

AMERICAN BUSINESS CORP

Form 10QSB

August 12, 2005

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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: June 30, 2005

☐ Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____.

Commission File No: 33-9640-LA

AMERICAN BUSINESS CORPORATION

(Name of Small Business in its Charter)

Colorado
(State or Other Jurisdiction)

of Incorporation)

68-0133692
(IRS Employer

Id. No.)

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222 Grace Church Street, Suite 300, Port Chester, NY 10573

(Address of Principal Office including Zip Code)

Issuer's telephone Number: (914) 939-5081

Check whether the Registrant (1) has 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 the past 90 days. Yes ☒ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock, par value \$.001 per share, **69,870,517 shares** at June 30, 2005

Transitional Small Business Disclosure Format (Check one): Yes ☐ NO ☒.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The unaudited condensed balance sheet of the Registrant as of June 30, 2005, the audited balance sheet at December 31, 2004, and the unaudited condensed statements of operations, shareholders' impairment, and cash flows for the six and three month periods ended June 30, 2005 and June 30, 2004 follow. The condensed financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented.

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AMERICAN BUSINESS CORPORATION

CONDENSED BALANCE SHEETS

	June 30,	December 31,
	2005	2004
	<i>[unaudited]</i>	
	<u> </u>	<u> </u>
Assets		
Current assets		
Cash	\$ 3,986	\$ 6,845
	<u> </u>	<u> </u>
Total current assets	3,986	6,845
Equipment, net	18,216	20,493
	<u> </u>	<u> </u>
Total Assets	\$ 22,202	\$ 27,338
	<u> </u>	<u> </u>
Liabilities and Shareholders Impairment		
Current Liabilities		
Accrued expenses	\$ 380,564	\$ 320,564
Accrued interest	3,273,268	3,273,268
Due to related parties	3,843,090	3,641,375
Loans payable	2,518,000	2,518,000
Convertible debentures	3,793,460	3,793,460
Net liabilities of discontinued operations	4,440,657	4,440,657
	<u> </u>	<u> </u>
Total Current Liabilities	18,249,039	17,997,324
	<u> </u>	<u> </u>
Commitments and contingencies		
Shareholders Impairment		
Preferred stock, no par value; (10,000,000 shares authorized)		
Series A (90,000 shares issued and outstanding)	76	76
Series B (2,000 shares issued and outstanding)	2,000,000	2,000,000
Series C (450,000 shares issued and outstanding)	135,000	135,000
Series D (950 shares issued and outstanding)	950,000	950,000
Series E (2,300 shares issued and outstanding)	2,300,000	2,300,000
Common stock, par value \$.001 per share; 500,000,000 authorized, 69,870,517 shares issued and outstanding	69,870	69,870
Additional paid-in capital	14,872,987	14,872,987
Accumulated deficit	(38,554,770)	(38,297,919)
	<u> </u>	<u> </u>
Total Shareholders Impairment	(18,226,837)	(17,969,986)
	<u> </u>	<u> </u>
Total Liabilities and Shareholders Impairment	\$ 22,202	\$ 27,338
	<u> </u>	<u> </u>

See notes to condensed financial statements.

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AMERICAN BUSINESS CORPORATION CONDENSED STATEMENTS OF OPERATIONS

[Unaudited]

	Six Months Ended		Three Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Revenues	\$	\$	\$	\$
Operating Expenses:				
Depreciation and amortization	2,277	2,500	1,139	2,500
Interest expense	61,715	58,147	31,087	29,290
Administrative expenses	192,859	354,037	110,866	262,975
Total operating expenses	256,851	414,684	143,092	294,765
Net loss	\$ (256,851)	\$ (414,684)	\$ (143,092)	\$ (294,765)
Net loss per common share - basic and fully-diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	69,870,517	62,299,093	69,870,517	68,245,524

See notes to condensed financial statements.

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CONDENSED STATEMENT OF SHAREHOLDERS IMPAIRMENT

	Preferred		Preferred		Preferred		Preferred		Preferred		Common Stock		Additional	Accumulated	Total
	Stock Series A		Stock Series B		Stock Series C		Stock Series D		Stock Series E				Paid-In	Deficit	Shareholders
	Shs	Amt	Shs	Amt	Shs	Amt	Shs	Amt	Shs	Amt	Shs	Amt	Capital		Impairment
Balance, January 1, 2004	990,000	\$ 762	2,000	\$ 2,000,000	450,000	\$ 135,000	950	\$ 950,000	2,300	\$ 2,300,000	54,370,517	\$	\$ 14,538,201	\$ (37,320,521)	\$ (17,342,188)
Shares converted	(900,000)	(686)									9,000,000	9,000	(8,314)		
Shares for services											3,500,000	3,500	129,000		132,500
Shares as deposit											5,000,000	5,000	145,000		150,000
Deposit cancelled											(5,000,000)	(5,000)	(145,000)		(150,000)
Rent contributed													9,600		9,600
Net loss														(977,398)	(977,398)
Balance December 31, 2004	90,000	\$ 76	2,000	\$ 2,000,000	450,000	\$ 135,000	950	\$ 950,000	2,300	\$ 2,300,000	69,870,517	\$ 69,870	\$ 14,872,987	\$ (38,297,919)	\$ (17,969,986)
<i>[unaudited]</i>															
Net loss														(256,851)	(256,851)
Balance, June 30, 2005	90,000	\$ 76	2,000	\$ 2,000,000	450,000	\$ 135,000	950	\$ 950,000	2,300	\$ 2,300,000	69,870,517	\$ 69,870	\$ 14,872,987	\$ (38,554,770)	\$ (18,226,837)

See notes to condensed financial statements.

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AMERICAN BUSINESS CORPORATION CONDENSED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	June 30,	
	2005	2004
	<u>[unaudited]</u>	<u>[unaudited]</u>
Cash flows from operating activities -		
Net loss	\$ (256,851)	\$ (414,684)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation and amortization expense	2,277	2,500
Issuance of common shares for services		132,500
Increase in liabilities		
Accrued expenses	60,000	15,221
Accrued interest related party	61,715	58,147
Net cash used by operating activities	<u>(132,859)</u>	<u>(206,316)</u>
Cash flows from financing activities -		
Net proceeds from related parties	140,000	275,981
Net cash provided by financing activities	<u>140,000</u>	<u>275,981</u>
Net change in cash	(2,859)	69,665
Cash at beginning of period	6,845	
Cash at end of period	<u>\$ 3,986</u>	<u>\$ 69,665</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accrued interest reclassified to Convertible Note due to related parties	<u>\$ 61,715</u>	<u>\$ 58,147</u>

See notes to condensed financial statements.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The interim financial statements included herein are presented in accordance with United States generally accepted accounting principles and have been prepared by the Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). 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 Registrant 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. The Registrant's operating results for the six and three month periods ended June 30, 2005, and 2004 are not necessarily indicative of the results that may be or were expected for the years ended December 31, 2005, and 2004. It is suggested that these interim financial statements be read in conjunction with the audited financial statements and notes thereto of the Registrant included in its Form 10-KSB for the period ended December 31, 2004.

Note 2 - Related Party Transactions

As previously reported, and by virtue of (i) a 6% secured convertible promissory note due to Brentwood Capital Corp., an affiliated privately owned New York merchant banking corporation ("Brentwood"), dated September 27, 2002, in the aggregate amount of \$2,103,582, including principal and accrued interest through June 30, 2005, which is convertible into 210,358,161 shares of the Registrant's Common Stock, \$.001 par value per share; and (ii) Brentwood's record ownership of 1,435,000 shares of the Registrant's common stock, Brentwood is the holder of 65% of the Registrant's total capitalization. The Registrant may be deemed to be controlled by Brentwood.

Similarly, and as previously reported, Midwest Merger Management, LLC, a Kentucky limited liability company and its affiliated entities ("Midwest") is the record owner of 12,459,800 shares of the Registrant's common stock, 90,000 shares of Series A preferred stock which assuming conversion are the equivalent of 900,000 common shares, and 450,000 shares of Series C preferred stock which are convertible into 45,000,000 common shares, for an aggregate of 15% of the Registrant's common stock and equivalents. Accordingly, the Registrant may be deemed to be controlled by Midwest. During the six month period ended June 30, 2005, and in connection with its ongoing support of the Registrant, Midwest contributed an aggregate of \$150,000 to the Registrant to fund its activities.

At June 30, 2005, the aggregate indebtedness to related parties was \$3,843,090. The Registrant intends to settle its aggregate obligations to Midwest and Brentwood in the course of its planned reorganization to a business development company.

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Note 3 Per Share Results

The common share equivalents associated with the Registrant's issued and outstanding convertible notes and Preferred Stock were not included in computing per share results as their effects were anti-dilutive.

Note 4 Income Taxes (Benefits)

At December 31, 2002, the Registrant had available approximately \$23,000,000 of net operating loss carry-forward, which expires between December 31, 2008 and December 31, 2021, that may be used to reduce future taxable income. As utilization of this carry-forward is less than certain, its potential tax benefit to the Registrant of approximately \$8,000,000 is fully reserved.

Note 5 Going Concern

The Registrant's condensed consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As shown in the accompanying financial statements, the Registrant had negative working capital at June 30, 2005, of \$18,245,053. In addition, the Registrant has incurred an accumulated deficit of \$(38,554,770) through June 30, 2005. The Registrant is dependent upon the efforts of Midwest and Brentwood to raise proceeds for its continued survival. The Registrant's ability to continue to receive this level of support from Midwest and Brentwood is uncertain. The condensed consolidated financial statements do not include any adjustments that might be necessary if the Registrant is unable to continue as a going concern.

Item 2. Management's Discussion and Analysis

The following discussion contains forward-looking statements regarding the Registrant, its business, prospects and results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause the Registrant's actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that may affect such forward-looking statements include, without limitation, the Registrant's ability to resolve the affairs of its creditors and other investors; or to locate and thereafter negotiate and consummate a business combination with a profitable privately owned company.

When used in this discussion, words such as believes, anticipates, expects, intends, and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The Registrant undertakes no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in this report and other reports filed with the SEC that attempt to advise interested parties of the risks and factors that may affect the Registrant's business.

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Six Month Periods Ended June 30, 2005 and 2004:

Revenues - As a direct result of the Registrant's inability to continue its failing freight transportation services beyond November 2000, the Registrant had no revenues during either the six month period ended June 30, 2005 (6M05) or the six month period ended June 30, 2004 (6M04). The Registrant continues working through the restructure of its debt and the mitigation of outstanding litigation.

Expenses and Income Taxes - General and administrative expenses for 6M05 were \$256,851 compared to \$414,684 for 6M04. This decrease is consistent with the Registrant's strategy of redirecting its focus toward becoming a candidate to acquire or merge with a profitable, privately-held business operation. Accordingly, the Registrant's recurring administrative expenses include: (i) professional fees (legal and accounting) associated with the resolution of the Registrant's affairs with its former creditors and investors, and the maintenance of its reporting requirements and good standing, (ii) interest on its outstanding convertible note due to Brentwood (commencing on October 1, 2003), (iii) other ancillary expenses, and (iv) the payment of minimum franchise taxes.

Net Income (Loss) Accordingly, the Registrant experienced a net loss of \$256,851 for 6M05 compared to a net loss of \$414,684 for 6M04. When related to the weighted average number of common shares outstanding during 6M05 and 6M04 per share loss results were \$0.00 and \$0.00, respectively.

Quarters Ended June 30, 2005 and 2004:

Revenue - As a direct result of the Registrant's inability to continue its failing freight transportation services beyond November 2000, the Registrant had no revenues during either the second quarter June 30, 2005 (2Q05) or the second quarter ended June 30, 2004 (2Q04). The Registrant continues working through the restructure of its debt and the mitigation of outstanding litigation.

Expenses and Income Taxes - General and administrative expenses for 2Q05 were \$143,092 compared to \$294,765 for 2Q04. This decrease is consistent with the Registrant's strategy of redirecting its focus toward becoming a candidate to acquire or merge with a profitable, privately-held business operation. Accordingly, the Registrant's recurring administrative expenses include: (i) professional fees (legal and accounting) associated with the resolution of the Registrant's affairs with its former creditors and investors, and the maintenance of its reporting requirements and good standing, (ii) interest on its outstanding convertible note due to Brentwood (commencing on October 1, 2003), (iii) other ancillary expenses, and (iv) the payment of minimum franchise taxes.

Net Income (Loss) Accordingly, the Registrant experienced a net loss of \$143,092 for 2Q05 compared to a net loss of \$294,765 for 2Q04. When related to the weighted average common shares outstanding during each period, per share results were \$0.00 and \$0.00, for 2Q05 and 2Q04, respectively.

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Liquidity and Capital Resources

The Registrant does not have any permanent capital resources. Consistent with the inability to continue its failing freight transportation services business beyond November 2000, and its subsequent disposition in connection with arranging the funding of the GE Credit Corp. settlement in September 2002, the Registrant's principal activity has been centered in resolving the remaining claims of its former creditors so it may seek a business combination. In this connection, Midwest and Brentwood have agreed to provide Registrant with reasonable legal, accounting and administrative resources to resolve its affairs and conduct its search for a business combination candidate.

Accordingly, the Registrant is entirely dependent upon: (i) Midwest providing the Registrant with certain advisory services in connection with the resolution of its affairs on favorable terms; (ii) the willingness of Brentwood to provide the Registrant with certain office and administrative facilities and to fund virtually all of the Registrant's settlements with its creditors; and (iii) the Registrant's successfully implementing a business combination with a profitable operating company. There can be no assurances that Midwest will be successful in resolving all or substantially all of Registrant's affairs, that Brentwood will fund any further settlements, or that the combined efforts of Midwest and Brentwood will lead to a successful business combination.

Item 3. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Registrant maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Registrant files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the Chief Executive and Chief Financial officers of the Registrant concluded that the Registrant's disclosure controls and procedures were adequate.

(b) Changes in Internal Controls

The Registrant made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the Chief Executive and Chief Financial officers.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

31.1 - Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Reports on Form 8-K:

None

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SIGNATURES

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

American Business Corporation

By: /s/ Anthony R. Russo

Chief Executive Officer and Director

By: /s/ Anthony R. Russo

Chief Financial Officer

Dated: August 12, 2005

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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002