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MODERNGROOVE ENTERTAINMENT INC
Form 10QSB
May 20, 2002

U.S. 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 March 31, 2002

Transition Report under Section 13 or 15(d) of the Exchange Act For the Transition Period from _____ to _____

Commission File Number: 0-26073

MODERNGROOVE ENTERTAINMENT, INC.

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

Nevada

86-0881193

(State or other jurisdiction of incorporation or organization)

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

1801 E. Tropicana, Suite 9
Las Vegas, NV 89119

(Address of principal executive offices)

(604) 742-2000

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or 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 No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDING DURING THE PRECEDING FIVE YEARS

Check whether the Registrant 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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Common Stock, \$0.001 par value per share, 200,000,000 shares authorized, 30,650,700 issued and outstanding as of March 31, 2002. Preferred Stock, \$0.001 par value per share, 5,000,000 shares authorized, no Preferred Stock issued nor outstanding as of March 31, 2002.

Traditional Small Business Disclosure Format (check one) Yes [] No [X]

Copies to:
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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

As prescribed by Item 310 of Regulation S-B, the independent auditor has reviewed these unaudited interim financial statements of the registrant for the three months ended March 31, 2002. The financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. The

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unaudited financial statements of registrant for the three months ended March 31, 2002, follow.

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Moderngroove Entertainment, Inc.
[formerly Barrington Laboratories, Inc.]
(a Development Stage Company)
Consolidated Balance Sheet
(Expressed in US Dollars)
(Unaudited)

CONSOLIDATED BALANCE SHEET

| | March 31, 2002 |
|----------------------------------------------------------------------------------------------------------------|-------------------|
| | ----- |
| Assets | |
| Current assets: | |
| Cash and equivalents | \$ - |
| Receivables | 3,992 |
| Prepaid consulting fees | 291,499 |
| Prepaid expenses | 116,104 |
| | ----- |
| Total current assets | 411,595 |
| Property and equipment, net | 233,640 |
| Software development costs, net | 701,974 |
| | ----- |
| | \$ 1,347,209 |
| | ===== |
| Liabilities and Stockholders' Equity (Deficit) | |
| Current liabilities: | |
| Bank overdraft | \$ 4,555 |
| Line of credit | 186,477 |
| Loan payable-related party | 451,995 |
| Accounts payable | 307,047 |
| Accrued liabilities | 454,488 |
| | ----- |
| Total current liabilities | 1,404,562 |
| | ----- |
| Commitments | - |
| | ----- |
| Stockholders' Equity: | |
| Common stock, \$0.001 par value, 200,000,000 shares authorized, 30,650,700 shares issued and outstanding | 30,651 |
| Additional paid-in capital | 3,033,042 |
| Stock subscriptions receivable | (120,000) |
| Deficit accumulated during development stage | (2,997,617) |
| Accumulated other comprehensive income | |

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| | |
|-------------------------------------|--------------|
| foreign exchange translation losses | (3,429) |
| | ----- |
| | (57,353) |
| | ----- |
| | \$ 1,347,209 |
| | ===== |

The accompanying notes are an integral part of these financial statements.

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Moderngroove Entertainment, Inc.
 [formerly Barrington Laboratories, Inc.]
 (a Development Stage Company)
 Consolidated Statements of Operations
 for the three months ending March 31, 2002 and 2001
 and for the period September 20, 1999 (Inception) to March 31, 2002
 (Expressed in US Dollars)
 (Unaudited)

CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ending March 31, | | September 20, 1999 (Inception) to March 31, 2002 |
|---------------------------------------------------------|----------------------------------|--------------|--------------------------------------------------------------|
| | 2002 | 2001 | (cumulative) |
| | ----- | ----- | ----- |
| Revenue | \$ - | \$ - | \$ - |
| | ----- | ----- | ----- |
| Costs of services and operating expenses: | | | |
| Advertising and promotion | - | 10,932 | 243,494 |
| Contractor fees | - | 90,806 | 342,509 |
| Depreciation and amortization | - | 42,264 | 307,049 |
| Research and development | - | 40,533 | 376,136 |
| General and administrative | - | 379,544 | 1,714,358 |
| | ----- | ----- | ----- |
| | - | 564,079 | 2,983,546 |
| | ----- | ----- | ----- |
| Other income (expenses): | | | |
| Interest expense | - | (9,554) | (9,554) |
| | ----- | ----- | ----- |
| | - | (9,554) | (9,554) |
| | ----- | ----- | ----- |
| Net (loss) | \$ - | \$ (573,633) | \$ (2,993,100) |
| | ===== | ===== | ===== |
| Weighted average number of common shares outstanding | 30,471,418 | 30,290,144 | |
| | ===== | ===== | |

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| | | | |
|---------------------------------------------------------------------------------------------------|-------|------------|------------|
| Net cash provided by financing activities | - | 450,978 | 2,757,222 |
| | ----- | ----- | ----- |
| Net (decrease) increase in cash | - | (98,874) | 1,188 |
| Foreign exchange effect on cash | - | (1,281) | (1,188) |
| Cash - beginning | - | 100,155 | - |
| | ----- | ----- | ----- |
| Cash - ending | \$ - | \$ - | \$ - |
| | ===== | ===== | ===== |
| Supplemental disclosures: | | | |
| Interest paid | \$ - | \$ - | \$ - |
| | ===== | ===== | ===== |
| Income taxes paid | \$ - | \$ - | \$ - |
| | ===== | ===== | ===== |
| Non-cash transactions: | | | |
| Shares issued for prepaid consulting services less \$291,501 charged to expense during the period | \$ - | \$ 485,833 | \$ 291,499 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

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MODERNGROOVE ENTERTAINMENT, INC.
[FORMERLY BARRINGTON LABORATORIES, INC.]
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN US DOLLARS)

MARCH 31, 2002

BASIS OF PRESENTATION AND ABILITY TO CONTINUE AS A GOING CONCERN

The consolidated interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with the financial statements of the Company and Modern Groove Entertainment International, Inc. for the year ended March 31, 2002 and notes thereto included in the Company's 10-KSB annual report. The Company follows the same accounting policies in the preparation of interim reports.

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Results of operations for the interim periods are not indicative of annual results.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As at March 31, 2002, the Company has not recognized revenue to date and has accumulated operating losses of approximately \$2.8 million since inception. The Company's ability to continue as a going concern is contingent upon the successful completion of additional financing arrangements, the development of its interactive entertainment products, and its ability to achieve and maintain profitable operations. Management plans to raise equity capital to finance the operating and capital requirements of the Company. It is management's intention to raise new equity financing. Amounts raised will be used for further development of the Company's products, to provide financing for marketing and promotion, to secure additional property and equipment, and for other working capital purposes. While the Company is expending its best efforts to achieve the above plans, there is no assurance that any such activity will generate funds that will be available for operations.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might arise from this uncertainty.

1. SUBSEQUENT EVENTS - BANKRUPTCY PROCEEDINGS

On April 12, 2002, the Canadian Imperial Bank of Commerce, Vancouver, British Columbia filed against ModernGroove Entertainment, Inc., a petition with the Supreme Court of British Columbia to be adjudged bankrupt, under Canadian Bankruptcy Code, British Columbia, Bankruptcy Division, Department of Consumer and Corporate Affairs, designated with the Vancouver Registry as Case No. 225054VA02. They state in their Bankruptcy Petition that "Moderngroove Entertainment, Inc., is justly and truly indebted to us in the sum of \$304,482.40 together with interest calculated from February 8, 2002 and costs." The Canadian corporation has ceased operations in Canada. The U.S. Company will continue to operate in its ordinary course of business as it has no debt. The Company will prepare a plan of reorganization.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF PLAN OF OPERATIONS

Moderngroove is a Nevada corporation with business offices in Vancouver, British Columbia. It carried on business through the British Columbia subsidiary of its wholly-owned subsidiary, Modern Groove Entertainment Inc., a Nevada corporation which maintained offices in Vancouver, BC. The Company was formed in Nevada on August 6, 1998 under the name Barrington Laboratories, Inc. On January 2, 2001, the Company acquired all the issued and outstanding shares of Modern Groove Entertainment International, Inc. ("International"). In connection with the acquisition, the Company changed its corporate name to Moderngroove Entertainment Inc. The acquisition was completed by share exchange reorganization whereby we acquired all the issued and outstanding shares of International in exchange for the issuance of 26 million shares of our common stock. Moderngroove carried on operations through its British Columbia subsidiary, Modern Groove Entertainment Inc.

ModernGroove Entertainment, Inc. currently has no revenues from operations.

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The company's original business strategy was focused on developing videogames for next-generation videogame consoles, such as the Sony PlayStation 2.

Based on adverse market conditions and the cost to develop software programs, the Company ran out of money and the former management did not focus on completing its original business plan. The Company is currently assessing various options and other business strategies.

On April 12, 2002, the Canadian Imperial Bank of Commerce, Vancouver, British Columbia filed against ModernGroove Entertainment, Inc., a petition with the Supreme Court of British Columbia to be adjudged bankrupt, under Canadian Bankruptcy Code, British Columbia, Bankruptcy Division, Department of Consumer and Corporate Affairs, designated with the Vancouver Registry as Case No. 225054VA02. They state in their Bankruptcy Petition that "Moderngroove Entertainment, Inc., is justly and truly indebted to us in the sum of \$304,482.40 together with interest calculated from February 8, 2002 and costs." The Canadian corporation has ceased operations in Canada. The U.S. Company will continue to operate in its ordinary course of business as it has no debt.

Management currently believes the Company needs to identify and complete an acquisition, merger or other transaction that will enhance shareholder value. The Company's acting President is investigating potential business opportunities, as authorized by the Board of Directors. The Board has placed no limitations on the type of business or industry to consider. Currently, MODG has no plans, agreements, arrangements or understandings, written or oral, with respect to any acquisition, merger or similar transaction. No assurances can be given as to MODG's ability to identify and complete a transaction by any given date or as to the nature of the business or profitability of the company if a transaction is completed. A proposed transaction could be subject to significant regulatory, business, financing and other contingencies and might require shareholder and other approvals.

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The Company has a limited operating history upon which an evaluation of the Company, its current business and its prospects can be based, each of which must be considered in light of the risks, expenses and problems frequently encountered by all companies in the early stages of development, and particularly by such companies entering new and rapidly developing markets. The Company's prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development. Such risks include, without limitation, the lack of broad acceptance of the company's products and the inability of the Company to generate revenues, the company's inability to anticipate and adapt to a developing market, the failure of the company's infrastructure, changes in laws that adversely affect the company's business, the ability of the Company to manage its operations, including the amount and timing of capital expenditures and other costs relating to the expansion of the company's operations, the introduction and development of different or more extensive communities by direct and indirect competitors of the Company, including those with greater financial, technical and marketing resources, the inability of the Company to attract, retain and motivate qualified personnel and general economic conditions.

Going Concern - As at March 31, 2002, the Company has not recognized revenue to date and has accumulated operating losses of approximately \$2,993,100 since inception. The Company's ability to continue as a going concern is contingent upon the successful completion of additional financing arrangements and its

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ability to achieve and maintain profitable operations. Management plans to raise equity capital to finance the operating and capital requirements of the Company. There is no assurance that any such activity initiated by the Company will generate funds that will be available for operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company had no dilutive common stock equivalents such as stock options or warrants as of March 31, 2002.

Results of Operations

The following is a limited discussion of the results of operations for the three months ended March 31, 2002 as the company is currently inactive. As a developmental stage Company, the Company has yet to generate any revenues. In addition, the Company does not expect to generate any revenues in the foreseeable future. During the first three months ended, March 31, 2002, the Company had no revenues nor expenses, this compares to no revenues and \$573,666 in expenses for the same period last year. The Company has an accumulated net loss of \$2,993,100 since its inception on September 20, 1999. As stated, during the First Quarter of this calendar year the Company has been inactive. Miscellaneous expenses to keep the Company active were covered by the acting President of the Company, who does not expect reimbursement for said expenses. The Company does not have any material commitments for capital expenditures.

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Plan of Operation

Without any operating business or material assets, the Company will remain inactive until such time as management identifies strategic opportunities, finds additional funding, completes an acquisition of, or merger with an operating company. No assurances can be given as to Company's ability to identify and complete a transaction by any given date or as to the nature of the business or profitability of the company if a transaction is completed. A proposed transaction could be subject to significant regulatory, business, financing and other contingencies and might require shareholder and other approvals.

Liquidity and Capital Resources

At March 31, 2002, the Company had no working capital. It is currently solely dependent on its acting president who advanced the Company funding during its software development stage.

The Company believes that any available cash or available borrowings which may be available or obtained through credit facility or from individuals, may not be sufficient to meet operating needs and capital expenditure requirements in the immediate future.

Going forward, significant cash flow will be needed to pay the restructuring costs to implement any proposed business plan and to fund losses until the Company can become profitable. While there is no assurance that funding will be available to execute any proposed plan, the Company is continuing to seek financing to support its turnaround efforts.

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The Company's independent public accountants have included a "going concern" emphasis paragraph in their audit report accompanying the December 31, 2001, financial statements. The paragraph states that the Company's recurring losses and its inability to secure working capital financing raise substantial doubt about the Company's ability to continue as a going concern and cautions that the financial statements do not include adjustments that might result from the outcome of this uncertainty.

Existing cash flow is not expected to be sufficient to cover liquidity requirements after March 31, 2002, and the Company is currently does not have adequate funds to operate its business. There can be no assurance that any long-term restructuring alternative can be successfully initiated or implemented during this calendar year.

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Market For Company's Common Stock

Until September 14, 1999, there was no public trading market for the Company's stock. On that day the Company's common stock was cleared for trading on the OTC Bulletin Board system under the symbol BRRT. At the Company's annual shareholder meeting on December 18, 2000, the shareholders approved a name change for the Company to Moderngroove Entertainment, Inc., and the Company subsequently changed its name and trading symbol to: MODG. A limited market exists for the trading of the Company's common stock.

Dividend Policy

The Company has never paid or declared any dividend on its Common Stock and does not anticipate paying cash dividends in the foreseeable future.

Forward-Looking Statements

This Form 10-QSB includes "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. All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-QSB which address activities, events or developments which the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature

thereof), finding suitable merger or acquisition candidates, expansion and growth of the Company's business and operations, and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results or developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties, general economic market and business conditions; the business opportunities (or lack thereof) that may be presented to and pursued by the Company; changes in laws or regulation; and other factors, most of which are beyond the control of the Company.

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Consequently, all of the forward-looking statements made in this Form 10-QSB are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The Company assumes no obligations to update any such forward-looking statements.

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PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

On April 12, 2002, the Canadian Imperial Bank of Commerce, Vancouver, British Columbia filed against ModernGroove Entertainment, Inc., a petition with the Supreme Court of British Columbia to be adjudged bankrupt, under Canadian Bankruptcy Code, British Columbia, Bankruptcy Division. They state in their Bankruptcy Petition that "Moderngroove Entertainment, Inc., is justly and truly indebted to us in the sum of \$304,482.40 together with interest calculated from February 8, 2002 and costs."

The Company from time to time may be involved in litigation incident to the conduct of its business. Certain litigation with third parties and present and former shareholders of the Company are routine and incidental.

ITEM 2. Changes in Securities and Use of Proceeds

None.

ITEM 3. Defaults upon Senior Securities

On April 12, 2002, the Canadian Imperial Bank of Commerce, Vancouver, British Columbia filed against ModernGroove Entertainment, Inc., a petition with the Supreme Court of British Columbia to be adjudged bankrupt, under Canadian Bankruptcy Code, British Columbia, Bankruptcy Division, Department of Consumer and Corporate Affairs, designated with the Vancouver Registry as Case No. 225054VA02. They state in their Bankruptcy Petition that "Moderngroove Entertainment, Inc., is justly and truly indebted to us in the sum of \$304,482.40 together with interest calculated from February 8, 2002 and costs." The Canadian corporation has ceased operations in Canada.

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

During the quarter ended March 31, 2002, no matters were submitted to the Company's security holders.

ITEM 5. Other Information

On April 19, 2002, shareholders representing in excess of fifty-one (51) percent of the common stock voted to remove Mr. John Stroppa, as President and Director of the Company. He was removed due to his failure to follow the company's original business plan, which was prepared and presented by John Stroppa to individuals who invested funds in the Company with the belief the business plan would be executed. The special shareholder meeting was organized by Mr. Arthur W. Skagen, solicitor, shareholder and largest unsecured creditor to the Company. Additionally, under Nevada law, NRS

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78.335(5) the shareholders voted to fill the Director vacancy with Mr. Arthur W. Skagen. He will hold office for the unexpired term of his predecessor and/or until his successor is elected and qualified.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) EXHIBITS.

The following documents are included or incorporated by reference as Exhibits to this report:

EXHIBIT

| NO. | DOCUMENT DESCRIPTION |
|------|----------------------------------------------------------------------------|
| (3) | ARTICLES OF INCORPORATION AND BY-LAWS |
| 3.1 | Articles of Incorporation of the Company Filed August 6, 1998(1) |
| 3.2 | By-Laws of the Company adopted September 23, 1998(1) |
| 3.3 | Amendment to Articles of Incorporation Filed December 18, 2000(3) |
| (4) | INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS |
| 4.1 | Facsimile of specimen common stock certificate (2) |
| (13) | Annual or Quarterly Reports - Form 10-Q, incorporated herein by reference. |

- (1) Previously filed as an exhibit to our registration statement on Form 10-SB (the "Registration Statement"), which was filed on May 14, 1999, and incorporated herein by reference.
- (2) Previously filed as an exhibit to our annual report on Form 10KSB, which was filed on March 8, 2000, and incorporated herein by reference.
- (3) Previously filed as an exhibit to our amended annual report on Form 10KSB/A, which was filed on April 10, 2001, and incorporated herein by reference.

(b) REPORTS ON FORM 8-K

Moderngroove filed a Current Report dated April 12, 2002, on Form 8-K containing information pursuant to Item 1 ("Changes in Control of Registrant") entitled, "Change of officers;" Item 3 ("Bankruptcy or Receivership"); Item 6 ("Resignations of Registrant's Directors"), entitled "Newly appointed director to fill vacancy"; and Item 7 ("Canadian Bankruptcy Petition and Notice of Hearing of Petition.")

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 20, 2002

Modern groove Entertainment, Inc.

Registrant

By: /s/ Arthur W. Skagen

Arthur W. Skagen
Acting President/Secretary