

Madison Technologies Inc.
Form 10-K
March 30, 2016

United states

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual report pursuant to section 13 or 15(d) of the securities exchange act of 1934

For the fiscal year ended **December 31, 2015**

transition report pursuant to section 13 or 15(d) of the securities exchange act of 1934

For the transition period from _____ to _____

Commission file number **000-51302**

madison Technologies Inc.

(Exact name of registrant as specified in its charter)

Incorporated in the State of Nevada

(State or other jurisdiction of
incorporation or organization)

00-0000000

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

4448 Patterdale Drive, North Vancouver, BC V7R 4L8

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (801) 326-0110

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|----------------------------|--|
| None | N/A |

Securities registered pursuant to Section 12(g) of the Act:

Common Stock - \$0.001 par value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act from their obligations under those sections.

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 last 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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.

Larger accelerated filer Accelerated filer
Non-accelerated filer **Smaller reporting company**
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

State the aggregate market value of the voting and non-voting common equity held by **non-affiliates** computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: **\$706,875 (\$0.145 X 4,875,000) as of June 30, 2015.**

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

| Class | Outstanding at March 30, 2016 |
|----------------------------------|-------------------------------|
| Common Stock - \$0.001 par value | 11,302,000 |

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Forward Looking Statements

The information in this annual report contains 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. These forward-looking statements involve risks and uncertainties, including statements regarding Madison's capital needs, business strategy and expectations. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative terms or other comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined from time to time, in other reports Madison's files with the Securities and Exchange Commission.

The information constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements in this Form 10-K for the fiscal year ended December 31, 2014, are subject to risks and uncertainties that could cause actual results to differ materially from the results expressed in or implied by the statements contained in this report. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives requires the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and accordingly, no opinion is expressed on the achievability of those forward-looking statements. No assurance can be given that any of the assumptions relating to the forward-looking statements specified in the following information are accurate.

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All forward-looking statements are made as of the date of filing of this Form 10-K and Madison disclaims any obligation to publicly update these statements, or disclose any difference between its actual results and those reflected in these statements. Madison may, from time to time, make oral forward-looking statements. Madison strongly advises that the above paragraphs and the risk factors described in this Annual Report and in Madison's other documents filed with the United States Securities and Exchange Commission should be read for a description of certain factors that could cause the actual results of Madison to materially differ from those in the oral forward-looking statements. Madison disclaims any intention or obligation to update or revise any oral or written forward-looking statements whether as a result of new information, future events or otherwise.

part I

Item 1. Business.

Summary

Madison Technologies Inc. ("**Madison**") is a Nevada corporation that was incorporated on June 15, 1998. Madison was initially incorporated under the name "Madison-Taylor General Contractors, Inc." Effective May 24, 2004, Madison changed its name to "Madison Explorations, Inc." by a majority vote of the shareholders. Effective March 9, 2015, Madison changed its name to "Madison Technologies Inc.," by a majority vote of the shareholders. See Exhibit 3.3 – Certificate of Amendment for more details.

Madison incorporated one wholly owned subsidiary named Scout Resources, Inc. to conduct Canadian exploration activities and to ensure that Madison was in compliance with local law that requires a domestic Canadian corporation to conduct local exploration activities. Both Madison and Scout Resources, Inc. will be referred to collectively as the "Company".

Madison maintains its statutory resident agent's office at 1859 Whitney Mesa Drive, Henderson, Nevada, 89014 and its business office is located at 4448 Patterdale Drive, North Vancouver, BC, V7R 4L8. Madison's office telephone number is (801) 326-0110.

Madison has an authorized capital of 500,000,000 shares of Common Stock with a par value of \$0.001 per share, of which 11,302,000 shares of Common Stock are currently issued and outstanding.

Madison has not been involved in any bankruptcy, receivership or similar proceedings. There has been no material reclassification, merger consolidation or purchase or sale of a significant amount of assets not in the ordinary course of Madison's business.

Business of Madison

During the fiscal period ended December 31, 2013 Madison was engaged in the business mineral exploration. Madison's principal business was the acquisition and exploration of mineral resources.

Subsequently, management decided to expand Madison's focus and identify and assess new projects for acquisition purposes that are more global in nature and technology-based.

CannaStrips Technology

In April 2014 Madison entered into a letter of intent to acquire all the rights, title and interest in a cannabis delivery technology known as 'CannaStrips' (the Technology), including all intellectual property, equipment, and technology used in and related to the Technology, and including any related technology or related applications to be developed (collectively, the " **CannaStrips Asset**"). Madison had 30 days to complete its due diligence on the Technology. During that time period, Madison had the exclusive right to acquire the Technology on certain terms and conditions, including, among others, US\$50,000 payable in 5 million restricted common shares of Madison at a deemed price of \$0.01 per share. The 5 million restricted common shares will be issued within 30 business days of the signing of the Formal Agreement, see Exhibit 10.3 Letter of Intent dated April 17, 2014 for more details.

On May 28, 2014 Madison's, board of directors approved the asset purchase of the CannaStrips cannabis delivery technology. The board of director's approval formally authorized the Company to close the CannaStrips Asset Purchase and acquire the CannaStrips technology and related intellectual property. The transaction formally closed on May 28, 2014.

At Closing the Board of Directors authorized the issuance of 5,000,000 shares of unregistered restricted Common Stock. In exchange the Company acquired the asset CannaStrips and all intellectual property related to the asset, see Exhibit 10.4 Asset Purchase Agreement dated May 28, 2014 for more details.

After six months of further research and development of the technology the board determined that the present state of federal drug enforcement laws in the United States does not provide the legal framework for Madison to secure a market, develop further delivery mechanisms, or generate revenue from the technology without violating the current laws.

On December 12, 2014 the board of Madison and Mr. Brent Inzer have mutually agreed to terminate the asset purchase agreement for the purchase of the technology known as “CannaStrips” and related intellectual property.

As part of the asset purchase agreement, the board of directors had authorized the issuance of 5,000,000 shares of unregistered restricted Common Stock. Due to a cease trade order in British Columbia the board could not issue the authorized shares at that time. As of the date of the termination of the asset purchase agreement the 5,000,000 shares had not been issued and, as a result of the termination, will not be issued. See Current Report filed December 15, 2015 for more details.

Plan of Operations

Our plan of operation is to obtain debt and, or, equity finance to meet our ongoing operating expenses and attempt to merge with another entity with experienced management and opportunities for growth in return for shares of our common stock to create value for our shareholders. There is can be no assurance that these events can be successfully completed. In particular there is no assurance that any such business will be located or that any stockholder will realize any return on their shares after such a transaction. Any merger or acquisition completed by us can be expected to have a significant dilutive effect on the percentage of shares held by our current stockholders. We believe we are an insignificant participant among the firms which engage in the acquisition of business opportunities. There are many established venture capital and financial concerns that have significantly greater financial and personnel resources and technical expertise than we have. In view of our limited financial resources and limited management availability, we will continue to be at a significant competitive disadvantage compared to our competitors.

General Business Plan

We intend to seek, investigate and, if such investigation warrants, acquire an interest in business opportunities presented to us by persons or firms which desire to seek the advantages of an issuer who has complied with the Securities Act of 1934 (the "1934 Act"). We will not restrict our search to any specific business, industry or geographical location, and we may participate in business ventures of virtually any nature. This discussion of our proposed business is purposefully general and is not meant to be restrictive of our unlimited discretion to search for and enter into potential business opportunities. We anticipate that we may be able to participate in only one potential business venture because of our lack of financial resources.

We may seek a business opportunity with entities which have recently commenced operations, or that desire to utilize the public marketplace in order to raise additional capital in order to expand into new products or markets, to develop a new product or service, or for other corporate purposes. We may acquire assets and establish wholly owned subsidiaries in various businesses or acquire existing businesses as subsidiaries. We expect that the selection of a business opportunity will be complex. Due to general economic conditions, rapid technological advances being made in some industries and shortages of available capital, we believe that there are numerous firms seeking the benefits of an issuer who has complied with the 1934 Act. Such benefits may include facilitating or improving the terms on which additional equity financing may be sought, providing liquidity for incentive stock options or similar benefits to key employees, providing liquidity (subject to restrictions of applicable statutes) for all stockholders and other factors. Potentially, available business opportunities may occur in many different industries and at various stages of development, all of which will make the task of comparative investigation and analysis of such business opportunities extremely difficult and complex. We have, and will continue to have, essentially no assets to provide the owners of business opportunities. However, we will be able to offer owners of acquisition candidates the opportunity to acquire a controlling ownership interest in an issuer who has complied with the 1934 Act without incurring the cost and time required to conduct an initial public offering.

The analysis of new business opportunities will be undertaken by, or under the supervision of, our Board of Directors. We intend to concentrate on identifying preliminary prospective business opportunities which may be brought to our attention through present associations of our director, professional advisors or by our stockholders.

In analyzing prospective business opportunities, we will consider such matters as

- (i) available technical, financial and managerial resources;
- (ii) working capital and other financial requirements;
- (iii) history of operations, if any, and prospects for the future;
- (iv) nature of present and expected competition;
- (v) quality, experience and depth of management services;
- (vi) potential for further research, development or exploration;
- (vii) specific risk factors not now foreseeable but that may be anticipated to impact the proposed activities of the company;
- (viii) potential for growth or expansion;
- (ix) potential for profit;
- (x) public recognition and acceptance of products, services or trades;
- (xi) name identification; and
- (xii) other factors that we consider relevant.

As part of our investigation of the business opportunity, we expect to meet personally with management and key personnel. To the extent possible, we intend to utilize written reports and personal investigation to evaluate the above factors.

We will not acquire or merge with any company for which audited financial statements cannot be obtained within a reasonable period of time after closing of the proposed transaction.

Acquisition Opportunities

In implementing a structure for a particular business acquisition, we may become a party to a merger, consolidation, reorganization, joint venture, or licensing agreement with another company or entity. We may also acquire stock or assets of an existing business. Upon consummation of a transaction, it is probable that our present management and

stockholders will no longer be in control of us. In addition, our current directors may, as part of the terms of the acquisition transaction, resign and be replaced by new directors without a vote of our stockholders, or our controlling shareholder may sell his stock in us. Any such sale will only be made in compliance with the securities laws of the United States and any applicable state.

It is anticipated that any securities issued in any such reorganization would be issued in reliance upon exemption from registration under application federal and state securities laws. In some circumstances, as a negotiated element of the transaction, we may agree to register all or a part of such securities immediately after the transaction is consummated or at specified times thereafter. If such registration occurs, it will be undertaken by the surviving entity after it has successfully consummated a merger or acquisition and is no longer considered a shell company. The issuance of substantial additional securities and their potential sale into any trading market which may develop in our securities may have a depressive effect on the value of our securities in the future. There is no assurance that such a trading market will develop.

While the actual terms of a transaction cannot be predicted, it is expected that the parties to any business transaction will find it desirable to avoid the creation of a taxable event and thereby structure the business transaction in a so-called "tax-free" reorganization under Sections 368(a)(1) or 351 of the Internal Revenue Code (the "Code"). In order to obtain tax-free treatment under the Code, it may be necessary for the owner of the acquired business to own 80% or more of the voting stock of the surviving entity. In such event, our stockholders would retain less than 20% of the issued and outstanding shares of the surviving entity. This would result in significant dilution in the equity of our stockholders. As part of our investigation, we expect to meet personally with management and key personnel, visit and inspect material facilities, obtain independent analysis of verification of certain information provided, check references of management and key personnel, and take other reasonable investigative measures, to the extent of our limited financial resources and management expertise. The manner in which we participate in an opportunity will depend on the nature of the opportunity, the respective needs and desires of both parties, and the management of the opportunity.

With respect to any merger or acquisition, and depending upon, among other things, the target company's assets and liabilities, our stockholders will in all likelihood hold a substantially lesser percentage ownership interest in us following any merger or acquisition. The percentage ownership may be subject to significant reduction in the event we acquire a target company with assets and expectations of growth. Any merger or acquisition can be expected to have a significant dilutive effect on the percentage of shares held by our stockholders.

We will participate in a business opportunity only after the negotiation and execution of appropriate written business agreements. Although the terms of such agreements cannot be predicted, generally we anticipate that such agreements will:

- (i) require specific representations and warranties by all of the parties;
- (ii) specify certain events of default;
- (iii) detail the terms of closing and the conditions which must be satisfied by each of the parties prior to and after such closing;
- (iv) outline the manner of bearing costs, including costs associated with the Company's attorneys and accountants;
- (v) set forth remedies on defaults; and (vi) include miscellaneous other terms.

As stated above, we will not acquire or merge with any entity which cannot provide independent audited financial statements within a reasonable period of time after closing of the proposed transaction. If such audited financial statements are not available at closing, or within time parameters necessary to insure our compliance within the requirements of the 1934 Act, or if the audited financial statements provided do not conform to the representations made by that business to be acquired, the definitive closing documents will provide that the proposed transaction will be voidable, at the discretion of our present management. If such transaction is voided, the definitive closing documents will also contain a provision providing for reimbursement for our costs associated with the proposed transaction.

Competition

We believe we are an insignificant participant among the firms which engage in the acquisition of business opportunities. There are many established venture capital and financial concerns that have significantly greater financial and personnel resources and technical expertise than we have. In view of our limited financial resources and limited management availability, we will continue to be at a significant competitive disadvantage compared to our competitors.

Raw Materials

The raw materials for any of Madison's potential technology acquisitions have yet to be determined.

Dependence on Major Customers

Madison has no customers.

Patents/Trade Marks/Licences/Franchises/Concessions/Royalty Agreements or Labour Contracts

Madison has no intellectual property such as patents or trademarks. Additionally, Madison has no royalty agreements or labor contracts.

Government Approval

Madison does not require government approval to develop or sell its technology in non-embargoed countries.

Government Controls and Regulations

Currently, other than business and operations licenses applicable to most commercial ventures, Madison is not required to obtain any governmental approval for its business operations. However, there can be no assurance that current or new laws or regulations will not, in the future, impose additional fees and taxes on Madison and its business operations.

Costs and Effects of Compliance with Environmental Laws

Madison currently has no costs to comply with environmental laws.

Number of Total Employees and Number of Full Time Employees

Madison does not have any employees other than the directors and officers of Madison.

Item 1A. Risk Factors.

Madison is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 1B. Unresolved Staff Comments.

Madison is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 2. Properties.

Madison's executive offices are located at 4448 Patterdale Drive, North Vancouver, BC, Canada, V7R 4L8.

Madison currently has no interest in any property.

Item 3. Legal Proceedings.

Madison is not a party to any pending legal proceedings and, to the best of Madison's knowledge, none of Madison's property or assets are the subject of any pending legal proceedings.

Item 4. Mine Safety Disclosures.

There are no current mining activities at the date of this report.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) Market Information

Madison's Common Stock has been quoted on the NASD OTC Bulletin Board under the symbol "MDEX" since April 26, 2006. The following table gives the high and low bid information for each fiscal quarter Madison's common stock has been quoted for the last two fiscal years and for the interim period ended March 30, 2016. The bid information was obtained from OTC Markets Group Inc. and reflects inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

| High & Low Bids ⁽¹⁾ | | | |
|--------------------------------|---------|---------|------------------------|
| Period ended | High | Low | Source |
| 31 March 2016 | \$0.05 | \$0.001 | OTC Markets Group Inc. |
| 31 December 2015 | \$0.135 | \$0.001 | OTC Markets Group Inc. |
| 30 September 2015 | \$0.20 | \$0.001 | OTC Markets Group Inc. |

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| | | | |
|-------------------|---------|---------|------------------------|
| 30 June 2015 | \$0.20 | \$0.001 | OTC Markets Group Inc. |
| 31 March 2015 | \$0.20 | \$0.001 | OTC Markets Group Inc. |
| 31 December 2014 | \$0.115 | \$0.001 | OTC Markets Group Inc. |
| 30 September 2014 | \$0.07 | \$0.001 | OTC Markets Group Inc. |
| 30 June 2014 | \$0.07 | \$0.001 | OTC Markets Group Inc. |
| 31 March 2014 | \$0.011 | \$0.001 | OTC Markets Group Inc. |

(1) All high & low bid data for all periods reflect Madison's 10:1 consolidation, which was effective March 11, 2015

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Effective March 11, 2015, by a majority vote of the shareholders, Madison consolidated its issued and outstanding shares of common stock, without correspondingly decreasing the number of authorized shares of common stock, on a 10 “old” shares for every one “new” share basis, resulting in a decrease of Madison’s issued and outstanding share capital from 113,020,000 shares to approximately 11,302,000 shares of common stock, not including any rounding up of fractional shares to be issued on consolidation.

(b) Holders of Record

Madison has approximately 14 holders of record of Madison’s Common Stock as of December 31, 2015 according to a shareholders’ list provided by Madison’s transfer agent as of that date. The number of registered shareholders does not include any estimate by Madison of the number of beneficial owners of Common Stock held in street name. The transfer agent for Madison’s Common Stock is Pacific Stock Transfer, 4045 South Spencer Street, Suite 403, Las Vegas, Nevada 89119 and their telephone number is (702) 361-3033.

(c) Dividends

Madison has declared no dividends on its Common Stock, and is not subject to any restrictions that limit its ability to pay dividends on its shares of Common Stock. Dividends are declared at the sole discretion of Madison’s Board of Directors.

(d) Recent Sales of Unregistered Securities

There have been no sales of unregistered securities within the last three years that would be required to be disclosed pursuant to Item 701 of Regulation S-K., with the exception of the following:

i) May 28, 2014 – CannaStrips Technology Acquisition

On May 28, 2014, the board of directors formally authorized the Madison to close the CannaStrips Asset Purchase and acquire the CannaStrips technology and related intellectual property. The board of directors also approved the issuance of 5,000,000 restricted common stock in the capital of Madison pursuant to the terms and conditions of an asset purchase agreement dated May 28, 2014, see Exhibit 10.4 Asset Purchase Agreement dated May 28, 2014 for more details. However, due to a cease trade order in British Columbia the board could not issue the authorized shares

at that time. As of the date of the termination of the asset purchase agreement the 5,000,000 shares had not been issued and, as a result of the termination, will not be issued. See Form 8-K - Current Report filed December 15, 2015 for more details.

There is currently \$122,083 in outstanding debt securities convertible into, 17,055,556 shares of Madison's Common Stock.

(e) Penny Stock Rules

Trading in Madison's Common Stock is subject to the "penny stock" rules. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. These rules require that any broker-dealer who recommends Madison's Common Stock to persons other than prior customers and accredited investors, must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser's written agreement to execute the transaction. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in Madison's securities, which could severely limit their market price and liquidity of Madison's securities. The application of the "penny stock" rules may affect your ability to resell Madison's securities.

Item 6. Selected Financial Data.

Madison is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.