

INNOFONE COM INC
Form 10QSB
February 14, 2007

FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

(Mark One)

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

For the quarterly period ended December 31, 2006

OR

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

For the transition period

from _____ to _____

Commission File Number 0-31949

INNOFONE.COM, INCORPORATED

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or
organization)

98-0202313

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

1431 Ocean Avenue, Suite 1100, Santa Monica, CA

(Address of principal executive office)

90401

(Zip Code)

(310) 458-3233

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934) Yes No

The number of shares outstanding of each of Issuer's classes of common equity as of January 29, 2007

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Common Stock at Par Value \$0.001

Title of Class

74,651,328

Number of Shares

Transitional Small Business Disclosure format (check one): Yes No

INNOFONE.COM, INCORPORATED
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INNOFONE.COM, INCORPORATED
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2006
(UNAUDITED)

ASSETS

Current assets		
Cash	\$	374,363
Accounts receivable		219,272
Prepaid expenses and other assets		295,001
Total current assets		888,636
Fixed assets, net		
Investment in U.S. Treasury Bonds - restricted		49,987,390
Unamortized debt discount and finance cost		448,493
Deposits for pending acquisitions		80,000
Goodwill		1,611,260
Other assets		70,832
Total assets	\$	53,160,378

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Accounts payable and accrued liabilities	\$	2,075,436
Deferred revenue		173,994
Due to related party		700,000
Notes payable - short term		4,045,000
Total current liabilities		6,994,430
Long-term liabilities		
Liability on equity swap agreement		13,825,132
Total liabilities		20,819,562
Minority interest		(17,406)
Stockholders' equity		
Preferred stock; \$0.01 par value; 4,815,000 shares authorized, issued and outstanding		48,150
Common stock; \$0.001 par value; 950,000,000 shares authorized, 74,651,328 issued and outstanding		74,651
Additional paid-in capital		70,743,369
Unamortized investment and loan fees paid with common stock and warrants		(3,805,017)
Stock payable for 72,000 shares of common stock		48,960

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Related party stock payable for 800,000 shares of common stock		544,000
Other comprehensive income		(11,181)
Accumulated deficit		(35,284,710)
Total stockholders' equity		32,358,222
Total liabilities and stockholders' equity	\$	53,160,378

See Accompanying Notes to Consolidated Financial Statements

INNOFONE.COM, INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2006 AND 2005
(UNAUDITED)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2006	2005	2006	2005
Revenues	\$ 77,512	\$ 354,670	\$ 104,059	\$ 404,690
Cost of revenues	11,816	76,044	36,609	76,958
Gross profit	65,696	278,626	67,450	327,732
Operating expenses				
Selling, general and administrative	1,672,611	938,609	2,945,459	1,528,916
Total operating expenses	1,672,611	938,609	2,945,459	1,528,916
Income (loss) from operations	(1,606,915)	(659,983)	(2,878,009)	(1,201,184)
Other income (expense)				
Interest income	4,523	9,574	6,744	11,848
Interest expense and finance cost	(997,419)	(246,618)	(3,228,094)	(297,676)
Unrealized loss on equity swap agreement	(1,232,648)	--	(10,355,909)	--
Other income (expense)	(939)	(11,128)	10,326	(11,128)
Total other income (expense)	(2,226,483)	(248,172)	(13,566,933)	(296,956)
Net income (loss) before provision for income taxes	(3,833,398)	(908,155)	(16,444,942)	(1,498,140)
Provision for income taxes	--	--	--	--
Net income (loss) before minority interest	(3,833,398)	(908,155)	(16,444,942)	(1,498,140)
Loss applicable to minority interest	(15,902)	--	(22,721)	--
Net income (loss)	\$ (3,849,300)	\$ (908,155)	\$ (16,467,663)	\$ (1,498,140)
Net income (loss) per common share - basic and diluted	\$ (0.05)	\$ (0.01)	\$ (0.22)	\$ (0.03)
Weighted average common shares outstanding - basic and diluted	74,489,328	61,462,788	74,170,239	53,818,964

See Accompanying Notes to Consolidated Financial Statements

INNOFONE.COM, INCORPORATED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED DECEMBER 31, 2006
(UNAUDITED)

	Preferred Stock		Common Stock		Additional	Unamortized	Stock	Related	Other	Accumula
	Shares	Amount	Shares	Amount	Paid-in Capital	Investment and Loan Fee	Payable	Party Stock Payable	Comprehensive Income	Deficit
Balance, June 30, 2006	4,815,000	\$ 48,150	72,858,345	\$ 72,858	\$ 62,944,096	\$ --	\$ 58,395	\$ 544,000	\$ --	\$ (18,817)
Issuance of common stock related to acquisition of Mobile Technology Group, Inc. net of \$101,020 net liabilities acquired	--	--	1,441,441	1,441	1,497,539	--	--	--	--	--
Issuance of common stock for services	--	--	280,542	281	225,433	--	--	--	--	--
Issuance of common stock related to stock payable	--	--	71,000	71	58,324	--	(58,395)	--	--	--
Issuance of warrants for 5,000,000 shares of common stock related to debt with 55 South Investments totaling	--	--	--	--	5,481,314	(5,481,314)	--	--	--	--

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\$1,000,000

Issuance of warrants for 602,500 shares of common stock related to various debts totaling \$415,000

-- -- -- -- 503,047 (503,047) -- -- --

Amortization of investment and loan fee paid with common stock and warrants

-- -- -- -- -- 2,179,344 -- -- --

Vesting of employee stock options

-- -- -- -- 23,585 -- -- --

Stock payable for 72,000 shares of common stock related to services

-- -- -- -- -- -- 48,960 -- --

Minority interest

-- -- -- -- 10,031 -- -- --

Unrealized gain on US Treasury Bonds

-- -- -- -- -- -- -- -- (11,181)

Net income (loss)

-- -- -- -- -- -- -- -- -- (16,467)

Balance, December 31, 2006

4,815,000 \$ 48,150 74,651,328 \$ 74,651 \$ 70,743,369 \$ (3,805,017) \$ 48,960 \$ 544,000 \$ (11,181) \$ (35,284)

INNOFONE.COM, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2006 AND 2005
(UNAUDITED)

	Six Months Ended December 31,	
	2006	2005
Cash flows from operating activities:		
Net income (loss)	\$ (16,467,663)	\$ (1,498,140)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	9,644	4,400
Amortization of debt discount and finance cost	2,430,630	229,306
Unrealized loss on equity swap agreement	10,355,909	--
Stock based expenses	264,274	281,523
Changes in operating assets and liabilities:		
Change in accounts receivable	(163,517)	(11,019)
Change in prepaid expenses	(83,160)	(92,822)
Change in other assets	(4,077)	--
Change in accounts payable and accrued liabilities	713,462	207,496
Change in deferred revenue		