form 10QSB

Prior to the acquisition of the 60,000 VoIP customers, we had approximately 23,114,603 common shares issued and outstanding. As a result of the acquisition, our total shares of common stock outstanding increased to 138,828,888 of which InfiniCom controls 83.35%. At December 31, 2004, there were 145,212,289 shares outstanding.

OUR NEW PLAN OF OPERATION

As a result of the InfiniCom transaction we have revised our plan of operation to focus on the VoIP customers acquired from InfiniCom.

We will acquire our customers by direct marketing, virtual marketing and performance based Internet marketing. We forecast that much of our customer growth will come from performance based Internet marketing agreements. The advantage of performance based Internet marketing agreements is that there is no cost to us without compensating revenues.

An example of one such performance based marketing agreement we have entered into is the Agreement with InfiniCom. InfiniCom agreed to supply subscribers at a cost of \$150 each. Annual revenue from each subscriber is anticipated to be \$180 under this arrangement. After payment to InfiniCom, under our servicing agreement it is anticipated that we will receive approximately 10% of the subscriber revenues. InfiniCom warrants that it will replace the customer if any particular customer drops service with us prior to 52 weeks from the date that the customer is delivered.

Our customers utilize a proprietary software program, offered by InfiniCom, which allows each customer to place long distance and international telephone calls directly from its desktop or laptop computer. The customer is offered an unlimited calling plan, at a rate of \$15 U.S., per month, to the U.S., Canada, most of Europe and certain countries in Asia.

We use third-party providers to support customer care. After certain subscriber counts have been achieved, we may decide to support internal customer care operations from cash flow.

We are currently considering offering our customers a stand-alone, Internet appliance device which will allow our customers to use their ordinary telephone handset to make calls using our service. We plan to offer this product at minimal cost to our customers (and potential customers) in exchange for their commitment to a long-term service agreement. Alternatively, we may offer such product at a charge to those customers who use our service on a month-to-month basis.

Through InfiniCom as our agent, we bill and collect money for services at the time the service is offered directly from a subscriber's credit card or check card. Since our services include the ability for call termination to points outside the unlimited dialing area

We currently have a \$3,000,000 facility with Dutchess Private Equities Fund, L.P. that may be used for a combination of future customer acquisition, network build-out and corporate development. This facility is satisfactory for our current plans. See "Need for Additional Financing" below.

REGARDING THE DISPOSITION OF FONEFRIEND TECHNOLOGY RELATED ASSETS:

Management evaluated the potential yield from commercializing the "FoneFriend" technology, versus the projected costs of \$2 to \$3 million to build the FoneFriend infrastructure and implement a marketing campaign to attract customers. Management concluded that our financial and personnel resources would be better spent on marketing the new technology and services to the customers

Edgar Filing: Infinicall CORP - Form 10QSB

being acquired from InfiniCom

RESULTS OF OPERATIONS.

Three month period ending December 31, 2004 and December 31, 2003:

The Company did not realize any revenues in the three months ended December 31, 2004. Further, we incurred operating expenses of \$12,186,893 in three months ended December 31, 2004 compared to \$134,760 in the three months ended December 31, 2003. The net loss was \$12,198,527 in the three months ended December 31, 2004 compared to \$134,760 in the three months ended December 31, 2003.

The losses can be expected to continue until we are able to generate revenues in excess of expenses from our recently acquired subscriber base, which sufficient revenues are anticipated to commence during the next quarter.

REVENUES

Since inception of our current business, we have not generated any revenues through June 30, 2004 and have not realized any revenues for the three months ended December 31, 2004.

EXPENSES

Expenses for the three months ended December 31, 2004 and 2003 were \$12,186,893 and \$134,760 respectively. The increase in expenses was primarily attributable to consulting fees, which were paid for by issuing shares of our common stock in exchange for services. Additionally, we wrote off our investment in the stock of FoneFriend Systems, Inc. incurring further expense of \$150,000. This write-off was reversed in October, 2004.

We expect increases in expenses through the fiscal year ending March 30, 2005 as we move towards implementing our plan of operation. We expect the increase to be primarily in marketing related expenses, such as advertising and consulting fees, and additional salary expense as we increase our personnel commensurate with the growth of our operations.

INCOME/LOSSES

Net loss attributable to common stockholders for the three months ended December 31, 2004 was \$12,198,527 versus a loss of \$526,100 for the three months ended December 31, 2003. The increase was primarily attributable to increased consulting expenses, which were paid for by issuing shares of our common stock, and the write down in value of our investment in the stock of FoneFriend Systems, Inc., which write down was reversed in October 2004.

IMPACT OF INFLATION

We believe that inflation has not had a negative impact on our results of operations since inception. Until we are able to sell products and generate revenue we will be unable to pass on inflationary increases in our expenses from Development Stage Operations through increases in revenue.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows used in operations were \$12,886,887 for the three months ended December 31, 2004 versus cash flows used in operations of \$526,100 for the three months ended December 31, 2003..

FACTORS THAT MAY AFFECT OUR PLAN OF OPERATION

Our consolidated financial statements have been prepared assuming we will

Edgar Filing: Infinicall CORP - Form 10QSB

continue as a going concern. During the three months ended December 31, 2004, we experienced a net loss from development stage operations of and had negative cash flows. In addition, we had substantial shareholders' equity operating deficits for the three months ended December 31, 2004. Lastly, we have significant present and future working capital demands, which will require substantial equity and debt financing which, with the exception of the Equity Line of Credit with Dutchess, have not yet been secured. These factors, among others, raise substantial doubt about our ability to continue as a going concern. The consolidated financial statements included elsewhere herein do not include any adjustments that might result from the outcome of this uncertainty.

There can be no assurances that we will be able to successfully implement our plans, including generating profitable operations, generating positive cash flows from operations and obtaining additional capital to meet present and future working capital demands. Our future performance will depend, in part, on our ability to provide discounted domestic international long distance communications services with the cost savings of carrying voice traffic over the Internet, as compared to carrying calls over traditional long distance networks.

We intend to rely upon several unaffiliated, third party companies for computer equipment and software, network services, component parts, systems integration and operational aspects of our business. Our inability to maintain relationships with, or the loss of one or more of these unaffiliated companies, or the failure of their subcontractors or suppliers to meet our operational requirements may force us to reduce or eliminate expenditures for developing our infrastructure, research and development, marketing of our product or otherwise curtail or discontinue operations, all of which may have a material adverse effect on our business, financial condition and results of operation.

Our common stock price has been or may continue to be volatile and investors may find it difficult to sell their shares for a profit.

The trading price of our common stock has been and is likely to continue to be highly volatile. For example, during the 52-week period ended December 31, 2004, the closing price of our common stock ranged from \$0.04 to \$0.43 per share.

Existing stockholders will experience significant dilution from our sale of shares to Dutchess.

Because our common stock is deemed a low-priced "penny" stock, an investment in our common stock should be considered high risk and subject to marketability restrictions.

Our agreements with InfiniCom are crucial to our success. If InfiniCom defaults on its obligations under its agreements with us, we may not succeed or be forced to find an alternative Internet voice transmission technology, which may be cost prohibitive.

The FCC and state regulations may limit the services we can offer and restrict our intended operation and development of our business.

Internet telephony is at an early stage of development, and it is difficult to predict the size of this market and its growth rate. We believe that our intended business will not grow without increased use of the Internet. Demand and market acceptance for recently introduced products and services over the Internet are still uncertain. The Internet may not prove to be a viable commercial marketplace for a number of reasons, any of which could adversely affect our business.

The Liquidating Trustee under the plan of reorganization and subsequent merger of FoneFriend, Inc. with Universal Broadband, Inc. may have the right to require us to redeem their 5% stockholder interest in the Company at its option, at any

Edgar Filing: Infinicall CORP - Form 10QSB

time, for \$3.0 million. Such redemption may have a material adverse effect on us. and force us to seek protection under the bankruptcy laws. The Company intends to issue the Liquidating Trustee additional shares of common stock in full payment of such anti-dilution clause.

NEED FOR ADDITIONAL FINANCING

On February 25, 2004, the Company entered into an agreement, (the "Investment Agreement") with Dutchess Private Equities Fund, L.P., a Delaware limited partnership ("Dutchess") whereby the Company can place a put to Dutchess to acquire the common stock of the Company at a discount to market, for a sum not exceeding \$3,000,000. Under the terms of the Investment Agreement the Company filed a Registration Statement with the Securities and Exchange Commission, which registration has been deemed effective. See the Company's Form 10-KSB for the fiscal year ended March 31, 2004. On May 18, 2004, the Company borrowed \$118,000 from Dutchess Private Equities Fund, II, L.P. The note was a discount note which resulted in net proceeds of \$100,000. The note was due on August 31, 2004 and has been paid in full. In addition, the Company had to pay \$10,000 in legal fees for the preparation of the documentation for this transaction.

On June 4, 2004, the Company borrowed \$305,000 from Dutchess Private Equities Fund, II, L.P. The note was a discount note which resulted in net proceeds of \$260,000. The Note was due on September 1, 2004, and has been paid in full. In addition, the Company had to pay \$7,500 in legal fees for the preparation of the documentation for this transaction. The Company issued Dutchess 100,000 shares of restricted common stock. The Company entered into a 90-day consulting agreement with Dutchess Advisors, LLC, wherein they issued their principal 200,000 shares of common stock registered on Form S-8.

On September 10, 2004, the Company borrowed \$168,000 from Dutchess Private Equities Fund, II, L.P. The note was a discount note which resulted in net proceeds of \$135,000. The Note was due on December, 2004 but was totally prepaid in October, 2004.

On June 8, 2004, the Company issued to Compass Capital 1,631,659 shares of its common stock registered under a SB-2 Registration as conversion of a promissory note in the principal amount of \$100,000, together with interest of \$7,500.

On June 14, 2004, The Company exercised a put to Dutchess ("Dutchess") for 129,500 SB-2 shares of common stock from which the Company netted \$5,519.

As shown in our accompanying financial statements, our independent auditors have stated that our losses from initial startup costs and our lack of substantial capital raise doubt about our ability to continue as a going concern. The ability of our Company to continue as a going concern is dependent on obtaining new capital, developing our operations, implementing our marketing plan, building our infrastructure, containing our costs and generating revenues from the sale of our product and services. Management intends to undertake the following to address these issues: (1) endeavor to obtain equity funding from new investors to alleviate our capital deficiency, (2) obtain debt funding from new investors to alleviate our capital deficiency, (3) seek vendor financing programs for equipment and services, (4) pursue letters of credit for manufacturing, (5) implement leasing arrangements to finance the cost of placing our product in the market, and (6) structure equity participation arrangements with vendors and suppliers in exchange for their services.

We estimate we will need approximately \$2,000,000 in additional capital during the next 12 months to cover overhead and develop our business. Our Dutchess equity line of credit, combined with possible debt or equity financing, is intended to address our capital requirements.

Edgar Filing: Infinicall CORP - Form 10QSB

Overall, we have funded our cash needs from inception through September 30, 2004, with a series of debt and equity transactions, including an Equity Line of Credit with Dutchess. The failure of the Equity Line of Credit or other equity financing to satisfy our working capital needs would have a material adverse effect on our operations and financial condition.

We had cash on hand of \$309 and a stockholders' deficit of \$18,801,916 as of December 31, 2004. Our current working capital deficit is primarily due to current obligations in accounts payable and accrued consulting expense. We can not yet, and may never be able to, rely on the existence of revenue from our business, however, we have no current or projected capital reserves that will sustain our business for any length of time. In addition, there can be no assurance additional capital in the future will be available to us when needed or available on terms favorable to us.

Demand for our planned product and current services will be dependent on, among other things, market acceptance of our product and services, our ability to build consumer awareness and stimulate consumer purchases, the Internet telephony market in general, and general economic conditions, all of which are cyclical in nature. Overall, our success will be dependent upon implementing our plan of operation in an efficient and timely fashion, managing the risks associated with our business, contain our expenses and generate revenues and profits from the sale of our product and related services.

ITEM 3. CONTROLS AND PROCEDURES

We are a development stage company with no revenues and during the period covered by this quarterly report, our board of directors had responsibility for our internal controls and procedures over our financial reporting.

We have implemented and maintain disclosure controls and procedures which consist of: the control environment, risk assessment, control activities, information and communication and monitoring. Our scope of internal control therefore extends to policies, plans procedures, processes, systems, activities, initiatives, and endeavors required of a company with our limited transactions, expenses, and operations. These controls and procedures are designed to ensure that the information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules.

There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect the controls subsequent to the date of the evaluation referenced below. However, as a result of our agreement with InfiniCom we anticipate enhancements in our fourth quarter in our internal controls.

Within 90 days prior to the date of this report, we carried out an evaluation, under the supervision of Robin Glanzl, our President, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, Ms. Glanzl concluded that, given the Company's limited operations, our disclosure controls and procedures were effective.

PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

Edgar Filing: Infinicall CORP - Form 10QSB

RECENT SALES OF SECURITIES

On July 1, 2004, the Company issued 96,428,571 shares of its restricted common stock to InfiniCom Networks, Inc. in exchange for 50,000 VoIP customers.

On July 8, 2004, the Company issued 19,285,714 shares of its restricted common stock to InfiniCom Networks, Inc. as partial compensation for the purchase of an aggregate of 10,000 VoIP customers.

ITEM 3. DEFAULTS BY THE COMPANY UPON ITS SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

SUBSEQUENT TO QUARTER END

None

ITEM 6. EXHIBITS AND REPORTS OF FORM 8-K

(a) Exhibits

31.1* Certification of Robin Glanzl pursuant to Section 302 of the Sarbanes-Oxley Act

31.2* Certification of James. A Trodden pursuant to Section 302 of the Sarbanes-Oxley Act

32.1* Certification of Robin Glanzl pursuant to Section 906 of the Sarbanes-Oxley Act

32.2* Certification of James A. Trodden pursuant to Section 906 of the Sarbanes-Oxley Act

* Filed herewith

(b) Form 8-K subsequent to Quarter End

8-K REPORT FILED ON AUGUST 31, 2004.

SIGNATURES

Pursuant to the requirements 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.

INFINICALL CORPORATION

By: /s/ Robin Glanzl
Robin Glanzl, President
Date: February 22, 2005