

Edgar Filing: EASYWEB INC - Form 10QSB

EASYWEB INC  
Form 10QSB  
May 13, 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

For Quarter Ended: March 31, 2005  
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Commission File Number 0-32353  
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EASYWEB, INC.  
-----

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

COLORADO  
-----

84-1475642  
-----

(State or other jurisdiction of  
incorporation or organization)

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

6025 South Quebec Street, Suite 135, Englewood, Colorado 80111  
-----

(Address of principal executive offices)

(720) 493-0303  
-----

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year,  
if changed since last report.)

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  
--- ---

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, no par value  
-----

6,176,200  
-----

Class

Number of shares outstanding at April 30, 2005

Transitional Small Business Disclosure Format:

Yes --- No X ---

FORM 10-QSB  
1ST QUARTER

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EASYWEB, INC.  
CONDENSED BALANCE SHEET  
(UNAUDITED)

MARCH 31, 2005

ASSETS

|                 |                |
|-----------------|----------------|
| Current Assets: |                |
| Cash .....      | \$ 93<br>===== |

LIABILITIES AND SHAREHOLDERS' DEFICIT

|   |                   |
|---|-------------------|
| Current Liabilities:  |                   |
| Accounts payable and accrued liabilities .....              | \$ 10,461         |
| Due to officer (Note 2) .....                               | 1,300             |
| Due to affiliate (Note 2) .....                             | 5,842             |
|   | -----             |
| Total current liabilities.....                              | 17,603<br>-----   |
| Shareholders' deficit (Note 4):                             |                   |
| Common stock - 6,176,200 shares issued and outstanding..... | 169,250           |
| Additional paid-in capital .....                            | 114,048           |
| Retained deficit .....                                      | (300,808)         |
|   | -----             |
| Total shareholders' deficit .....                           | (17,510)<br>----- |

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\$ 93  
=====

See accompanying notes to condensed financial statements

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EASYWEB, INC.  
CONDENSED STATEMENTS OF OPERATIONS  
(UNAUDITED)

|   | THREE MONTHS ENDED<br>MARCH 31, |            |
|---|---------------------------------|------------|
|   | 2005                            | 2004       |
| Operating expenses:   |                                 |            |
| Contributed rent (Note 2) .....                                       | \$ 1,500                        | \$ 1,500   |
| Contributed administrative<br>support (Note 2) .....                  | 2,340                           | 3,000      |
| Administrative support (Note 2) .....                                 | 660                             | --         |
| Professional fees .....   | 8,608                           | 1,828      |
| Web site consulting and maintenance ....                              | 30                              | 60         |
| Dues and subscriptions .....  | 1,250                           | --         |
| Other .....   | 937                             | 253        |
|   | -----                           | -----      |
| Total operating expenses  | 15,325                          | 6,641      |
|   | -----                           | -----      |
| Loss before income taxes  | (15,325)                        | (6,641)    |
| Income tax provision (Note 3) .....                                   | --                              | --         |
|   | -----                           | -----      |
| Net loss .....  | \$ (15,325)                     | \$ (6,641) |
|   | =====                           | =====      |
| Basic and diluted loss per share .....                                | \$ (0.00)                       | \$ (0.00)  |
|   | =====                           | =====      |
| Basic and diluted weighted average<br>common shares outstanding ..... | 6,176,200                       | 4,786,200  |
|   | =====                           | =====      |

See accompanying notes to condensed financial statements

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EASYWEB, INC.  
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT  
(UNAUDITED)

|  | COMMON STOCK |            | ADDITIONAL<br>PAID-IN<br>CAPITAL | RETAINED<br>DEFICIT |    |
|--|--------------|------------|----------------------------------|---------------------|----|
|  | SHARES       | AMOUNT     |                                  |                     |    |
| Balance at January 1, 2005 .....   | 5,746,200    | \$ 156,050 | \$ 108,408                       | \$ (285,483)        | \$ |
| January 2005, sale of common stock<br>(\$ .03/share) (Note 4) .....                | 430,000      | 13,200     | --                               | --                  |    |
| January 2005, common stock option<br>granted for cash (Note 4) .....               | --           | --         | 1,800                            | --                  |    |
| Office space and administrative support<br>contributed by an affiliate (Note 2) .. | --           | --         | 3,840                            | --                  |    |
| Net loss, three months ended March 31, 2005  | --           | --         | --                               | (15,325)            |    |

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|                                 |           |            |            |              |       |
|---------------------------------|-----------|------------|------------|--------------|-------|
| Balance at March 31, 2005 ..... | 6,176,200 | \$ 169,250 | \$ 114,048 | \$ (300,808) | \$    |
|                                 | =====     | =====      | =====      | =====        | ===== |

See accompanying notes to condensed financial statements

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EASYWEB, INC.  
CONDENSED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

|  | Three Months Ended<br>March 31, |            |
|--|---------------------------------|------------|
|  | 2005                            | 2004       |
|  | -----                           | -----      |
| Net cash used in<br>operating activities .....     | \$ (14,928)                     | \$ (1,408) |
| Cash flows from financing activities:              |                                 |            |
| Proceeds from granting of stock option (Note 4)    | 1,800                           | --         |
| Proceeds from the sale of common stock (Note 4)    | 13,200                          | 6,000      |
| Net cash provided by<br>financing activities ..... | 15,000                          | 6,000      |
| Net change in cash .....                           | 72                              | 4,592      |
| Cash, beginning of period .....                    | 21                              | 33         |
| Cash, end of period .....                          | \$ 93                           | \$ 4,625   |
|  | =====                           | =====      |
| Supplemental disclosure of cash flow information:  |                                 |            |
| Cash paid for income taxes .....                   | \$ --                           | \$ --      |
|  | =====                           | =====      |
| Cash paid for interest .....                       | \$ --                           | \$ --      |
|  | =====                           | =====      |

See accompanying notes to condensed financial statements

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EASYWEB, INC.  
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION

The financial statements presented herein have been prepared by the Company in accordance with the accounting policies in its Form 10-KSB dated December 31, 2004, and should be read in conjunction with the notes thereto.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim period presented have been made. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

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Financial data presented herein are unaudited.

### NOTE 2: RELATED PARTY TRANSACTIONS

#### Rent

-----

Summit Financial Relations, Inc. ("Summit"), an affiliate under common control, contributed office space to the Company during the three months ended March 31, 2005. The Company's management has estimated the fair market value of the office space at \$500 per month, which is included in the accompanying condensed financial statements as Contributed Rent with an offsetting credit to Additional Paid-in Capital.

#### Administrative support

-----

Summit contributed administrative services to the Company during the three months ended March 31, 2005. The Company's management has estimated the fair market value of the services at \$1,000 per month, which is included in the accompanying condensed financial statements as Contributed Administrative Support with an offsetting credit to Additional Paid-in Capital. During the three months ended March 31, 2005, the Company paid \$660 for services, which reduced the amount of contributed services for the period from \$3,000 to \$2,340.

#### Indebtedness to related parties

-----

At December 31, 2004, the Company owed Summit \$12,268 for professional fees and other administrative expenses paid on behalf of the Company. During the three months ended March 31, 2005, Summit paid additional expenses totaling \$574 on behalf of the Company. On February 4, 2005, the Company repaid Summit \$7,000. As of March 31, 2005, the Company owed Summit \$5,842, which is included in the accompanying condensed financial statements as "Due to affiliate".

In August and December 2004, an officer loaned us a total of \$1,300 for working capital. The loans carry no interest rate and are due on demand. Management plans to settle these liabilities with cash or stock. The \$1,300 is included in the accompanying financial statements as "Due to officer".

#### Service agreements

-----

On December 9, 2004, the Company entered into an employment agreement with its president/CEO. Under the terms of the agreement, the Company has agreed to pay its president/CEO a one-time fee of \$100,000 if and when the Company completes a merger, acquisition, reverse merger, financing, or any other related transaction non-detrimental to the immediate future of the Company, that leaves the Company in a position and direction better than it was prior to the transaction.

On December 10, 2004, the Company entered into a management consulting services

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agreement with a director. Under the terms of the agreement, the Company has agreed to pay the director a one-time fee of \$10,000 plus expenses, upon the closing of any transaction leaving the Company with a positive business directive and available finances, non-detrimental to the survival of the Company.

On December 10, 2004, the Company entered into a consulting services agreement whereby Summit will provide services including, but not limited to:

- a. Mergers and acquisition;

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- b. Due diligence studies, reorganizations, divestitures;
- c. Capital structures, banking methods and systems;
- d. Periodic reporting as to the developments concerning the general financial markets and public securities markets and industry which may be relevant or of interest or concern to the Company or the Company's business;
- e. Guidance and assistance in available alternatives for accounts receivable financing and/or other asset financing; and
- f. Conclude business and transactions necessary to keep the Company current in all public filings, a-float and in business until an aforementioned business transaction is closed, to include lending funds to the Company when absolutely necessary as has been done over the prior three years at no charge, allowing the Company to survive.

Under the terms of the agreement, the Company has agreed to pay Summit a one-time fee of \$120,000 on the date of closing of any transaction leaving the Company with a positive business directive and available finances, non-detrimental to the survival of the Company.

### NOTE 3: INCOME TAXES

The Company records its income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". The Company incurred net operating losses during all periods presented resulting in a deferred tax asset, which was fully allowed for; therefore, the net benefit and expense resulted in \$-0- income taxes.

### NOTE 4: SHAREHOLDER'S DEFICIT

#### Common stock

-----

During January 2005, the Company sold 430,000 shares of its common stock to unrelated investors for \$13,200, or \$.03 per share.

#### Common stock options

-----

On January 18, 2005, the Company sold a common stock option to an unrelated third party for \$1,800. Under terms of the option agreement, the holder may purchase, for an additional \$1,000, 1% of the Company's outstanding common stock as of the exercise date. As of March 31, 2005, 1% of the Company's outstanding common stock totaled 61,762 shares. The option expires on June 7, 2005.

#### Corporate governance

-----

On February 28, 2005, the Company's shareholders approved the following proposals:

- a. Reincorporate the Company in the State of Delaware;
- b. Authorize the Board of Directors to implement a reverse stock split at a ratio no greater than 40:1;

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- c. Increase the Company's authorized capital by 250,000,000 shares (from 30,000,000 to 280,000,000);

As of the date of this report, the Company's re-incorporation in the State of Delaware had not yet been finalized and no reverse stock split had yet been implemented.

### NOTE 5: COMMITMENT

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On October 1, 2004, the Company entered into a management consulting services agreement whereby the consultant will provide services including, but not limited to:

- a. Mergers and acquisition;
- b. Due diligence studies, reorganizations, divestitures;
- c. Capital structures, banking methods and systems;
- d. Periodic reporting as to the developments concerning the general financial markets and public securities markets and industry which may be relevant or of interest or concern to the Company or the Company's business;
- e. Guidance and assistance in available alternatives for accounts receivable financing and/or other asset financing; and
- f. Structural recommendations to assist the Company's capability to finance.

Under the terms of the agreement, the Company has agreed to pay the consultant a one-time fee of \$120,000 on the date of closing of any of the above business transactions or any transaction giving the Company a valid financial direction.

### NOTE 6: SUBSEQUENT EVENTS

#### Term Sheet

-----  
On May 6, 2005, the Company signed a term sheet with Zephyr Sciences, Inc. ("Zephyr"), which outlines the conditions of a proposed merger between the two parties.

Under the structure of the term sheet, the Company will form a wholly-owned Delaware subsidiary, which will merge into Zephyr and Zephyr will be the surviving entity. Zephyr's shareholders will then exchange their shares of common stock for common stock in the Company, which will result in Zephyr becoming the Company's wholly-owned subsidiary. The transaction will result in a change in control, whereby the Company's directors will resign and the directors of Zephyr will become the directors of the Company.

#### Conditions to closing:

1. Zephyr shall have completed a private sale of its securities for gross proceeds in excess of \$5 million;
2. Compliance with all securities laws, regulations and requirements, receipt of all consents, compliance with all covenants, no injunctions, etc.;
3. Completion of due diligence by all parties;
4. Opinion of Zephyr's counsel to Zephyr's shareholders that states the transaction qualifies a tax-free reorganization for the Zephyr shareholders;
5. Opinion of Zephyr's counsel to Zephyr's shareholders that states the transaction is exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended, and relevant state securities laws, along with any other opinion's reasonably requested by Zephyr's shareholders;
6. Receipt by both parties of all other necessary consents and authorizations;
7. The Company will have received shareholder approval to authorize an increase in its authorized shares of common stock in an amount acceptable to all parties and to conduct a reverse stock split;

8. The Company will receive a cash payment of \$425,000 upon final closing

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to be used to satisfy all outstanding indebtedness.

EASYWEB, INC.

### PART I. ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

#### PLAN OF OPERATION

EasyWeb's business plan is to design, market, sell and maintain customized and template, turnkey sites on the Internet, hosted by third parties. Our business plan is prepared based upon the popularity of the Internet and the growing number of businesses interested in advertising and marketing online. We have incurred a retained deficit of \$300,808 through March 31, 2005. We have not performed any services or earned any revenue since 2002.

On May 6, 2005, the Company signed a term sheet with Zephyr Sciences, Inc. ("Zephyr"), which outlines the conditions of a proposed merger between the two parties. Under the structure of the term sheet, the Company will form a wholly-owned Delaware subsidiary, which will merge into Zephyr and Zephyr will be the surviving entity. Zephyr's shareholders will then exchange their shares of common stock for common stock in the Company, which will result in Zephyr becoming the Company's wholly-owned subsidiary. The transaction will result in a change in control, whereby the Company's directors will resign and the directors of Zephyr will become the directors of the Company.

Our future success is currently dependent upon our ability to close the proposed merger agreement with Zephyr. There is no assurance that we will be successful in closing the merger or, if the merger is closed, that we will attain profitability.

We are experiencing capital shortages and are currently dependent upon an affiliate, Summit Financial Relations, Inc. ("Summit"), which has paid expenses on our behalf, in order to maintain our limited operations. There is no assurance that Summit will continue to pay our expenses in the future. On February 4, 2005, we repaid Summit \$7,000. As of March 31, 2005, we still owed Summit \$5,842 for expenses paid on our behalf. In addition, an officer advanced us \$1,300 for working capital during the year ended December 31, 2004. This advance remained unpaid at March 31, 2005.

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As a result of our inability to generate significant revenue, together with sizeable continuing operating expenses, access to capital may be unavailable in the future except from affiliated persons. If we are able to obtain access to outside capital in the future, it is expected to be costly because of high rates of interest and fees. Through March 31, 2005, in addition to the expenses paid by Summit and advances from Mr. Olson, we have been funded through the sale of our common stock for gross proceeds in the amount of \$149,250 including proceeds of \$13,200 through the sale of 430,000 shares of our common stock (\$.03 per share) during January 2005. In addition, during January 2005, we sold for \$1,800, an option to purchase 1% of our outstanding common shares pursuant to an option agreement. Under terms of the option agreement, the holder may purchase, for an additional \$1,000, 1% of the Company's outstanding common stock as of the exercise date. As of March 31, 2005, 1% of the Company's outstanding common stock totaled 61,762 shares. The option expires on June 7, 2005.



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While our independent auditor has presented our financial statements on the basis that we are a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time, they have noted that our significant operating losses and net capital deficit raise a substantial doubt about our ability to continue as a going concern.

We do not intend to hire any additional employees in the foreseeable future. We do not intend to make significant equipment purchases or conduct any research and development within the next twelve months.

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

-----

This report contains forward-looking statements within the meaning of federal securities laws. These statements plan for or anticipate the future. Forward-looking statements include statements about our future business plans and strategies, statements about our need for working capital, future revenues, results of operations and most other statements that are not historical in nature. In this Report, forward-looking statements are generally identified by the words "intend", "plan", "believe", "expect", "estimate", and the like. Investors are cautioned not to put undue reliance on forward-looking statements. Except as otherwise required by applicable securities statutes or regulations, the Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise. Because forward-looking statements involve future risks and uncertainties, these are factors that could cause actual results to differ materially from those expressed or implied.

### PART I. ITEM 3. CONTROLS AND PROCEDURES

-----

We maintain a system of controls and procedures designed to provide reasonable assurance as to the reliability of the financial statements and other disclosures included in this report. As of March 31, 2005, under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Principal Executive Officer and the Principal Financial Officer concluded that our disclosure controls and procedures were effective in timely alerting them to required information to be included in our periodic filings with the Securities and Exchange Commission. No significant changes were made to internal controls or other factors that could significantly affect those controls subsequent to the date of their evaluation.

### CHANGES IN INTERNAL CONTROLS

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There have been no changes in internal controls or in other factors that could significantly affect those controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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### PART II. OTHER INFORMATION

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Item 1 - Legal Proceedings.

No response required.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds.

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During January 2005, the Company sold 430,000 shares of its common stock to unrelated investors for \$13,200, or \$.03 per share.

### Item 3 - Defaults Upon Senior Securities.

No response required.

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

On February 28, 2005, the Company's shareholders approved the following proposals:

- a. Reincorporate the Company in the State of Delaware;
- b. Authorize the Board of Directors to implement a reverse stock split at a ratio no greater than 40:1; c. Increase the Company's authorized capital by 250,000,000 shares (from 30,000,000 to 280,000,000);

As of the date of this report, the Company's re-incorporation in the State of Delaware had not yet been finalized and no reverse stock split had yet been implemented.

### Item 5 - Other Information.

No response required.

### Item 6 - Exhibits.

31. Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32. Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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### SIGNATURES

The financial information furnished herein has not been audited by an independent accountant; however, in the opinion of management, all adjustments (only consisting of normal recurring accruals) necessary for a fair presentation of the results of operations for the three months ended March 31, 2005 have been included.

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EASYWEB, INC.

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(Registrant)

DATE: May 10, 2005  
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BY: /s/ David C. Olson  
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David C. Olson  
President and CEO