

Edgar Filing: AMANDA CO INC - Form 10QSB

AMANDA CO INC  
Form 10QSB  
February 15, 2002

UNITED STATES  
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  
-----

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-14072

THE AMANDA COMPANY, INC.  
(Exact name of small business issuer as specified in its charter)

UTAH 87-0430260  
-----  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No)

13765 ALTON PARKWAY, SUITE F, IRVINE, CA  
92618 (Address of Principal Executive  
Offices) (Zip Code)  
(949) 859-6279  
-----

(Issuer's telephone number)

N/A

(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 .  
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APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the issuer filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes No .  
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APPLICABLE ONLY TO CORPORATE ISSUERS

As of December 31, 2001 the issuer had 321,760,040 shares of its common stock, par value \$0.01 per share, issued and outstanding.

Transitional Small Business Disclosure Format (check one):

Yes                      No                      X                      .  
-----                      -----

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FORM 10-QSB

THE AMANDA COMPANY, INC.

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THE AMANDA COMPANY, INC.

PART I

FINANCIAL INFORMATION

## ITEM 1. INTERIM CONDENSED FINANCIAL STATEMENTS

On October 1, 2001, the registrant, formally known as Pen Interconnect, Inc., merged with The Automatic Answer, Inc. ("tAA") and changed its name to The Amanda Company, Inc. The transaction was accounted for as a reverse merger with tAA as the surviving entity. Pen Interconnect, Inc., prior to the merger, was a shell company with no operations.

The Amanda Company, Inc. (the "Company"), has included the unaudited condensed balance sheet of the Company as of December 31, 2001 and unaudited balance sheet as of September 30, 2001 (the Company's most recent fiscal year), unaudited condensed statements of operations for the three months ended December 31, 2001 and 2000, and unaudited condensed statements of cash flows for the three months ended December 31, 2001 and 2000, together with unaudited condensed notes thereto. In the opinion of management of the Company, the financial statements reflect all adjustments, all of which are normal recurring adjustments, considered necessary to fairly present the financial condition, results of operations and cash flows of the Company for the interim periods presented. The financial statements included in this report on Form 10-QSB should be read in conjunction with the audited financial statements of the Company and the notes thereto included in the annual report of the Company on Form 10-KSB for the year ended September 30, 2001. The results of operations for the three months ended December 31, 2001 may not be indicative of the results that may be expected for the year ending September 30, 2002.

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THE AMANDA COMPANY, INC.  
BALANCE SHEETS

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ASSETS

	December 31 2001	September 30 2001
	----- (unaudited)	----- (unaudited)
CURRENT ASSETS		
Cash and cash equivalents	\$ 69,247	\$ 36,394
Accounts receivable, net	153,607	84,069
Other receivable	10,000	-
Inventory	168,396	172,617
Prepaid and other current assets	124,044	51,880
	-----	-----
Total current assets	525,294	344,960
PROPERTY AND EQUIPMENT, NET	24,608	33,020
SECURITY AND OTHER DEPOSITS	36,474	29,436
	-----	-----
Total assets	\$ 586,376	\$ 407,416
	=====	=====

The accompanying notes are an integral part of these statements.

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THE AMANDA COMPANY, INC.  
BALANCE SHEETS - CONTINUED  
LIABILITIES AND STOCKHOLDERS' DEFICIT

	December 31 2001	September 30 2001
	----- (unaudited)	----- (unaudited)
CURRENT LIABILITIES		
Accounts payable	\$ 1,093,766	\$ 778,986
Accrued liabilities	510,636	1,198,496
Leasing financing payable	22,750	22,750
Notes payable	463,000	573,000
Deferred revenue	27,161	15,448
Convertible debentures	900,000	800,000
Accrued dividends payable	503,537	480,324
	-----	-----
Total current liabilities	3,520,850	3,869,004
LONG-TERM LIABILITIES		
Lease financing payable	61,586	72,320
Convertible promissory notes	470,000	-
	-----	-----
Total long-term liabilities	531,586	72,320
	-----	-----
Total liabilities	4,052,436	3,941,324

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STOCKHOLDERS' DEFICIT

Convertible Preferred stock, \$0.01 par value authorized 5,000,000 shares, Series A; issued and outstanding 61 shares at December 31, 2001 and 91 shares at September 30, 2001.	1	1
Series B; issued and outstanding 746 shares at December 31, 2001 and 926 shares at September 30, 2001	7	9
Common stock, \$.001 par value, issued and outstanding 703,519,273 shares at December 31, 2001 and 687,789,599 shares at September 30, 2001	703,519	687,789
Accumulated deficit	(4,169,588)	(4,221,707)
	-----	-----
Total stockholders' deficit	(3,466,061)	(3,533,908)
	-----	-----
Total liabilities and stockholders' deficit	\$ 586,375	\$ 407,416
	=====	=====

The accompanying notes are an integral part of these statements.

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THE AMANDA COMPANY, INC.  
STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended December 31,	
	2001	2000
	-----	-----
Net sales	\$ 900,377	\$ 1,086,227
Cost of sales	488,694	676,173
	-----	-----
Gross profit	411,683	410,054
Selling, general and administrative expenses	556,940	956,100
	-----	-----
Operating loss	(145,257)	(546,046)
Other income (expense)		
Interest expense	(37,860)	(71,494)
Miscellaneous income, net	45,236	82,641
Loss on impairment	-	(63,000)
Loss from discontinued operations	-	(39,323)
Extinguishment of debt	-	11,119
	-----	-----
Loss before extraordinary items	(137,881)	(626,103)
Merger costs	(876,000)	-
	-----	-----
Net loss before income taxes	(1,013,881)	(626,103)
	-----	-----
Income taxes	-	-
	-----	-----

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Net loss \$ (1,013,881) \$ (626,103)  
=====

The accompanying notes are an integral part of these statements.

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THE AMANDA COMPANY, INC.  
 STATEMENTS OF CASH FLOW  
 FOR THE THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (1,013,881)	\$ (626,103)
Adjustments to reconcile net cash provided (used) in operating activities		
Depreciation	8,412	27,194
Allowance for notes receivable	-	63,000
Warrant/option compensation expense	-	42,513
Common stock issued for compensation	1,081,729	50,022
 Effect on cash of changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable, net	(69,538)	115,323
Decrease (increase) in other receivables	(10,000)	(37,020)
Decrease (increase) in inventory	4,221	(13,291)
Decrease (increase) in prepaid and other current assets	(72,164)	32,240
Decrease (increase) in security deposits	(7,038)	(4,492)
Increase (decrease) in accounts payable	(300,442)	(48,951)
Increase (decrease) in accrued expenses	(9,424)	119,440
Increase (decrease) in advances payable	(40,000)	-
Increase (decrease) in deferred revenue	11,713	28,595
	-----	-----
Net cash provided (used) in operating activities	(416,412)	(251,530)
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Advances to perFORMplace	-	(63,000)
Issuance of notes receivable	-	(37,020)
	-----	-----
Net cash provided (used) in investing activities	-	(100,020)
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments of notes payable	(110,000)	-
Payments of equipment financing	(10,735)	-
Proceeds from equipment financing	-	97,591
Proceeds from notes payable	-	240,698
Proceeds from convertible debenture	100,000	-
Proceeds from convertible promissory notes	470,000	-
	-----	-----
Net cash provided (used) in financing activities	449,265	338,289
	-----	-----
 Net increase (decrease) in cash and cash equivalents	 32,853	 (13,261)

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Cash and cash equivalents at beginning of period	36,394	48,783
	-----	-----
Cash and cash equivalents at end of period	\$ 69,247	\$ 35,522
	=====	=====

The accompanying notes are an integral part of these statements.

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The accompanying notes are an integral part of these statements.

### Non-cash investing and financing activities

During the first quarter of FY2002 Series A preferred shareholders converted 30 preferred shares into 2,941,176 common shares at an average conversion price of \$0.0102 per common share. Series B preferred shareholders converted 150 preferred shares into 15,730,674 common shares at an average conversion price of \$0.0095 per common share. Under the conversion terms of the convertible preferred shares, a holder has the right to convert preferred shares into common shares at eighty-five (85%) percent of the average of the two lowest closing bid prices during the last twenty-two (22) consecutive trading days prior to conversion. As part of the merger, the Company issued 50,000,000 shares of common stock with a value of \$876,000.

### NOTE A - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company had a loss of \$1,013,881 for the quarter ended December 31, 2001, a deficit of \$3,466,061 in stockholders' equity and negative working capital of \$2,934,474 for the period ended December 31, 2001. The Company intends to continue to raise additional funds in the capital markets for working capital purposes. The Company must raise additional capital in order to continue as a going concern.

### NOTE B - ACQUISITIONS/DISPOSITIONS

The Company completed its merger with the Automatic Answer Company (tAA) in the quarter ended December 31, 2001. The merger was accounted for as a reverse merger. The recapitalization of tAA, the surviving entity, resulted in a reduction of \$2,119,979 in stockholder's equity; \$876,000 of which was attributable to merger expenses and \$1,243,979 resulting from the assumption of the net deficit of the registrant.

### NOTE C - OPTIONS TO PURCHASE COMMON STOCK

No options were exercised in the first quarter.

### NOTE D - WARRANTS TO PURCHASE COMMON STOCK

No warrants were exercised in the first quarter.

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### NOTE E - OPTIONS/WARRANTS TO PURCHASE COMMON STOCK

No options or warrants were issued in the first quarter/

### NOTE F - ACCRUED PREFERRED STOCK DIVIDENDS

The Company accrued \$23,214 for dividends payable to preferred shareholders during the quarter.

### NOTE G - PREFERRED STOCK

The Company has issued two series of Preferred Stock. Series A was issued in February 1999 consisting of 1,800 shares, par value \$0.01 per share,

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for \$1,000 per share. Series B was issued in April 1999 at the same price and par value but only 1,000 shares were issued. Both series of Preferred Stock carry a 16 percent dividend rate, which is paid quarterly. If and when the Company's stock is listed again on NASDAQ the dividend rate will drop to 8 percent.

Both issuances of Preferred Stock are convertible into shares of the Company's Common Stock. Each share of Series A Preferred Stock is convertible into an amount of shares of Pen Common Stock equal to \$1,000 divided by the average of the two lowest closing bid prices for Pen Common Stock during the period of 22 consecutive trading days ending with the last trading day before the date of conversion, after discounting that market price by 15 percent (the "Conversion Price"). The maximum Conversion Price for the Series A Preferred Stock is \$1.17 per share. The shares of Series B Preferred Stock are convertible into Common Stock at the same Conversion Price as the Series A Preferred Stock except for a maximum Conversion Price of \$0.79 per share. Warrants to acquire 320,000 shares of Common Stock at prices ranging from \$0.86 to \$1.28 per share were also issued to the purchasers of the Series A and Series B Preferred Stock. The Warrants expire three years from date the Preferred Stock and warrants were initially issued.

### NOTE H - CONVERTIBLE DEBENTURE

In the first quarter ended December 31, 2001 the Company issued \$100,000 in one year convertible debentures with interest at eight (8) percent, payable quarterly. These debentures are convertible into the Company's common stock at the lower of \$.04 or 70% of the average of the three lowest closing prices during the 30 days prior to the conversion. These debentures are due one year from the date of the issuance.

### NOTE I - CONVERTIBLE PROMISSORY NOTE

In the first quarter ended December 31, 2001 the Company issued a convertible promissory note totaling \$450,000 at an interest rate of eight (8) percent per annum. These notes are convertible into the Company's common stock at \$.01 per share and a 8,055,853 warrant exercisable for common stock at \$.02 per share and 1,500,000 warrants at \$.01 per share.

### Note J - EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per common share is computed by dividing net earnings



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(loss) available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted earnings (loss) per common share are similarly calculated, except that the weighted average number of common shares outstanding includes common shares that may be issued subject to existing rights with dilutive potential except for periods when such calculations would be anti-dilutive.

For the three ended December 31, 2001, net earnings (loss) attributable to common shareholders includes accrued dividends at the stated dividend rate from date of issuance and a non-cash imputed dividend to the preferred shareholders related to the beneficial conversion feature on the 1999 Series A and B Preferred Stock and related warrants. The beneficial conversion feature is computed as the difference between the market value of the common stock into which the Series A and B Preferred Stock can be converted and the value assigned to the Series A and B Preferred Stock in

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the private placement. The imputed dividend is a one-time non-cash charge against the earnings (loss) per common share. The calculation of earnings (loss) per share is included in Exhibit 11.

### NOTE K - INTERIM PERIOD COST OF GOODS SOLD

Inventory costing is based on specific identification. An inventory count is taken at the end of each quarter.

### NOTE L - INCOME TAXES

The future benefits of loss carried forward are fully reserved. There were no income taxes during the quarter.

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

**FORWARD-LOOKING STATEMENTS.** This report contains certain forward-looking statements within the meaning of section 27A of the Securities Act of 1933 as amended, and section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. In addition, the Company may from time to time make oral forward-looking statements. Actual results are uncertain and may be impacted by the following factors. In particular, certain risks and uncertainties that may impact the accuracy of the forward-looking statements with respect to revenues, expenses and operating results include without limitation, cycles of customer orders, general economic and competitive conditions and changing consumer trends, technological advances and the number and timing of new product introductions, shipments of products and components from foreign suppliers, and changes in the mix of products ordered by customers. As a result, the actual results may differ materially from those projected in the forward-looking statements.

Because of these and other factors that may affect the Company's operating results, past financial performance should not be considered an indicator of future performance, and investors should not use historical trends to

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anticipate results or trends in future periods.

The following discussion and analysis provides certain information which the Company's management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition for the three months ended December 31, 2001 and 2000. This discussion should be read in conjunction with the audited financial statements of the Company and notes thereto included in the Annual Report of the Company on Form 10-KSB for the year ended September 30, 2001.

### General

There were no sales from continuing operations for the quarter ended December 30, 2000. All operating divisions were disposed of during 1999 and 2000, and all operating activity was reclassified as discontinued operations. Since March 2, 2000, the Company decided to maintain its situation as a reporting public company, and to reduce its debt in order to make the Company attractive to private companies that would want to use

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Pen to go public. This approach would be a major step to possibly help to maintain some shareholder value in the Company's stock price.

The Company did enter into a Letter of Intent to reverse merge with a small private .com company, perFORMplace.com, in the entertainment services business. A definitive agreement was signed in late August 2000 with the intent to obtain shareholder ratification at the next shareholders' meeting. However, on November 8, 2000, before the meeting could be held, perFORMplace.com terminated the merger.

On October 1, 2001, the Company completed a reverse merger with tAA. tAA is the surviving entity for accounting purposes. The following discussion is based upon the merged activities of both companies for all periods presented.

Net sales. Net sales for the Company decreased \$185,850 or approximately 17 percent for the three month period ended December 31, 2001, as compared to the same period in the prior year. The Company believes that the economic conditions after September 11, 2001 have contributed significantly to the decline in revenues. Prior to September 11, 2001, the Company was achieving higher monthly sales revenues.

Cost of sales. Cost of sales as a percentage of net sales decreased to 54% of net sales as compared to 62% for the same period in the prior year. The decrease resulted from the increase in the shipment of higher gross profit margin products; along with a reduction in shipping costs due to improved inventory control and production processes.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased by \$399,160 or approximately 42% from the three month period ended December 31, 2001 as compared to the same period in the prior year. The decrease is due (1) the reduction in salaries, payroll taxes and related employee expenses paid in the current quarter as compared to the prior year due a reduction in personnel. (2) In June 2001, the operations of Pen Interconnect were relocated to the offices of the Automatic Answer, Inc. (tAA). The relocation resulted in the termination of

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the remaining Pen employees as salaried employees, along with a reduction in operating expenses. (3) The Automatic Answer Company moved its offices from San Juan Capistrano, CA to Irvine, CA thereby reducing monthly rent expense for the quarter ended December 31, 2001 by approximately \$15,000; and (4) the Company has made a concerted effort to eliminate any on-going expenses that were not relative to producing revenue or profit for the Company.

Other income and expenses. The net decrease in other income and expenses for the quarter ended December 31, 2001 amounted to \$87,433. In the same period in the prior year the Company incurred a loss on impairment of

\$63,000 and a loss from discontinued operations of \$39,323. There were no comparable losses in the current quarter.

Extraordinary costs. The Company recorded costs of \$876,000 for the quarter ended December 31, 2001. These costs are associated with the merger between Pen Interconnect, Inc. and the Automatic Answer, Inc. (tAA).

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Net earnings (loss) and earnings (loss) per share. Net loss for the first fiscal quarter ended December 31, 2001 totaled (\$1,013,881) or (\$0.00) per share, compared with losses of (\$626,103) or (\$0.00) per share for the first fiscal quarter of FY 2000.

### Liquidity and Capital Resources

During the first three months of FY 2001 the Company sustained losses of \$1,013,881. As a result of these losses the Company raised additional working capital through the issuance of Convertible Debentures (\$100,000) and Convertible Promissory Notes (\$450,000).

### Inflation and Seasonality

The Company does not believe that it is significantly impacted by inflation or seasonally.

## PART II

### OTHER INFORMATION

#### Item 1. Legal Proceedings.

From time to time the Company has been a party to various legal proceedings arising in the ordinary course of business

1. On October 28, 1999 Color Savvy Systems, Ltd., filed suit to recover \$165,750 in past due uncontested vendor obligations. On February 16, 2000, Color Savvy obtained a judgment against the Company for \$165,750.
2. On February 15, 2000, Amistar Corporation filed suit against

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the Company to recover \$95,733 in uncontested past due vendor obligations. As of this writing, Amistar has accepted the Company's stock for debt offer.

3. On March 21, 2000, Interworks Computer Products, Inc., filed suit to recover \$35,771 in past due uncontested vendor obligations. Settled in January 2001.
4. On July 22, 2000, Force Electronics filed suit to recover \$68,816 in past due uncontested vendor obligations, and obtained a judgment on September 15, 2000. Settled in January 2001.
5. Control Design Supply/Nedco filed suit to recover \$6,788 in past due uncontested vendor obligations. Settled in January 2001.
6. On March 20, 2000, DHL Airways Inc. obtained a judgment in the amount of \$3,868 for past due uncontested vendor obligation.
7. In January 2001 Fidelity Leasing, Inc. filed suit to recover \$26,608.91 and obtained a judgment for uncontested past due lease obligations. Settled in February 2001.

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On November 15, 1999, Alan L. Weaver, former CEO of Pen Interconnect, Inc., obtained a judgment against the Company in the amount of \$135,300 for breach of a settlement agreement relative to Mr. Weavers' employment agreement with the Company. The Company has reserved \$135,300 as a contingent liability as of September 30, 2000 for this agreement.

Item 2. Changes in the Securities and Use of Proceeds.

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

None during the quarter.

Item 5. Other Information. None

Item 6. Exhibits and Reports on Form 8-K.

Reports on Form 8-K were filed by the company during the three months Ended December 31, 2001.

A. Exhibits

11 Calculation of earnings (loss) per share.

27 Financial Data Schedule.

SIGNATURES

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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.

THE AMANDA COMPANY, INC..

February 14, 2002

By: /s/ Jose M. Candia

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 Jose M. Candia,  
 CEO and President

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THE AMANDA COMPANY, INC.  
 CALCULATION OF EARNINGS (LOSS) PER SHARE  
 FOR THE THREE MONTHS ENDED  
 DECEMBER 31, 2001 AND 2000

	2001	2000
	-----	-----
Loss attributable to common shareholders	\$ (1,036,595)	\$ (668,334)
Basic EPS		
-----		
Common shares outstanding entire period	687,788,599	607,531,220
Weighted average common shares issued during the period	4,419,576	1,478,291
	-----	-----
Weighted average common shares outstanding during the period	692,208,175	609,009,511
Loss per common share - basic	\$ 0.00	\$ 0.00
	=====	=====

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