

COCONNECT INC
Form 10-Q
November 20, 2012

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

FORM 10-Q

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-29735

COCONNECT, INC.

Nevada
(State or other jurisdiction
of Incorporation)

63-1205304
(IRS Employer
Identification Number)

25 East 200 South
Lehi, Utah 84043
(Address of principal executive offices)

801-592-3000
(Issuer's Telephone Number)

Indicate by check mark whether the registrant (1) 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 ☐

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 (§232.405 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company.

Large accelerated
filer

Non-accelerated (Do not check if a smaller reporting company)
filer

Accelerated filer ☐

Smaller reporting
company ☒

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act of 1934 after the distribution of securities under a plan confirmed by a court. Yes ☐ No ☒

2,750,000 common shares outstanding, \$0.001 par value, as of November 19, 2012

COCONNECT, INC.

Table of Contents

Part I FINANCIAL INFORMATION

Item 1. Financial Statements	3
Condensed Balance Sheets – September 30, 2012 (Unaudited) and December 31, 2011	3
Unaudited Condensed Statements of Operations for the three and nine months ended September 30, 2012 and 2011	4
Unaudited Condensed Statements of Cash Flows for the nine months ended September 30, 2012 and 2011	5
Notes to the Unaudited Condensed Financial Statements	6
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	9
Item 3. Quantitative and Qualitative Disclosures About Market Risk	12
Item 4. Controls and Procedures	12

Part II OTHER INFORMATION

Item 1. Legal Proceedings	13
I t e m	
1A. Risk Factors	13
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	13
Item 6. Exhibits	13
Signatures	14

PART I

ITEM 1. FINANCIAL STATEMENTS

COCONNECT, INC
CONDENSED BALANCE SHEETS

	September 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets		
Cash	\$2,656	\$209,948
Total current assets	2,656	209,948
TOTAL ASSETS	\$2,656	\$209,948
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	\$50,823	\$40,540
Other payables	1,660	209,977
Due to shareholders	11,590	-
Total current liabilities	64,073	250,517
TOTAL LIABILITIES	64,073	250,517
STOCKHOLDERS' DEFICIT		
Preferred stock, 1,000,000 shares authorized, \$0.001 par value 100,000 shares issued and outstanding	100	100
Common stock, 4,999,000,000 shares authorized, \$0.001 par value 2,750,000 shares issued and outstanding as of	2,750	2,750
Additional paid-in capital	11,823,622	11,823,622
Deficit accumulated	(11,887,889)	(11,867,041)
TOTAL STOCKHOLDERS' DEFICIT	(61,417)	(40,569)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$2,656	\$209,948

The accompanying unaudited notes are an integral part of these condensed financial statements

COCONNECT, INC
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Expenses				
Professional fees	\$1,750	\$1,500	\$8,500	\$7,000
General and administrative	3,683	755	12,349	1,927
Total operating expenses	5,433	2,255	20,849	8,927
Loss from operations	\$(5,433)	\$(2,255)	\$(20,849)	\$(8,927)
Other income (expense)				
Interest expense	-	(10,151)	-	(30,450)
Total other income (expense)	-	(10,151)	-	(39,377)
Net loss before income tax	(5,433)	(12,406)	(20,849)	(39,377)
Income tax	-	-	-	-
NET LOSS	\$(5,433)	\$(12,406)	\$(20,849)	\$(39,377)
Basic and diluted loss per common share	\$(0.00)	\$(0.04)	\$(0.00)	\$(0.12)
Weighted average common shares outstanding	2,750,000	323,483	2,750,000	323,483

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

COCONNECT, INC
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the Nine Months
Ended
September 30,
2012 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Net Loss	\$(20,849)	\$(39,377)
Changes in operating assets and liabilities:		
Accounts payable increase	10,283	2,400
Accrued expenses and interest increase	1,795	30,450
NET CASH USED IN OPERATING ACTIVITIES	\$(8,771)	\$(,6527)

CASH FLOWS FROM INVESTING ACTIVITIES

NET CASH FROM INVESTING ACTIVITIES	\$-	\$-
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CASH FLOWS FROM FINANCING ACTIVITIES

Costs paid by shareholders	9,795	
Payments on cash advances	(208,317)	-
NET CASH FROM FINANCING ACTIVITIES	\$(198,522)	\$-
NET CHANGE IN CASH	(207,292)	(6,527)

CASH BALANCES

Beginning of period	209,948	6,578
End of period	\$2,656	\$51

SUPPLEMENTAL DISCLOSURE:

Common stock issuable in debt settlement	\$-	\$422,388
Subscription receivable offset with debt	\$-	\$70,000

The accompanying unaudited notes are an integral part of these condensed financial statements

COCONNECT, INC.
Notes to the Condensed Financial Statements
At September 30, 2012
(Unaudited)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying interim unaudited condensed financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. For further information, refer to the financial statements and footnotes thereto included in our Form 10-K Report for the fiscal year ended December 31, 2011.

Going Concern

The accompanying consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred recurring operating losses, had negative operating cash flows and has not generated any significant revenues in recent fiscal years. In addition, the Company had a deficit accumulated during the development stage of \$11,887,889 at September 30, 2012. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's continuation as a going concern is dependent on attaining profitable operations, restructuring its financial obligations, and obtaining additional outside financing. The Company has funded losses from operations primarily from the issuance of debt, issuance of common stock and the sale of the Company's common stock. The Company believes that the issuance of debt and the sale of the Company's common stock will continue to fund operating losses in the short-term until the Company can generate revenues sufficient to fund its operations.

Cash

Cash is held in checking and savings accounts.

Concentrations of Credit Risk

The Company places its cash with financial institutions deemed by management to be of high credit quality. The Federal Deposit Insurance Corporation ("FDIC") provides basic deposit coverage with limits to \$250,000 per owner. In addition to the basic insurance deposit coverage, the FDIC is providing temporary unlimited coverage for noninterest-bearing transaction accounts. At September 30, 2012, there were no uninsured deposits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Estimates and assumptions principally relate to the fair value and forfeiture rates of stock based transactions, and long-lived asset depreciation and amortization, and potential impairment.

Income Taxes

Income tax expense is provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due, plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to the effects of net operating loss carry forwards and differing basis, depreciation methods, and lives of depreciable assets. The deferred tax assets represent the future tax return consequences of those differences, which will be deductible when the assets are recovered.

No income tax benefit (expense) was recognized for the nine months ended September 30, 2012 as a result of tax losses in this period and because deferred tax benefits, derived from the Company's prior net operating losses, were previously fully reserved. The Company had federal net operating loss carryforwards of approximately \$12.0 million. The use of our net operating losses may be restricted in future years due to the limitations pursuant to IRC Section 382 on changes in ownership.

The Company currently has tax return periods open beginning with December 31, 2004 through December 31, 2011.

Basic Net Loss per Share of Common Stock

Basic net loss per common share is based on the weighted average number of shares outstanding during the periods presented. Diluted earnings per share are computed using weighted average number of common shares plus dilutive common share equivalents outstanding during the period. At September 30, 2012 there was no common stock equivalents used in net loss per share.

Financial Instruments

Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and must be used to measure fair value whenever available.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. For example, level 3 inputs would relate to forecasts of future earnings and cash flows used in a discounted future cash flows method.

The recorded amounts of financial instruments, including cash equivalents accounts payable, other payables and due to shareholders, approximate their market values as of September 30, 2012.

NOTE 2. OTHER PAYABLES

The Company began capital raising efforts during the year ended December 31, 2011 to cover certain cash obligations regarding possible acquisition targets and other capital funding needs. At December 31, 2011 we had raised \$209,977. During the nine months ended September 30, 2012 we returned \$208,317 to the prospective investors. At September 30, 2012, the Company had \$1,660 due to these prospective investors, which is shown as other payables on the Balance Sheet.

NOTE 3. DUE TO SHAREHOLDERS

The Company received cash advances to pay outstanding payables and payments made directly to the Company's service providers, in connection with our SEC reporting obligations and annual audit, from shareholders, Dave Hunt and BCGU, LLC in amounts of \$2,667 and \$8,923, respectively, during the nine months ended September 30, 2012. The Company made no payments to BCGU, LLC or Dave Hunt during the nine months ended September 30, 2012, and \$11,590 was due to these shareholders at September 30, 2012.

Dave Hunt is the managing member of RVCA, a principal owner of the Company and BCGU, LLC is a principal owner of the Company.

NOTE 4. PREFERRED STOCK

At September 30, 2012 preferred stock of the Company consisted of: \$0.001 par value: 1,000,000 shares authorized. 100,000 shares issued and outstanding

NOTE 5. COMMON STOCK

At September 30, 2012 common stock of the Company consisted of: \$0.001 par value: 4,999,000,000 shares authorized and 2,750,000 shares issued and outstanding.

On January 20, 2012, the Company issued 100,000 shares of common stock to a law firm for professional services provided, valued at \$61,000. Services by the law firm were never performed, as a result these shares were subsequently returned to the Company and retired in its treasury and no expense was recorded.

NOTE 6. WARRANTS – RELATED PARTY

65,000 warrants were issued to Brad Bingham, our director, and 15,000 warrants were issued to Dave Hunt, the managing member of RVCA, a principal owner of the Company, during the year ended December 31, 2011, for services provided. The warrants were valued using a Black-Scholes valuation model. The variables used in this option-pricing model included: (1) discount rates of .24% (2) expected warrant life is two years, (3) expected volatility of 345% and (4) zero expected dividends. These warrants expire on December 19, 2013.

A summary of the activity of the warrants for the nine months ended September 30, 2012 is as follows:

	Amount	Weighted Average Exercise Price
Outstanding January 1, 2012	80,000	\$ 0.50
Expired/Retired	-	-
Exercised	-	-
Issued	-	-
Outstanding September 30, 2012	80,000	\$ 0.50

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This discussion and analysis in this Quarterly Report on Form 10-Q should be read in conjunction with the accompanying Condensed Financial Statements and related notes. Our discussion and analysis of our financial condition and results of operations are based upon our condensed financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. We review our estimates and assumptions on an on-going basis. Our estimates are based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations. Our critical accounting policies, the policies we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments, are outlined below in "Critical Accounting Policies," and have not changed significantly.

In addition, certain statements made in this report may constitute "forward-looking statements". These forward-looking statements involve known or unknown risks, uncertainties and other factors that may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continues" or the negative of these terms or other comparable terminology. We base these forward-looking statements on our expectations and projections about future events, which we derive from the information currently available to us. Such forward-looking statements relate to future events or our future performance. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Forward-looking statements are only predictions. The forward-looking events discussed in this Quarterly Report, the documents to which we refer you, and other statements made from time to time by us or our representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties, and assumptions about us. For these statements, we claim the protection of the "bespeaks caution" doctrine. The forward-looking statements speak only as of the date hereof, and we expressly disclaim any obligation to publicly release the results of any revisions to these forward-looking statements to reflect events or circumstances after the date of this filing.

OVERVIEW AND PLAN OF OPERATION

Our previous business model focused primarily on the exploration of VoIP technology. VoIP is the delivery of voice information in the language of the Internet, i.e., as digital packets instead of the current circuit protocols of the copper-based phone networks. Management believes the VoIP Technology business will not provide long term value to our shareholders, management is of the belief that there may be more value for our shareholders if we were able to (i) attract a more substantial operating company and engage in a merger or business combination of some kind, or (ii) acquire assets or shares of an entity actively engaged in business which generates revenues. We are investigating candidates to determine whether or not they will add value to the Company for the benefit of our shareholders. Our Board of Directors intends to obtain certain assurances of value of the target entity's assets prior to consummating such a transaction. Any business combination or transaction will likely result in a significant issuance of shares and substantial dilution to our present stockholders.

We do not intend to restrict our consideration to any particular business or industry segment, and we may consider, among others, finance, brokerage, insurance, transportation, communications, research and development, service, natural resources, manufacturing or high-technology business. Of course, because we have limited resources, the scope and number of suitable candidates to merge with, will be limited accordingly. Because we may participate in a business opportunity with a newly organized firm or with a firm which is entering a new phase of growth, it should be emphasized that we may incur further risk due to the failure of the target's management to have proven its abilities or effectiveness, or the failure to establish a market for the target's products or services, or the failure to prove or predict profitability.

RECENT DEVELOPMENTS

Changes in Management

On September 30, 2012, Mr. Mark Baum, Esq. resigned from his position as President and Director of CoConnect, Inc. (the “Company”). Mr. Baum’s resignation was not because of any disagreement with the Company relating to the Company’s operations, policies or practices.

On October 11, 2012, the Company’s Board of Directors appointed Mr. Robert K. Bench as the Company’s President, CFO, Secretary, Treasurer and Director. The Company and Mr. Bench currently maintain no material plan, contract or arrangement relating to Mr. Bench’s positions with the Company or related compensation.

RESULTS OF OPERATIONS

Revenues

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Total Sales	\$ 0	\$ 0	\$ 0	\$ 0

We had no revenues for the three and nine months ended September 30, 2012 and the same periods during the prior year.

Operating Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Operating Expenses	\$ 5,433	\$ 2,255	\$ 20,849	\$ 8,927

Total costs and expenses of \$5,433 and \$20,849 for the three and nine months ended September 30, 2012, respectively compared to \$2,255 and \$8,927 during same periods in the prior year. The Company had increased activities relating to its search for an appropriate acquisition during the period ended September 30, 2012 as compared to the same period ended September 30, 2011.

Net Profit (Loss)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net (Loss)	\$ (5,433)	\$ (12,405)	\$ (20,849)	\$ (39,377)

For the three and nine months ended September 30, 2012, we sustained net losses of \$9,920 and \$15,415 respectively, as compared with net losses of \$12,115 and \$26,973 for the same periods in the prior year. The larger net losses during the three and nine months ending September 30, 2011 related primarily to interest expense of \$10,150 and

\$30,450 incurred during those respective periods. The Company incurred no interest expense during the period ended September 30, 2012.

For the current fiscal year, the Company anticipates incurring a loss as a result of legal and accounting expenses, and consulting expenses associated with locating and evaluating acquisition candidates. The Company anticipates that until a business combination is completed with an acquisition candidate, it will not generate substantial revenues, and may continue to operate at a loss after completing a business combination, depending upon the performance of the acquired business.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2012, the Company had total assets of \$2,656 and total liabilities of \$64,073, resulting in a working capital deficiency of \$61,417. The Company had a stockholders' deficit of \$61,417 at September 30, 2012.

NEED FOR ADDITIONAL FINANCING

Additional funding will be required in order for the company to survive as a going concern and to finance growth and to achieve our strategic objectives. Management is actively pursuing additional sources of funding. If we do not raise sufficient funds in the future, we may not be able to fund expansion, take advantage of future opportunities, meet our existing debt obligations or respond to unanticipated requirements. Financing transactions in the future may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms.

The amount and timing of our future capital requirements will depend upon many factors, including the level of funding received from possible future private placements of our common stock and the level of funding obtained through other financing sources, and the timing of such funding.

We intend to retain any future earnings to retire any existing debt, finance the expansion of our business and any necessary capital expenditures, and for general corporate purposes.

GOING CONCERN

The Company has incurred recurring operating losses, had negative operating cash flows and has not generated any significant revenues in recent fiscal years. In addition, the Company had a deficit of \$11,887,889 at September 30, 2012. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's continuation as a going concern is dependent on attaining profitable operations, restructuring its financial obligations, and obtaining additional outside financing. The Company has funded losses from operations primarily from the issuance of debt, issuance of common stock and the sale of the Company's common stock. The Company believes that the issuance of debt and the sale of the Company's common stock will continue to fund operating losses in the short-term until the Company can generate revenues sufficient to fund its operations.

OFF-BALANCE SHEET FINANCINGS

None.

GOVERNMENTAL REGULATIONS

None.

RESEARCH AND DEVELOPMENT

None.

EMPLOYEES

As of September 30, 2012, we had no full time employees.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Securities Exchange Act of 1934 ("Exchange Act") we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2012, being the date of our most recently completed fiscal quarter. This evaluation was carried out under the supervision and with the participation of our Chief Executive and Chief Financial Officer. Based upon that evaluation, our Chief Executive and Chief Financial Officer have concluded that our disclosure controls and procedures are not effective to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to them to allow timely decisions regarding required disclosure. Such reasons for ineffectiveness were described in the Company's Form 10-K, and subsequent amendments, for the period ending December 31, 2011 and continue to date.

During our most recently completed fiscal quarter ended September 30, 2012, there were no changes in our internal control over financial reporting that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

At September 30, 2012, we do not have an audit committee, or a person serving on our Board of Directors who would qualify as a financial expert.

PART II

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There were no material changes to our risk factors during the period covered by this report. See the discussion of risk factors in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

ITEM 6. EXHIBITS

Exhibit Description
No.

<u>31.1</u>	Rule 13a-12(a)/15d-14(a) Certification of Principal Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 302 the Sarbanes-Oxley Act of 2002
<u>31.2</u>	Rule 13a-12(a)/15d-14(a) Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 302 the Sarbanes-Oxley Act of 2002
<u>32.1</u>	Certification of Principal Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<u>32.2</u>	Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf on November 19, 2012, by the undersigned, thereunto duly authorized.

COCONNECT, INC.

By: /s/ Robert K. Bench
By: Robert K. Bench
Its: Principal Executive Officer