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ESCAPENETICS CORP
Form 10QSB
August 14, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-QSB

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2003

Commission file number 1-9431

ESCAPENETICS CORPORATION
(Name of Small Business Issuer in Its Charter)

Delaware 94-3012230
(State or Other Jurisdiction of (I.R.S. Employer Identification No.)
Incorporation or Organization)

383 Inverness Parkway, Suite 100 80112
(Address of Principal Executive Offices) (Zip Code)

(720) 889-0133
(Issuer's Telephone Number, Including Area Code)

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 past 90 days.

Yes [X] No []

Check whether the issuer has 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 [X] No []

The number of shares of the issuer's common stock outstanding as of June 30, 2003 was 1,000,000 shares, par value \$.001 per share.

ESCAPenetics Corporation
(a development stage company)

Balance Sheets
(unaudited)

=====

| | June 30, 2003 | September 30, 2002 |
|---------------------|---------------|--------------------|
| ASSETS | -- | -- |
| Current Assets | -- | -- |
| Checking/Savings | -- | -- |
| Money Market Access | \$ 16,476 | \$ 123 |
| | ----- | ----- |

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| | | |
|--|-----------|------------|
| Total Checking/Savings | \$ 16,476 | \$ 123 |
| Total Current Assets | \$ 16,476 | \$ 123 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 16,476 | \$ 123 |
| | ===== | ===== |
| LIABILITIES & EQUITY | -- | -- |
| Accounts Payable | \$ 4,633 | \$ 3,600 |
| Due to Parent | -- | 240,000 |
| | ----- | ----- |
| Total Current Liabilities | 4,633 | 243,600 |
| | ----- | ----- |
| TOTAL LIABILITIES | \$ 4,633 | \$ 243,600 |
| | ===== | ===== |
| Equity | | |
| Common Stock | 7,424 | 5,243 |
| Additional Paid-in Capital | 454,082 | 135,993 |
| Accumulated Deficit Prior to Development Stage | (405,734) | (384,713) |
| Deficit Accumulated During Development Stage | (43,929) | -- |
| | ----- | ----- |
| Total Equity | 11,843 | (243,477) |
| | ----- | ----- |
| TOTAL LIABILITIES & EQUITY | \$ 16,476 | \$ 123 |
| | ===== | ===== |

ESCAgenetics Corporation
(a development stage company)

Statement of Operations
(unaudited)

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| | Period from April 1, 2003 (inception of development stage) to June 30, 2003 and Three-month period ended June 30, 2003 | | | Three-month period ended June 30, 2002 | Nine-m ended |
|-------------------------|---|--------|----|--|-----------------|
| | | | | | |
| Ordinary Income/Expense | | | | | |
| Expense | \$ | -- | \$ | -- | \$ |
| Accrued Expenses | | -- | | -- | |
| Bank Service Charges | | 2,000 | | -- | |
| Interest Expense | | -- | | -- | |
| Office Expenses | | 536 | | -- | |
| Marketing | | 57 | | -- | |
| Postage | | 716 | | -- | |
| Professional Fees | | -- | | -- | |
| Accounting Fees | | 2,200 | | 2,000 | |
| Edgar Filing Services | | -- | | 3,541 | |
| Escrow Agent | | -- | | -- | |
| Legal Fees | | 10,558 | | 98 | |

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| | | |
|---|-----------|----------|
| | ----- | ----- |
| Net cash provided by Financing Activities | 42,670 | 24,000 |
| | ----- | ----- |
| Net cash increase for period | 16,353 | (9,351) |
| | ----- | ----- |
| Cash at beginning of period | 123 | 11,684 |
| | ----- | ----- |
| Cash at end of period | \$ 16,476 | \$ 2,333 |
| | ===== | ===== |

SCHEDULE OF NON-CASH
FINANCING ACTIVITIES

| | | |
|---|---------|----|
| Conversion of Promissory Note and Accrued interest to common stock | 253,100 | -- |
|---|---------|----|

ESCAGENETICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2003 AND 2002

1. Unaudited information:

The financial statements for the nine months ended June 30, 2003 and 2002 are unaudited and reflect all adjustments which are, in the opinion of management, necessary for the fair presentation of the financial position and operating results for the periods presented. Certain footnote disclosures normally included with financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted from these financial statements. Accordingly, these unaudited financial statements should be read in conjunction with the September 30, 2002 audited consolidated financial statements and notes thereto included in the Company's annual report on Form 10-KSB for the year ended September 30, 2002.

2. Stock Transactions:

During April 2003, the Company declared a one for 140 reverse split of all outstanding common stock. All periods presented have reflected the reverse stock split.

During April, 2003, an entity owning 90% of the Company's common stock sold its interest to an individual (the Principal Stockholder), along with a \$253,100 convertible note (the Note) due from the Company. The Principal Stockholder then converted the Note into 235,021 shares (per split) of common stock, in accordance with the terms of the note. As a result of this transaction, the Company is considered a development stage enterprise effective April 1, 2003.

The Company issued the Principal Stockholder and two other individuals 70,000 shares of common stock for services (valued at approximately \$25,000) during the three months ended June 30, 2003.

The Company sold 179,625 shares of common stock to two individuals during the three months ended June 30, 2003 and received proceeds totaling \$42,670.

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ITEM 2 - Plan of Operation

Effective as of August 22, 1996, the Company was reorganized pursuant to a plan of reorganization that was confirmed by the U.S. Bankruptcy Court. The Company has had no revenues from operations since the reorganization date. The Company does not plan to continue the business activities that it previously conducted. It plans to pursue a business combination or other strategic transaction. The Company believes its status as a public company may be attractive to a private company wishing to avoid an initial public offering but there is no guarantee that a business combination or other strategic transaction will be consummated.

The Company has funded its expenses since the reorganization date with advances from its majority shareholder, Genesee Holdings, Inc. ("Holdings"). During April, 2003, Holdings sold its 90% interest in the Company's to an individual (the Principal Stockholder), along with a \$253,100 convertible note (the Note) due from the Company. The Principal Stockholder then converted the Note into 235,021 shares of common stock, in accordance with the terms of the note. As a result of this transaction, the Company is considered a development stage enterprise effective April 1, 2003. If a business combination or other strategic transaction is not consummated in a suitable timeframe or cannot be consummated due to excessive cost or for any other reason, there is substantial doubt the Company will be able to continue as a going concern.

The Company has no employees and no fixed assets. The company does not anticipate hiring any employees or purchasing any assets until such time as a business combination or other strategic transaction is consummated or is imminent.

On June 20, 2003, the Company entered into a letter of intent to effect an acquisition of Shecom Corporation, a California-based value-added developer and distributor of computer hardware and electronic devices established in 1986.

The acquisition will be completed pursuant to the terms of a formal Acquisition Agreement. The Acquisition Agreement will require the issuance of 23 million newly issued shares of the Company common stock and will entail Shecom becoming a wholly-owned subsidiary of the Company. Upon completion of the Acquisition, the current owners of Shecom will own approximately 92.5% of the outstanding stock of the Company and the Company will change its name to Shecom Corporation.

The acquisition is dependent upon Shecom completing a bridge financing of at least \$500,000 and other representations and conditions to be contained in a formal Acquisition Agreement. There can be no assurance that this acquisition will be completed.

ITEM 3 - Controls and Procedures

The Company was dormant during the fiscal quarter ended June 30, 2003. The Company has had no employees since November 1996. Within 90 days prior to the filing date of this report, to the extent applicable to a dormant company, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-14(c) and 15d-14(c)). Based upon that evaluation, the Chief Executive and Financial Officer concluded that the Company's disclosure controls and procedures are effective.

There are no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation.

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ITEM 1 - Legal Proceedings - None

ITEM 2 - Changes in Securities and Use of Proceeds - None

ITEM 3 - Defaults upon Senior Securities - None

ITEM 4 - Submission of Matters to a Vote of Security Holders - None

ITEM 5 - Other Information - -None

ITEM 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

| Exhibit # ----- | Exhibit Title ----- |
|--------------------|--|
| 3.1* | Certificate of Incorporation |
| 3.2** | By-Laws |
| 31 | Certification pursuant to Rule 13a-14(a) and 15d-14(a) |
| 32 | Certification pursuant to Section 1350 of Title 18 of the United States Code |

* Incorporated by reference to the Company's Form 10-QSB for the quarter ended December 31, 1998.

** Incorporated by reference to the Company's Form 10-QSB for the quarter ended December 31, 1996.

(b) Forms 8-K

Two current reports on Form 8-K were filed during the quarter ended March 31, 2003: Form 8-K dated February 11, 2003, reporting the termination of Deloitte & Touche LLP as the Company's independent auditors; Form 8-K dated March 12, 2003, reporting the appointment of Hein + Associates LLP as the Company's independent public accounts.

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.

ESCAGENETICS CORPORATION

By: _____

Dated: August _____, 2003