

Edgar Filing: FONEFRIEND INC - Form 10QSB

FONEFRIEND INC
Form 10QSB
August 19, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

COMMISSION FILE NUMBER 0-24408

FONEFRIEND, INC.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE

33-0611753

(State of Incorporation)

(I.R.S. Employer ID Number)

2722 Loker Avenue, Suite G
Carlsbad, CA 92008

(Address of Principal Executive Offices)

(760) 607-2330

(Registrant's Telephone Number, Including Area Code)

Indicate by check 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

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 /X/ No / /

As of August 15, 2003, there were 820,361 shares of Preferred Stock and 9,186,000 shares of Common Stock outstanding.

FONEFRIEND, INC.

INDEX

Edgar Filing: FONEFRIEND INC - Form 10QSB

PART I - FINANCIAL INFORMATION

Item 1.	Financial Statements	
	Balance Sheets at June 30, 2003 and March 31, 2003.....	1
	Statements of Operations for the three month period ended June 30, 2003 and pro-forma two month period ended June 30, 2002.....	2
	Statements of Cash Flows for the three-month period ended June 30, 2003 and the pro-forma two month period ended June 30, 2002.....	3
	Statements of Stockholders' Equity for the three month period ended June 30, 2003.....	4
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition And Results of Operations.....	11
Item 3.	Controls and Procedures.....	14

PART II - OTHER INFORMATION

Item 1.	Legal Proceedings.....	14
Item 2.	Changes in Securities.....	14
Item 3.	Defaults Upon Senior Securities.....	14
Item 4.	Submission of Matters to a Vote of Security Holders.....	15
Item 5.	Other Information.....	15
Item 6.	Exhibits and Reports on Form 8-K.....	15

FONEFRIEND, INC.
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BALANCE SHEETS
(Amounts in Dollars)

	ASSETS		June 30, 2003		March 31, 2003
			-----		-----
Current Assets					
Cash in banks and on hand		\$	157	\$	20,221
Inventory-equipment		\$	16,000	\$	16,000
Current portion of prepaid expenses		\$	148,525	\$	143,000

Edgar Filing: FONEFRIEND INC - Form 10QSB

Total current assets	\$ 164,682	\$ 179,221
Furniture & equipment, net of depreciation - Note 3	\$ 12,255	\$ 12,713
Other Assets		
Non-current prepaid expenses and deposits	\$ 13,597	\$ 13,597
Capitalized development costs	\$ 694,863	\$ 694,863
Technology rights, FoneFriend license	\$ 300,000	\$ 300,000
Stock in FoneFriend Systems, Inc.	\$ 150,000	\$ 150,000
Organizational costs, net of amortization - Note 3	\$ 110	\$ 120
Total other assets	\$ 1,158,570	\$ 1,158,580
TOTAL ASSETS	\$ 1,335,507	\$ 1,350,514
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 4,302	\$ 4,302
Loans from officers and others	\$ 57,188	\$ 60,888
Payroll taxes payable	\$ 5,416	\$ 5,416
Total current liabilities	\$ 66,906	\$ 70,606
Loans payable, non-current	\$ 25,000	\$ 20,000
TOTAL LIABILITIES	\$ 91,906	\$ 90,606
Stockholders' Equity - Note 4		
Preferred stock, \$.001 par value, authorized 50,000,000 shares, issued and outstanding 820,361 shares	\$ 820	\$ 820
Common stock, \$.001 par value, authorized 200,000,000 shares, issued and outstanding, 8,926,000 at June 30, 2003 and 8,471,000 at March 31, 2003	\$ 8,926	\$ 8,471
Additional paid in capital	\$ 3,800,063	\$ 3,741,368
Operating deficit	\$ (2,566,208)	\$ (2,490,751)
TOTAL STOCKHOLDERS' EQUITY	\$ 1,243,601	\$ 1,259,908
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,335,507	\$ 1,350,514

See Accompanying Notes to Financial Statements

Edgar Filing: FONEFRIEND INC - Form 10QSB

STATEMENTS OF OPERATIONS (Amounts in Dollars)

	Three Months Ended June 30, 2003	Pro-forma Three Months Ended June 30, 2002
	-----	-----
Revenue	\$ --	\$ --
Expenses		
Advertising	\$ 200	\$ 11,580
Automobile	\$ --	\$ 3,969
Commissions related to fund raising activity	\$ --	\$ 5,152
Consulting fees	\$ 55,565	\$ 90,981
Depreciation and amortization	\$ 873	\$ 657
Insurance	\$ 227	\$ 1,494
Legal fees	\$ --	\$ 9,234
Meals and entertainment	\$ 75	\$ 1,410
Office supplies	\$ 1,234	\$ 3,063
Officer/stockholder payments	\$ --	\$ 10,962
Salaries and payroll	\$ --	\$ 27,515
Postage	\$ 202	\$ 5,307
Rent	\$ 11,524	\$ 9,531
Telephone	\$ 3,084	\$ 7,058
Travel	\$ 2,100	\$ 6,881
Other	\$ 373	\$ 14,931
	-----	-----
Total expenses	\$ 75,457	\$ 209,725
	-----	-----
Loss from development stage operations	\$ (75,457)	\$ (209,725)
	-----	-----

See Accompanying Notes to Financial Statements

2

FONEFRIEND, INC.

STATEMENTS OF CASH FLOWS (Amounts in Dollars)

	Three Months Ended June 30, 2003	Pro-forma Three Months Ended June 30, 2002
	-----	-----
Operating Activities		
Loss from development stage operations	\$ (75,457)	\$ (209,725)
Adjustments to loss from development stage operations:		
Prepaid expenses	\$ 53,625	\$ --

Edgar Filing: FONEFRIEND INC - Form 10QSB

Inventory-equipment	\$	--	\$	(10,000)
Accounts payable	\$	--	\$	--
Depreciation and amortization	\$	873	\$	1,337
Deposits	\$	--	\$	(25,500)
Other	\$	(405)	\$	(4,250)
		-----		-----
Net cash provided (used) by development stage operations	\$	(21,364)	\$	(248,138)
		-----		-----
Investing Activities				
Increase in capitalized development costs	\$	--	\$	(60,000)
		-----		-----
Financing Activities				
Loans from officers and others	\$	1,300	\$	--
		-----		-----
Net cash provided by financing activities	\$	1,300	\$	--
		-----		-----
Net cash increase (decrease) for the period	\$	(20,064)	\$	(308,138)
Cash at beginning of period	\$	20,221	\$	685,359
		-----		-----
Cash at end of period	\$	157	\$	377,221
		-----		-----

See Accompanying Notes to Financial Statements

3

FONEFRIEND, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in Dollars)

	No. Shares Outstanding	Par Value	Additional Paid-In Capital	Accumulated Deficit	Total Stockholder Equity
	-----	-----	-----	-----	-----
Common shares Beginning balance, July 1, 2002	8,956,361	\$ 8,956	\$ 3,069,182	\$ (1,036,686)	\$ 2,041,452
Loss from operations				\$ (211,316)	\$ (211,316)
Common shares issued September 30, 2002	85,500	\$ 86	\$ 427,415		\$ 427,501
	-----	-----	-----	-----	-----

Edgar Filing: FONEFRIEND INC - Form 10QSB

Balance, September 30, 2002	9,041,861	\$	9,042	\$ 3,496,597	\$ (1,248,002)	\$ 2,257,63
Loss from Operations to November 21, 2002					\$ (118,281)	\$ (118,28
Common shares cancelled	(300,000)	\$	(300)			\$ (30
Common shares issued November 21, 2002	58,139	\$	58	\$ 29,942	\$	\$ 30,00
	-----		-----	-----	-----	-----
Total common shareholders' equity pre- merger, November 21, 2002	8,800,000	\$	8,800	\$ 3,526,539	\$ (1,366,283)	\$ 2,169,05
	-----		-----	-----	-----	-----
Merger of FoneFriend, Inc. (Nevada corporation) on November 21, 2002 with and into FoneFriend, Inc. (Delaware corporation)						
Exchange of Nevada shares for Delaware shares	2,200,000	\$	2,200			
Issue new Delaware Shares: To: management	4,600,000	\$	4,600			

4

FONEFRIEND, INC.

STATEMENT OF STOCKHOLDERS' EQUITY - Continued

	No. Shares Outstanding	Par Value	Additional Paid-In Capital	Accumulated Deficit	Total Stockholder Equity
	-----	-----	-----	-----	-----
To: UBN Trust	423,000	\$ 423			
To: D. Johnston	423,000	\$ 423			
Transfer par value to paid-in capital		\$ (1,154)	\$ 1,154		
Issue common shares to					

Edgar Filing: FONEFRIEND INC - Form 10QSB

consultants, December 2002	825,000	\$	825	\$	213,675	\$	214,500
Loss from operations from November 21, 2002 to March 31, 2003						\$ (1,124,468)	\$ (1,124,468)
Total common shareholders' equity, March 31, 2003 Delaware Corporation	8,471,000	\$	8,471	\$	3,741,368	\$ (2,490,751)	\$ 1,259,087
Issue common shares to consultants, June 2003	455,000	\$	455	\$	58,695		\$ 59,150
Loss from operations from April 1, 2003 to June 30, 2003						\$ (75,457)	\$ (75,457)
Total common shareholders' equity, June 30, 2003 Delaware Corporation	8,926,000	\$	8,926	\$	3,800,063	\$ (2,566,208)	\$ 1,242,780
Preferred shares							
Preferred shares issued November 21, 2002, Nevada	820,361	\$	820				\$ 820
Cancel Nevada preferred shares, November 21, 2002	(820,361)	\$ (820)				\$ (820)

5

FONEFRIEND, INC.

STATEMENT OF STOCKHOLDERS' EQUITY - Continued

No. Shares Outstanding	Par Value	Additional Paid-In Capital	Accumulated Deficit	Total Stockholder Equity
-----	-----	-----	-----	-----

Edgar Filing: FONEFRIEND INC - Form 10QSB

Issue Delaware
preferred shares
for Nevada
preferred shares,
November 21,
2002

820,361 \$ 820

\$ 820

Total stockholders'
equity, June 30,
2003

\$ 1,243,600

See Accompanying Notes to Financial Statements

6

FONEFRIEND, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1 - DESCRIPTION OF BUSINESS

A. Background

FoneFriend, Inc. ("FoneFriend" or the "Company") was incorporated on April 24, 2001, under the laws of the State of Nevada, and on November 21, 2002, was merged with and into FoneFriend, Inc., a Delaware corporation. The Company maintains a corporate office at 2722 Loker Avenue, Suite G, Carlsbad, California 92008. The Company's telephone number is: (760) 607-2330.

The Company is a development stage enterprise and has not generated any revenue during its history. The primary business of the Company is to market an Internet telephony device and related services to customers worldwide, called the "FoneFriend". The underlying technology of FoneFriend has been licensed by the Company from FoneFriend Systems, Inc. and will enable the Company's subscribers to make and receive unlimited long distance telephone calls over the Internet, using only their standard residential telephone set (without the need for a computer), for a low monthly fee of about \$10.00 or less. Due to the small cost of transmitting calls over the Internet, the Company anticipates that it will realize significant profit margins, in excess of the traditional telecommunications industry.

B. Basis of Presentation

The accompanying financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") which contemplates continuation of the Company as a going concern. Management is attempting to raise additional capital.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Edgar Filing: FONEFRIEND INC - Form 10QSB

A. Fiscal Year

The Company's fiscal year is March 31 (after the above-described merger of FoneFriend, Inc. of Nevada with and into FoneFriend, Inc. of Delaware). The accompanying unaudited financial statements are for June 30, 2003 and the three month period then ended.

B. Significant Estimates

In the process of preparing its financial statements in accordance with GAAP, the Company estimates the carrying value of certain assets and liabilities that are subjective

7

FONEFRIEND, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

in nature. The primary estimates included in the Company's financial statements include capitalized development costs and the ongoing value of its purchased technology license.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with maturity dates of three months or less at the date of purchase. These items are carried at cost, which approximates fair value due to their short-term maturity dates.

D. Prepaid Expenses and other Current Assets

The Company has cash outlays in advance of expense recognition for items such as rent, interest, financing fees, and service contracts. All amounts identified as prepaid expenses that will be utilized during the next twelve months are identified as current assets, while any portion that will not be utilized during the next twelve months are classified as non-current assets.

E. Furniture and Equipment

Furniture and equipment are carried at cost and depreciated over the estimated useful lives of the individual assets.

F. Capitalized Development Costs

Capitalized development costs consist of expenditures made by the Company to improve the product and develop marketing channels for the product, and which are deemed by management to have future value to the Company. Such capitalized development costs will be amortized over the estimated useful life once product sales begin.

G. Technology Rights, FoneFriend License

The Company purchased a license to use the FoneFriend technology for a period of ten years from FoneFriend Systems, Inc. under a license agreement dated April 30, 2001. This license agreement allows the Company to manufacture, market and utilize a proprietary technology referred to as FoneFriend. During the development stage operations, the Company is carrying the asset at cost and will begin amortization over the remaining life of the license when product sales

Edgar Filing: FONEFRIEND INC - Form 10QSB

begin. The remaining value to the Company will be reviewed quarterly and if management determines that impairment of the asset has occurred, the carrying value will be adjusted accordingly.

8

FONEFRIEND, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

H. Stock in FoneFriend Systems, Inc.

The Company purchased stock in FoneFriend Systems, Inc. as a long-term investment. Such investment is carried at cost and will be evaluated periodically by management to determine whether impairment has occurred. Should management determine that the value has been impaired, the carrying value will be adjusted accordingly.

NOTE 3 - DEPRECIATION AND AMORTIZATION

The Company's management has estimated the useful lives of furniture, equipment and certain organization costs. The following tables show the gross asset amounts and the accumulated depreciation and amortization:

A. Furniture and Equipment

	2003	
	June 30,	March 31,
	-----	-----
Cost	\$ 16,245	\$ 15,840
Less accumulated depreciation	\$(3,990)	\$(3,127)
	-----	-----
Net value	\$ 12,255	\$ 12,713
	-----	-----

B. Organizational Costs

	2003	
	June 30,	March 31,
	-----	-----
Cost	\$ 195	\$ 195
Less accumulated depreciation	\$(85)	\$(75)
	-----	-----
Net value	\$ 110	\$ 120
	-----	-----

NOTE 4 - MERGER AND CAPITAL STOCK

The merger of FoneFriend, Inc. of Nevada with and into FoneFriend, Inc. of Delaware was consummated on November 21, 2002 wherein the assets of FoneFriend, Inc. of Nevada were acquired by Universal Broadband Networks, Inc. ("UBN") in a tax-free reorganization pursuant to IRC 368 (the "Merger"). The Merger was effectuated as a "C" type reorganization whereby UBN issued stock in exchange for all of the assets FoneFriend, Inc. of Nevada, after which that corporation

Edgar Filing: FONEFRIEND INC - Form 10QSB

was dissolved. UBN was the surviving corporation and changed its name to FoneFriend, Inc. (a Delaware corporation) immediately subsequent to the Merger. Pursuant to the express terms of the Fourth

9

FONEFRIEND, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

Amended Plan of Reorganization, as approved by the U.S. Bankruptcy court (the "Plan"), the Merger was accomplished as follows:

1. All of UBN's issued and outstanding shares of capital stock were cancelled and extinguished and the stockholders of UBN prior to the Merger have no further interest or rights in UBN.
2. UBN issued 2,200,000 shares of newly created common stock in favor of FoneFriend, Inc. (Nevada corporation) in exchange for all of FoneFriend, Inc.'s assets and 115,750 of newly created common stock in favor of a Liquidating Trust for the benefit of UBN's creditors. As a result, the merged entity had a total of 2,315,750 shares of newly created common stock issued and outstanding, of which former shareholders of the dissolved Nevada corporation owned 95%, and J. Michael Issa, Esq., as Trustee of the Liquidating Trust (which was created under the Plan), owned 5%.
3. The issuance of stock pursuant to the Plan, as filed within the U.S. Bankruptcy Court, was ordered by the Court to be exempt from all applicable Federal, State and local securities law, pursuant to 11 U.S.C. ss.1145 (a).
4. The dissolved Nevada corporation's management distributed the newly issued 2,200,000 shares of FoneFriend, inc. (Delaware corporation) to its former shareholders, on a pro-rata basis. Each of such former shareholders received one share of stock in FoneFriend, Inc. (Delaware corporation) for every four-share shares held in the dissolved Nevada corporation.
5. Immediately subsequent to the Merger, the Company authorized the issuance of 820,361 shares of a newly created Series A Preferred Stock (each share of which is convertible into one share of common stock) to be issued to shareholders of preferred stock in the dissolved Nevada corporation prior to the Merger.
6. The Company then issued 4,600,000 shares of common stock to various management personnel and consultants in order to hire or retain their services. The Company also issued 423,000 shares of common stock to Dennis H. Johnston, Esq. as compensation for his services in connection with the Merger. Additionally, the Company issued 307,250 shares of common stock to the Liquidating Trust so as to be in compliance with the Anti-Dilution Protection provisions of the Plan.

10

Edgar Filing: FONEFRIEND INC - Form 10QSB

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's financial statements and related footnotes included elsewhere herein. This discussion contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated by management.

OVERVIEW

The Company has experienced significant losses during development stage operations and has yet to realize any revenues from its operations.

During the fourth quarter of fiscal year 2003, management of the Company evaluated the future benefit of the Company's capitalized development costs and determined that it was prudent to write down the value of that asset to its estimated fair value.

RESULTS OF OPERATIONS

The Company had no revenue during the three months ended June 30, 2003 or during its entire history.

Expenses of the Company for the first three months of the current fiscal year, ending March 31, 2004, decreased to \$75,457, from \$209,725 for the first three months of the fiscal year ending March 31, 2003. The decrease was due primarily to a reduction in personnel, consultants and professional services and their related expenses. Current expenses consist primarily of salaries, overhead and other general expenses related to developing its product and bringing that product to market.

During the third quarter of fiscal 2003, the Company issued 825,000 shares of stock to consultants for future services to be provided to the Company. The value of such shares issued to consultants is being amortized to expense over a twelve-month period.

During the first quarter of fiscal 2004, the Company issued a total of 455,000 shares of stock to consultants and a law firm for current and future services provided to the Company. The value of such shares issued is being amortized to expense over a twelve-month period.

Reduction in Shares Outstanding: On May 30, 2003, Francois Van Der Hoeven informed the Company that he had resigned as Senior Vice President of Marketing. Mr. Van Der Hoeven had not worked at the Company's offices since on or about February 14, 2003, due to the Company's inability to pay his then existing salary requirements. As a result, he commenced employment with another firm and did not execute his executive employment contract with the Company after the completion of the Merger.

This contract was the primary basis for the issuance of 1,300,000 shares as consideration for his providing of services to the Company for a 3-year term. The Company has placed a top transfer order on Mr. Van Der Hoeven's stock certificate pending an amicable resolution of the negotiations until such time as he either returns the certificate or the Company issues a cancellation of his shares.

Edgar Filing: FONEFRIEND INC - Form 10QSB

FACTORS THAT MAY AFFECT FUTURE RESULTS

The Company anticipates that it will market its product through direct marketing to segments of the population that use significant long distance service to foreign countries.

The initial target markets will be areas in which the population includes significant European, Hispanic and Asian segments. These segments of the population typically spend substantial time on international long distance calls to their native countries.

Other products may be developed that compete with the Company's product, thereby reducing future potential revenue.

Further, since the Company's product requires significant lead time in the manufacturing process, any delay in filling orders could affect customer satisfaction.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2003, the Company had limited working capital and the Company had no material unused sources of liquid assets. Also at June 30, 2003, the Company had no existing credit facility. As a result, the Company is delinquent in certain general and administrative expenses and has a shortage of cash to pay its pending accounts payable.

A part of the Company's strategy is to seek external financing to grow its commercial business. Management is presently in the process of finalizing a private offering memorandum for distribution to qualified investors in an attempt to raise up to \$5,000,000 in additional capital in order to effectuate its business plan. The Company's current operating capital has been provided primarily through cash advances from its officers and various third parties.

While the Company intends to generate working capital from its product and related services, we expect our minimum capital needs during the current fiscal year to be approximately \$2.0 million to implement our intended plan of business and generate positive cash flow. This amount will primarily be used for manufacturing, implementing a large scale network system, marketing programs and for general working capital. However, the Company may not be able to obtain the required financing, or such financing may not be available on acceptable terms.

12

Due to the Company's historical operating losses, there can be no assurance that projected capital requirements will not substantially exceed current and future capital resources.

Additional working capital needs of the Company may require issuance of equity securities, either on a public or private basis. Such issuances would, if consummated, affect the ongoing capital structure of the Company and may result in substantial dilution to shareholders. If additional funds are raised through the issuance of equity, convertible debt, or similar securities of the Company, the percentage of ownership of the Company's current shareholders will be reduced, and such new securities may have rights or preferences senior to those of the common stock held by current shareholders. No agreement with respect to any such financing has been entered into, and such issuance may not be consummated. In the event that funding sources are not available as and when needed by the Company, it could have a severe adverse impact on the combined business and results of operations of the Company and could result in the Company being unable to continue as a going concern. Management is continually

Edgar Filing: FONEFRIEND INC - Form 10QSB

monitoring and evaluating the financing sources available to achieve the Company's goals.

Due to the losses sustained by the Company and its lack of working capital, the Company's ability to remain a going concern depends upon its ability to generate sufficient cash flow to meet its obligations and to obtain additional financing as may be required.

FORWARD LOOKING INFORMATION: CERTAIN CAUTIONARY STATEMENTS: "SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

Statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical facts are forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Examples of such forward looking statements include the Company's expectations regarding its intended plan of operation, the potential sale of its product, the Company's planned financing of this venture and the sufficiency of the Company's available liquidity for working capital, the Company's belief that its technology-based business will grow and result in profitability, that it is positioned to take advantage of new opportunities, and that it will focus on strengthening and growing its business and commercializing innovative technologies and services. Actual results may differ materially from those stated or implied in the forward looking statements. Further, certain forward looking statements are based upon assumptions of future events which may not prove to be accurate and are subject to risks and uncertainties that could cause actual results to differ materially from those set forth or implied by forward looking statements. These risks and uncertainties include but are not limited to those referred to in the Company's annual report on Form 10-KSB, for the fiscal year ended March 31, 2003, including the Company's entry into a new commercial business, its ability to access the capital markets and obtain working capital, risks associated with technological changes in the market for telecommunications and voice

13

transmission over the internet, risks of competition in the emerging internet telephony industry, and other risks described in the Company's Securities and Exchange Commission filings.

ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), within the 90 days prior to the filing date of this report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's president, its (who has served as the principal financial and accounting officer) and its President and CEO (who serves as the principal operating officer). Based upon that evaluation, the Company's Chairman and President have concluded that the Company's disclosure controls and procedures are effective in alerting them to material information regarding the Company's financial statement and disclosure obligation in order to allow the Company to meet its reporting requirements under the Exchange Act in a timely manner.

(b) Changes in internal control.

Edgar Filing: FONEFRIEND INC - Form 10QSB

There have been no changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

During the three months ended June 30, 2003, the Company issued a total of 455,000 shares of stock to three consultants and a law firm for current and future services provided to the Company. The value of such shares issued is being amortized to expense over a twelve-month period.

Subsequent to June 30, 2003, the Company issued a total of 260,000 shares of common stock, of which 200,000 was issued to a marketing consultant and 60,000 shares was issued in connection with the settlement of litigation previously reported with Michael Imbesi, C.I.C. Productions, Inc. and Cary D. Arnold.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

14

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

Subsequent Event

On July 30, 2003, the Company received notice that Francois Van Der Hoeven had resigned as a director. As set forth in the Company's most recent annual report on Form 10-KSB, Mr. Van Der Hoeven had previously resigned as Senior Vice President of Marketing in May of 2003. In addition, the Company had notified its transfer agent to place a stop transfer order on 1,300,000 shares that were previously issued to him in anticipation of his services over a 3-year employment term. Mr. Van Der Hoeven's shares are being counted as outstanding until such time as the certificate is either returned or the Company issues a cancellation order.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

Edgar Filing: FONEFRIEND INC - Form 10QSB

Exhibit No.	Description
17.1	Resignation of Director (Francois Van Der Hoeven)
31.1	Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(b)	No reports on Form 8-K were filed during the three months ended June 30, 2003.

SIGNATURE PAGE FOLLOWS

15

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 by FoneFriend, Inc. (the "Registrant")

By: /S/ Jackelyn Giroux

Jackelyn Giroux, President, Director

By: /S/ Dennis H. Johnston

Dennis H. Johnston, Secretary, General Counsel, Director

By: /S/ Edward N. Jones

Edward N. Jones, Chief Financial Officer

Dated: August 19, 2003

16