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Datone, Inc
Form 10-Q
May 20, 2009

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2009

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

For the transition period from

Commission File No. 000-53075

DATONE, INC.

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

Delaware
(State or other
jurisdiction of
incorporation or
formation)

16-1591157
(I.R.S. employer
identification number)

7325 Oswego Road
Liverpool, New York 13090
(Address of principal executive offices)

Issuer's telephone number: (315) 451-7515
Issuer's facsimile number: (315) 453-7311

No change
(Former name, former address and former
fiscal year, if changed since last report)

Copies to:

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 4,963,226 shares of \$.0001 par value common stock outstanding as of March 31, 2009.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer []

Accelerated Filer []

Non-Accelerated Filer []

Smaller reporting company [X]

(Do not check if a smaller reporting company)

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

DATONE, INC.

BALANCE SHEETS

| | March 31, 2009 (Unaudited) | December 31, 2008 |
|--|----------------------------------|----------------------|
| CURRENT ASSETS | | |
| Cash | \$ - | \$ - |
| Commissions and Sales Receivable, Net | 17,038 | 30,503 |
| Prepaid Expenses and Other Current Assets | - | - |
| TOTAL CURRENT ASSETS | 17,038 | 30,503 |
| EQUIPMENT | | |
| Telephone and Office Equipment | 1,459,765 | 1,459,765 |
| Vehicle | 71,274 | 71,274 |
| | 1,531,039 | 1,531,039 |
| Less: Accumulated Depreciation | (1,525,535) | (1,525,371) |
| Net Equipment | 5,504 | 5,668 |
| Inventory | - | - |
| TOTAL ASSETS | \$ 22,542 | \$ 36,171 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Current Liabilities | | |
| Accounts Payable | \$ 147,759 | \$ 148,447 |
| Bank Overdraft | 9,081 | 8,313 |
| Current Portion of Long-Term Debt | 1,412 | 2,245 |
| Accrued Expenses | 63,681 | 64,570 |
| Related Party Notes | 45,641 | 38,731 |
| TOTAL CURRENT LIABILITIES | 267,574 | 262,306 |
| TOTAL LONG-TERM DEBT | 319,348 | 304,349 |
| TOTAL LIABILITIES | 586,922 | 566,655 |
| STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Common Stock, .0001 par value 100,000,000 shares authorized, 4,963,226 shares issued and outstanding at December 31, 2008 and 2007 | 496 | 496 |
| Additional Paid in Capital | 1,732,784 | 1,727,460 |
| Accumulated Deficit | (2,297,660) | (2,258,440) |

| | | | | |
|--|----|------------|----|------------|
| TOTAL STOCKHOLDERS' EQUITY | | (564,380) | | (530,484) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | \$ | 22,542 | \$ | 36,171 |

The accompanying notes are an integral part of these statements.

DATONE, INC.
STATEMENTS OF OPERATIONS

| | For the Three Months Ended March 31, 2009 (unaudited) | For the Three Months Ended March 31, 2008 |
|-------------------------------------|--|---|
| SALES | \$ 18,690 | \$ 48,866 |
| Cost of Sales | 6,213 | 17,893 |
| Depreciation | 164 | 164 |
| Total Cost of Sales | 6,377 | 18,057 |
| Gross Profit (Loss) | 12,313 | 30,809 |
| GENERAL AND ADMINISTRATIVE EXPENSES | 44,163 | 42,090 |
| Operating Loss | (31,850) | (11,281) |
| OTHER INCOME (EXPENSE) | | |
| Other Income | - | 0 |
| Gain (Loss) on Sale of Equipment | - | - |
| Bad Debt Expense | - | - |
| Other Expense | - | - |
| Interest Expense | (7,369) | (1,265) |
| Total Other Income (Expense) | (7,369) | (1,265) |
| NET LOSS BEFORE PROVISION | \$ (39,219) | \$ (12,546) |
| PROVISION FOR INCOME TAXES | | 60 |
| NET INCOME (LOSS) | (39,219) | (12,606) |
| Net Loss per Common Share | \$ (0.01) | \$ (0.00) |
| Weighted Common Shares Outstanding | 4,963,226 | 4,963,226 |

The accompanying notes are an integral part of these financial statements

DATONE, INC.
STATEMENTS OF CASH FLOWS

| | For The Three Months Ended March 31, 2009 (unaudited) | For The Three Months Ended March 31, 2008 |
|---|---|--|
| Operating Activities: | | |
| Net Loss | \$ (39,219) | \$ (12,606) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation Expense | 164 | 164 |
| (Gain) Loss on Sale of Equipment | - | - |
| (Increase) Decrease in Commission and Sales Receivables | 13,465 | (14,209) |
| (Increase) Decrease in Inventory | - | - |
| (Increase) Decrease in Prepaid Expense | - | 17 |
| Increase (Decrease) in Accounts Payable | (688) | 851 |
| Increase (Decrease) in Accrued Expenses | (889) | 2,342 |
| Increase (Decrease) in Related Party Payable | - | - |
| Net cash used in operating activities | (27,167) | (23,441) |
| Investing Activities: | | |
| Purchase of Equipment | - | - |
| Proceeds from Sale of Equipment | - | - |
| Net cash provided by investing activities | - | - |
| Financing Activities: | | |
| Proceeds from Additional Paid in Capital | 21,300 | - |
| Distributions | - | (900) |
| Proceeds from (Payments on) Bank Overdraft | 768 | 56 |
| Proceeds from Long-Term Debt | 60,000 | - |
| Proceeds from (Payments on) Related Party Note | (3,245) | 10,083 |
| Proceeds (Payments) on Notes Payable | 38,731 | 14,202 |
| Net cash provided by financing activities | 117,554 | 23,441 |
| Net Increase (Decrease) in cash | 90,387 | - |
| Cash - Beginning of Period | 0 | 0 |
| Cash - End of Period | \$ 90,387 | \$ - |

Supplemental Disclosures of Cash Flow
Information:

Cash Paid During The Period For:

| | | | | | |
|----------|----|-------|----|--------|---|
| Interest | \$ | 6,798 | \$ | (1,265 |) |
|----------|----|-------|----|--------|---|

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

DATONE, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009 AND December 31, 2008

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Datone, Inc. is currently a provider of both privately owned and company owned payphones (COCOT's) and stations in New York. The Company receives revenues from the collection of the payphone coinage, a portion of usage of service from each payphone and a percentage of long distance calls placed from each payphone from the telecommunications service providers. In addition, the Company also receives revenues from the service and repair of privately owned payphones, sales of payphone units.

Summary of Significant Accounting Policies

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

The Company's payphones are located primarily in New York and usage of those phones may be affected by economic conditions in those areas. The company has experienced about a 30% drop in revenue's, due to increased competition from other payphone providers and increase usage of wireless communications.

The Company maintains cash balances with a financial institution insured by the Federal Deposit Insurance Corporation up to \$250,000. There are no uninsured balances at March 31, 2009.

Cash and Cash Equivalentents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalentents for purposes of classification in the balance sheets and statement of cash flows. Cash and Cash equivalentents consists of cash in bank (checking) accounts.

DATONE, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009 AND December 31, 2008

Note 1. Nature of Business and Summary of Significant Accounting Policies - Continued

Equipment and Depreciation

Equipment is stated at cost. Depreciation is calculated on a straight-line basis over the useful lives of the related assets, which range from five to seven years.

Income Taxes

Income taxes are accounted for in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Under SFAS No. 109, deferred income taxes are recognized using the asset and liability method by applying tax rates to cumulative temporary differences based on when and how they are expected to affect the tax return. Deferred tax assets and liabilities are adjusted for income tax rate changes.

Net (Loss) per Common Share

Net loss per common share has been calculated by taking the net loss for the current period and dividing by the weighted average shares outstanding at the end of the period.

Revenue Recognition

The Company derives its primary revenue from the sources described below, which includes dial around revenues, coin collections, and telephone equipment repairs and service

Dial around revenues are generated from calls to gain access to a different long distance carrier than is already programmed into the phone. GAAP (SAB No. 101) requires the Company to recognize revenue when earned. In the past, the Company was recording the revenue when the money was wire deposited into the bank account. The Company is now recording a monthly accrual and adjusting the revenue to actual on a quarterly basis. The revenue is estimated monthly, based on prior quarter's actual receipts. The Company uses prior quarter receipts as estimates because there has not been a significant change to total payphones in the previous few quarters. Also, historical figures have shown the revenue earned is not far different than estimates made. Revenues on commissions, and telephone equipment repairs and service are recognized when the services are provided.

The proceeds from the sales of pay telephones and other equipment are excluded from revenues and reported as other income.

DATONE, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009 AND December 31, 2008

Note 2. Inventory

Inventory is valued at the lower of cost, determined on the first-in, first-out basis (FIFO), or market value. At March 31, 2009 and December 31, 2008 inventory consists of the following:

| | 2009 | 2008 |
|-----------------------|------|------|
| Parts and Accessories | \$0 | \$0 |

Note 3. Commissions and Sales Receivable

Commissions and Sales Receivable consists of the following at March 31, 2009 and December 31, 2008:

| | 2009 | 2008 |
|------------------------|----------|----------|
| Commissions Receivable | \$15,000 | \$27,603 |
| Sales Receivable | 2,038 | 2,900 |
| | \$17,038 | \$30,503 |

Note 4. Related Party Note

The Company has five notes payable with Joseph Passalacqua. The notes are due on demand and carry interest ranging from 10% to 18%. The outstanding principal on the notes are \$41,000 at March 31, 2008. The accrued interest was approximately \$4,640 as of March 31, 2008.

The Company has rents payable to a related party in the amount of \$314,503 and \$299,503 as of March 31, 2009 and December 31, 2008, respectively.

Note 5. Commitments

The Company leases office space under an operating lease expiring in December 2009. Rent expense for the period ended March 31, 2009 amounted to \$15,000.

The minimum future rental payments under the operating lease at December 31, 2009 are as follows:

| | |
|------|----------|
| 2009 | \$60,000 |
|------|----------|

DATONE, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009 AND December 31, 2008

Note 6. Major Dial Around Compensation Providers (Commissions)

The Company received approximately 95% of total dial around and zero-plus compensation (commissions) from two providers.

Note 7. Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates.

Net deferred tax assets consist of the following components as of:

| | 2008 | 2007 |
|-------------------------|------------|------------|
| Deferred tax assets | | |
| NOL Carryover | (932,394) | (882,587) |
| Valuation Allowance | 932,394 | 828,587 |
| Net deferred tax assets | - | - |

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income tax rates of 39% to pretax income from continuing operations:

| | 2008 | 2007 |
|---------------------|-----------|-----------|
| Book Income | (98,719) | (76,757) |
| Valuation Allowance | 98,719 | 76,757 |
| | - | - |

DATONE, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009 AND December 31, 2008

Note 7. Income Taxes - Continued

At December 31, 2008, the Company had net operating loss carry forwards of approximately \$2,110,047 that may be offset against future taxable income through 2027. No tax benefit has been reported in the December 31, 2008, financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating carryforwards for Federal Income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carryforwards may be limited as to use in future years.

Note 8 – Uncertain Tax Provisions

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109” (“FIN 48”). FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The adoption of the provisions of FIN 48 did not have a material impact on the company’s financial position and results of operations. At January 1, 2007, the company had no liability for unrecognized tax benefits and no accrual for the payment of related interest.

Interest costs related to unrecognized tax benefits are classified as “Interest expense, net” in the accompanying statements of operations. Penalties, if any, would be recognized as a component of “Selling, general and administrative expenses”. The Company recognized \$0 of interest expense related to unrecognized tax benefits during 2007. In many cases the company’s uncertain tax positions are related to tax years that remain subject to examination by relevant tax authorities.

With few exceptions, the company is generally no longer subject to U.S. federal, state, local or non-U.S. income tax examinations by tax authorities for years before 2004. The following describes the open tax years, by major tax jurisdiction, as of January 1, 2007:

| | |
|-------------------|---------------|
| United States (a) | 2004– Present |
|-------------------|---------------|

(a) Includes federal as well as state or similar local jurisdictions, as applicable.

DATONE, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2009 AND December 31, 2008

Note 9. Long-Term Debt

Long-term debt consists of the following at December 31,:

| | 2009 | 2008 |
|---|------------|------------|
| Note Payable to bank in monthly installments of \$261, including interest at 4.5%, through August 2009. | \$ 1,412 | \$ 2,246 |
| Note payable to Calloway Properties bears interest at 10% | 314,503 | 299,503 |
| Note payable to Key Bank bears interest at 9.25% and is due on demand. | 4,845 | 4,845 |
| | 320,760 | 306,594 |
| Less: Current portion | (1,412) | (2,246) |
| Total | \$ 319,348 | \$ 304,349 |

DATONE, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009 AND December 31, 2008

Note 10. Going Concern Considerations

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which contemplates the Company as a going concern. However, the Company has sustained substantial operating losses in recent years. The company has a current ratio of .07 for the period ended March 31, 2009, and has a deficit in stockholders' equity. The Companies ability to continue as a going concern is dependent upon obtaining the additional capital as well as additional revenue to be successful in its planned activity. The Company is actively pursuing alternative financing and has had discussions with various third parties, although no firm commitments have been obtained. In the interim, shareholders of the Company have committed to meeting its minimal operating expenses. Management believes that actions presently being taken to revise the Company's operating and financial requirements provide them with the opportunity to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the Company were unable to continue as a "going concern". While management believes that the actions already taken or planned, will mitigate the adverse conditions and events which raise doubt about the validity of the "going concern" assumption used in preparing these financial statements, there can be no assurance that these actions will be successful.

If the Company were unable to continue as a "going concern", then substantial adjustments would be necessary to the carrying values of assets, the reported amounts of its liabilities, the reported revenues and expenses, and the balance sheet classifications used.

Note 11. Pro Forma Earnings Per Share

The following table outlines what the pro forma earnings per share will be based on the shares of Datone, Inc. that will be distributed in the spin-off transaction.

| | For the Period ended March 31, 2009 | For the Year ended December 31, 2008 |
|-----------------------------|--|---|
| Net Income (Loss) Shares | \$ (31,850) 4,963,226 | \$ (98,719) 4,963,226 |
| EPS | \$ 0.01 | \$ 0.03 |

Item 2. Managements Discussion and Analysis of Financial Condition and Results of Operations.

Forward Looking Statements

Some of the information in this section contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. You should read statements that contain these words carefully because they:

discuss our future expectations;

contain projections of our future results of operations or of our financial condition; and

state other "forward-looking" information.

We believe it is important to communicate our expectations. However, there may be events in the future that we are not able to accurately predict or over which we have no control. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors," "Business" and elsewhere in this prospectus. See "Risk Factors."

Organization and Basis of Presentation

Datone, Inc. is currently a provider of both privately owned and company owned payphones (COCOT's) and stations in New York. The Company receives revenues from the collection of the payphone coinage, a portion of usage of service from each payphone and a percentage of long distance calls placed from each payphone from the telecommunications service providers. In addition, the Company also receives revenues from the service and repair of privately owned payphones, sales of payphone units .

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. However, future events are subject to change, and the best estimates and judgments routinely require adjustment. The amounts of assets and liabilities reported in our consolidated balance sheet, and the amounts of revenues and expenses reported for each of our fiscal periods, are affected by estimates and assumptions which are used for, but not limited to, the accounting for allowance for doubtful accounts, goodwill and intangible asset impairments, restructurings, inventory and income taxes. Actual results could differ from these estimates. The following critical accounting policies are significantly affected by judgments, assumptions and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition Policies

The Company derives its primary revenue from the sources described below, which includes dial around revenues, coin collections, and telephone equipment repairs and sales. Other revenues generated by commissions.

Dial around revenues are generated from calls to gain access to a different long distance carrier than is already programmed into the phone. Revenues from dial around calls are recorded based upon estimates until the coin collection revenues are generated when callers deposit coins into the phones to make calls. Coin revenues are recorded in an amount equal to the coins collected. Revenues on commissions, phone card sales, and telephone equipment repairs and sales are realized when the services are provided.

THREE MONTHS ENDED MARCH 31, 2009 COMPARED WITH THREE MONTHS ENDED MARCH 31, 2008

Revenue

Our total revenue decreased by \$30,176 or approximately 61.72%, from \$48,866 in the three months ended March 31, 2008 to \$18,691 in the three months ended March 31, 2009. This decrease was primarily attributable to a decrease in phone usage.

Our coin call revenue decreased by \$1,510 or approximately 15.8%, from \$9,510 in the three months ended March 31, 2008 to \$8,000 in the three months ended March 31, 2009. The decrease in coin call revenue was primarily attributable to the reduced number of payphones we operated coupled with the increased competition from wireless communication services. We reduced our network of payphones by approximately 15%. The decrease in the number of payphones will continue to decrease because of the growth in wireless communications. We do not anticipate seeing a change in this trend going forward.

Our non-coin call revenue, which consists primarily of dial-around revenue increased \$2,400 or approximately 19.04% from \$12,600 in the three months ended March 31, 2008 to \$15,000 in the three months ended March 31, 2009. This increase was primarily attributed to proper classification and recording of the dial around revenue. There was no accrual before. The payments are received quarterly, so we accrue monthly now.

Service and Repair Sales increased by \$573 or approximately 11.42% to \$5,585 for the three months ended March 31, 2009 from \$5,012 for the same period in 2008. This increase is due to increase sale of repair inventory.

Cost of Revenue

Our overall cost of sales decreased to \$6,520 for the three months ending March 31, 2009 by \$11,537 or approximately 66.1% from \$18,057 for the three months ending March 31, 2008. This decrease in our overall cost is primarily due to less depreciation being recorded due to our assets being fully amortized.

Our telecommunication costs decreased by \$11,678 or approximately 66.1% from \$17,666 in the three months ending March 31, 2009 to \$5,988 for the three months ending March 31, 2008. This decrease has been offset somewhat by our strategy to remove unprofitable payphones, resulting in lower revenue and commissions and also, lower telecommunication costs.

Our ongoing strategy is to identify and remove unprofitable payphones. Once a low revenue payphone is identified, we offer the site owner an opportunity to purchase the equipment. If the site owner does not purchase the payphone, we remove it from the site.

Our contractor's fees were unchanged for the periods \$0 in the three months ending March 31, 2009 from \$0 for the three months ending March 31, 2008.

Depreciation expense remained unchanged at \$164 in the three months ending March 31, 2009 compared to \$164 for the three months ending March 31, 2008.

Our cost of sales for repairs and service supplies increased in the three months ending March 31, 2009 by \$61 or approximately 6100% to \$61 from \$0 for the three months ending March 31, 2008. This increase in repairs and service cost is a direct result of purchase of repair parts.

Our cost of sales for travel remained unchanged at 0 for the three months ending March 31, 2009 and the three months ending March 31, 2008 respectively.

Our commissions expense increased by \$80 or approximately 35.2% to \$307 in the three months ending March 31, 2009 from \$227 for the three months ending March 31, 2008.

Operating Expenses

Operating expenses increased by \$1,725 or approximately 4.09% from \$43,875 for the three months ended March 31, 2009 compared to \$42,150 for the same period in 2008.

Salaries and related payroll taxes increased by \$1,413 or approximately 16.56% from \$9,947 for the three months ended March 31, 2009 compared to \$8,534 for the same period in 2007. This increase is due employee taking regularly scheduled payroll.

Our insurance expense decreased by \$4,240 or approximately 80.87% to \$1,003 for the three months ended March 31, 2009 compared to \$5,243 for the same period in 2008. This decrease was due to a change in insurance providers and premiums.

Rent was unchanged from \$15,000 for the three months ended March 31, 2009 compared to \$15,000 for the same period in 2008. This consistency is due to a 3 year lease signed in 2007 .

Professional fees increased by \$927 or approximately 8.28% from \$12,125 for the three months ended March 31, 2009 compared to \$11,198 for the same period in 2008. These are fees we pay to accountants and attorneys throughout the year for performing various tasks.

Our telephone, utilities, office, and vehicle expenses, together account for an increase of \$2,374 or approximately 122% from \$4,324 for the three months ended March 31, 2009 compared to \$1,950 for the same period in 2008.

Interest Expense

Interest expense, net, increased \$2,636 or approximately 482.52% for the three months ended March 31, 2009 to \$7,369 from \$1,265 for the three months ended March 31, 2008. This increase was due to recording imputed interest..

Net Loss from Operations

We had net loss of \$39,219 for the three months ended March 31, 2009 as compared to a net loss before taxes of \$12,606 for the three months ended March 31, 2008. This decrease was primarily due to a decrease in total sales and an increase in operating expenses for the three months ended March 31, 2009. The increases were related to rent and professional fees, this will remain the same in future years.

LIQUIDITY AND CAPITAL RESOURCES

March 31, 2009 Compared with March 31, 2008

Our primary liquidity and capital resource needs are to finance the costs of our operations, to make capital expenditure.

As of March 31, 2009, we had \$0 cash on hand, compared to \$0 as of March 31, 2008.

We believe that we will continue to need investing and financing activities to fund operations.

Net cash used in operating activities was \$27,167 during the three-month period ended March 31, 2009, mainly representative of the net loss incurred during 2008. Cash was used in operations. This compares to net cash used in operating activities of \$23,441 for the three-month period ended March 31, 2008 which resulted from a decrease in accounts payable and related party notes. The Company used cash to pay down AP and Related party payables.

Net cash provided by investing activities was \$0 during three-month period ended March 31, 2009. This compares to net cash provided by investing activities of \$0 for the three-month period ended March 31, 2008.

Net cash provided by financial activities was \$23,441 during three-month period ended March 30, 2008, mainly representing the proceeds from notes and related party payables. This compares to net cash used by financing activities of \$18,269 for the three-month period ended March 31, 2009 due to payments on notes and related party payables.

Our expenses to date are largely due to rents for the office space and the cost of sales for telephone communication costs.

We believe that our results of financing activities will provide us with the necessary funds to satisfy our liquidity needs for the next 12 months. To the extent that such funds are insufficient, our principal stockholder has agreed to fund our operations for the next three-month period and beyond in the form of a loan or loans. However, there is no formal agreement with our principal stockholder, Greenwich Holdings LLC in writing or otherwise to do so and accordingly, may not be enforced against Greenwich Holdings, Inc. in the event that it decides not to continue to fund the Company.

Working Capital

As of March 31, 2009, we had total assets of \$22,542 and total liabilities of \$586,922, which result in working deficit of \$(564,380) as compared to total assets of \$36,171 and total liabilities of \$566,655 resulting in a working deficit of \$(530,484) as of March 31, 2008.

Item 3. Quantitative and Qualitative Disclosure About Market Risks.

Not Applicable.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934, as amended the ("Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules, regulations and related forms, and that such information is accumulated and communicated to our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We have carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective.

(b) Changes in internal controls.

There have been no significant changes in our internal controls or other factors that could significantly affect such controls and procedures subsequent to the date we completed our evaluation. Therefore, no corrective actions were taken.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

To the best knowledge of the Company's officers and directors, the Company is currently not a party to any pending legal proceedings.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed under item 1 of the Company's Registration Statement on Form SB as initially filed with the United States Securities and Exchange Commission on February 1, 2008.

Item 2. Unregistered sales of Equity 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.

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Item 6. Exhibits.

- (a) Exhibits:
 - *3.1 Certificate of Incorporation.
 - *3.2 By-Laws.
 - 31.1 Certification pursuant to Section 302 of Sarbanes Oxley Act of 2002.
 - 31.2 Certification pursuant to Section 302 of Sarbanes Oxley Act of 2002.
 - 32.1 Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002.
 - 32.2 Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002.

* Filed as an exhibit to the Company's Registration Statement on Form SB, as initially filed with the Securities and Exchange Commission on February 1, 2008, and incorporated herein by this reference.

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, there unto duly authorized.

Dated: May 19, 2009

DATONE, INC.

By: /s/ Craig Burton
Craig Burton
President, Chief Executive Officer

