

DOCUCON INC  
Form 10QSB  
November 16, 2007

**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 EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED: SEPTEMBER 30, 2007

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

**DOCUCON, INCORPORATED**

(Exact name of registrant as specified in charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**1-10185**  
(Commission File Number)

**74-2418590**  
(IRS Employer  
Identification No.)

**8 Airport Park Boulevard Latham, New York 12110**  
(Address of principal executive offices)

**(518) 786-7733**  
(Registrant's Telephone Number, including Area Code)

Edgar Filing: DOCUCON INC - Form 10QSB

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) been subject to such filing requirements for the past 90 days. Yes  No .

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

As of November 5, 2007, the Company had 642,904 shares of common stock issued and outstanding.

Transitional Small Business Disclosure Format (check one): Yes  No .

---

**DOCUCON, INCORPORATED**

**INDEX TO QUARTERLEY REPORT ON FORM 10-QSB**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>PART I – FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
Balance Sheet as of September 30, 2007	3
Statements of Operations for the Three & Nine Months ended September 30, 2007 and 2006, and from January 1, 2001 to September 30, 2007	4
Statements of Cash Flows for the Nine Months ended September 30, 2007 and 2006, and from January 1, 2001 to September 30, 2007	5
Notes to Financial Statements	6
Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3. Controls and Procedures	12
<b>PART II OTHER INFORMATION</b>	
Item 1. Legal Proceedings	13
Item 2. Unregistered sales of equity securities and use of proceeds	13
Item 3. Defaults upon senior securities	13
Item 4. Submission of matters to a vote of security holders	13
Item 5. Other information	13
Item 6. Exhibits	13
Signatures	14

---

**PART I FINANCIAL INFORMATION****ITEM 1.****FINANCIAL STATEMENTS****DOCUCON, INCORPORATED****(A Development Stage Company)****BALANCE SHEET****As of September 30, 2007****(Unaudited)**

<b>ASSETS</b>	<b>September 30, 2007</b>
Current assets:	
Cash and cash equivalents	\$ --
Total current assets	--
<b>Total Assets</b>	<b>--</b>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>	
Current liabilities	
Accounts payable	\$ 95,655
Accrued expenses	37,834
Notes payable - related party	127,334
Total current liabilities	260,823
Stockholders' deficit:	
Preferred stock, \$1.00 par value, 10,000,000 shares authorized - Series A, 60 shares designated, 7 shares issued and outstanding, liquidation preference of \$175,000.	7
Series B, 476,200 shares designated, no shares issued and outstanding	--
Common stock \$.01 par value, 25,000,000 shares authorized, 243,918 shares issued and outstanding	2,439
Additional paid-in capital	10,373,566
Accumulated deficit	(10,071,822)

Edgar Filing: DOCUCON INC - Form 10QSB

Accumulated deficit during development stage		(560,777)
Treasury stock, at cost, 4,495 shares		(4,236)
Total stockholders' deficit		(260,823)
<b>Total liabilities and stockholders' deficit</b>	<b>\$</b>	<b>--</b>

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

**DOCUCON, INCORPORATED****(A Development Stage Company)****STATEMENTS OF OPERATIONS****For the three & nine months ended September 30, 2007 & 2006, and from January 1, 2001 to September 30, 2007****(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>		<b>January 1, 2001 to September 30, 2007</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	
Revenues	\$ --	\$ --	\$ --	\$ --	\$ --
Costs and expenses:					
General and administrative	--	--	--	--	513,739
Depreciation and amortization	--	--	--	--	36,901
Total costs and expenses:	--	--	--	--	550,640
Operating loss	--	--	--	--	--
Other income (expense):					
Loss on abandonment of fixed assets	--	--	--	--	(10,266)
Interest expense	--	--	--	--	(719)
Interest income	--	--	--	--	848
Total other income (expense)		--		--	(10,137)
Net gain (loss):		--		--	(560,777)
Net gain (loss) applicable to common stockholders	\$ --	\$ --	\$ --	\$ --	\$ (560,777)
Basic and net gain (loss) per common share	\$ --	\$ --	\$ --	\$ --	
Weighted average number of common shares outstanding	243,918	243,918	243,918	243,918	

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



**DOCUCON, INCORPORATED****(A Development Stage Company)****Statements of Cash Flows****For the nine months ended September 30, 2007 & 2006, and from January 1, 2001 to September 30, 2007****(Unaudited)**

	<b>Nine Months Ended</b>		<b>January 1, 2001 to</b>
	<b>September 30,</b>		<b>September 30, 2007</b>
	<b>2007</b>	<b>2006</b>	
Cash flows from operating activities			
Net income (loss):	\$	\$	\$ (560,777)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	--	--	36,901
Loss on sale or abandonment of fixed assets	--	--	10,266
Change in assets & liabilities			
Other current assets	--	--	7,351
Restricted cash and other assets	--	--	262,497
Accounts payable	(19,000)	--	103,976
Accrued expenses and other current liabilities	--	--	(222,741)
Net cash used in operating activities	(19,000)	--	(362,527)
Cash flows from investing activities			
Proceeds from sale of property and equipment	--	--	500
Decrease in other assets	--	--	1,760
Net cash provided by investing activities	-	--	2,260
Cash flows from financing activities:			
Proceeds from note payable related party	19,000		19,000
Principle payments under capital lease obligations	--		(5,280)
Additional Paid In Capital	--		108,177
Net cash used in financing activities	19,000	--	121,897
Net decrease in cash and cash equivalents	--	--	(238,370)



Edgar Filing: DOCUCON INC - Form 10QSB

Cash and cash equivalents	beginning of period		--			238,370
Cash and cash equivalents	end of period	\$	--	\$	--	\$ --

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

DOCUCON INCORPORATED

(A Development Stage Company)

Notes to Financial Statements

***Note 1. Description, background and going concern consideration***

The accompanying financial statements of Docucon, Incorporated should be read in conjunction with the Company's Annual Report on Form 10-KSB for the year ended December 31, 2006. Significant accounting policies disclosed therein have not changed except as noted below.

The accompanying financial statements and the related footnote information are unaudited. In the opinion of management, they include all normal recurring adjustments necessary for a fair presentation of the balance sheet of the Company at September 30, 2007, and the results of its operations and cash flows for the three and nine months ended September 30, 2007. Results of operations reported for the interim periods are not necessarily indicative of results for the entire year.

Docucon, Incorporated (the Company) was incorporated under the laws of the State of Delaware on October 11, 1988 and is the successor by merger to a Texas corporation organized in 1986. In May 2000, the Company sold substantially all of its operating assets to TAB Products Co. (TAB). Before it sold substantially all of its operating assets to TAB, the Company was in the business of converting paper documents into electronic files for storage and archive purposes.

After it sold substantially all of its operating assets to TAB, the Company discontinued its document conversion business operations. As of December 31, 2000, the Company reverted to development stage in accordance with Statement of Accounting Standards No.7. The Company has not generated any revenue from any continued business operations since the TAB sale. The Company has incurred and continues to incur general and administrative expenses in order to maintain its existence and pursue the business plan management adopted as a result of the TAB sale. At all times since the TAB sale, that business plan has been to engage in a merger or acquisition transaction with a suitable candidate for the benefit of the Company's stockholders and other constituents.

The Company's financial statements have been prepared assuming that it will continue as a going concern. As stated above, the Company sold substantially all of its operating assets to TAB in May 2000, at which time it discontinued its document conversion business operations. The Company has not earned any revenue from any continued business operations since the TAB sale. The Company has incurred and continues to incur general and administrative expenses in order to maintain its existence and pursue its business plan to engage in a merger or acquisition transaction with a

suitable candidate for the benefit of the Company's stockholders and other constituents.

Furthermore, at September 30, 2007, the Company had an aggregate accumulated deficit of approximately \$10,632,599 (accumulated deficit of \$10,071,822 and accumulated deficit during development stage of \$560,777). These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company's financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management's plans to mitigate these adverse conditions and events include:

At all times since the TAB sale, the Company has focused its efforts on engaging in a merger or acquisition transaction with a different and more suitable candidate for the benefit of the Company's stockholders and other constituents.

On September 21, 2007 the Company entered into a letter of Intent with My EDGAR, Inc. Under the proposed reverse merger: Tax-free reorganization under Internal Revenue Code ss.368 (a)(1)(A) by means of the merger of My EDGAR into a Company wholly owned by Docucon ("Merger Sub ") Whereby the surviving entity will be My EDGAR with and into the Merger Sub and would be maintained as a separate wholly-owned subsidiary of Docucon. Docucon would have no other business other than the business of My EDGAR. Docucon's name would then change to reflect the new business entity.

Under the terms of the Letter of Intent, Docucon will exchange 100% of the common shares of My EDGAR for 97% of the total issued and outstanding of Docucon upon closing. The total amount of issued and outstanding shares of both Docucon and My EDGAR are subject to adjustments, splits, or reverse prior to close or at close of definitive merger agreement.

***Note 2. Summary of significant accounting policies***

*Cash and Cash Equivalents*

The Company has maintained a minimal cash balance with financial institutions that has not exceeded insured limits during the reporting period. The Company has not experienced any losses in such accounts.

*Revenue Recognition*

The Company had no revenue-producing operations and hence no revenue from operations for the reporting periods ended September 30, 2007.

*Earnings (loss) per Common Share ( EPS )*

The Company complies with Statement of Financial Accounting Standards ( SFAS ) No. 128, Earnings Per Share, which requires dual presentation of basic and diluted earnings per share. Basic EPS excludes dilution and is computed by dividing income (loss) available to common stockholders by the weighted-average common shares outstanding for the year. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

*Income Taxes*

The Company complies with SFAS No. 109, Accounting for Income Taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amounts expected to be realized.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

*New Accounting Pronouncements*

New accounting pronouncements should be read in conjunction with the December 31, 2006 10-KSB previously filed.

***Note 3. Discontinued operations and related contingency***

As stated above, in May 2000, the Company sold substantially all of its operating assets to TAB. After it sold substantially all of its operating assets to TAB, the Company discontinued business operations. At all times since the TAB sale, the Company's business plan has been to engage in a merger or acquisition transaction with a suitable candidate for the benefit of the Company's stockholders and other constituents.

On September 25, 2007, the Company entered into a settlement agreement with the former legal counsel to the Company in the amount of \$15,000. The legal firm was previously owed \$27,738 for services dating back to 2004. The previous invoices outstanding were \$10,330 for services in 2004 and \$17,398 for services in 2005 and 2006. The payment under settlement was funded directly from the proceeds under the promissory note payable dated September 21, 2007.

On September 26, 2007, the Company entered into a settlement agreement with the former transfer agent to the Company in the amount of \$4,000. The transfer agent was previously owed \$19,760 for services dating back to 2002. The payment under settlement was funded directly from the proceeds under the promissory note payable dated September 21, 2007.

On September 30, 2007, the Company entered into settlement agreements with two former note holders and directors of the Company. Both Edward P. Gistaro and Chauncey E. Schmidt collectively were owed \$108,334 or \$54,167 each. Each party agreed to convert amounts owed without interest into the Company's common stock at a conversion rate of \$0.50 per share, for a total of 216,668 common shares. As of September 30, 2007, the shares have not been issued in connection with this settlement.

On September 30, 2007, the Company entered into a settlement agreement with a former officer for previous amounts owed under an employment agreement in the amount of \$37,834. The party agreed to convert its obligation into the Company's common stock at a conversion rate of \$0.50 per share, for a total of 75,668 common shares. As of September 30, 2007, the shares have not been issued in connection with this settlement.

On September 30, 2007, the Company entered into a settlement agreement with a former consultant for previous amounts owed in the amount of \$53,325. The party agreed to convert its obligation into the Company's common stock at a conversion rate of \$0.50 per shares, for a total of 106,650 common shares. As of September 30, 2007, the shares have not been issued in connection with this settlement.

***Note 4. Notes payable***

In September 1999, two directors of the Company made advances to the Company totaling \$325,000. The Company's obligation to repay these advances is evidenced by two notes payable previously disclosed and reported on the Company's annual reports ended December 31, 2001 through December 31, 2006. The balance owed of \$108,334 under both notes payable was settled by the Company on September 30, 2007. Each party agreed to convert amounts owed without interest into 216,668 common shares of the Company. See Note 5 Preferred stock and common stock. As of September 30, 2007, the shares have not been issued in connection with this settlement.

On September 17, 2007, the Company entered into a promissory note with Mr. Balbirnie in the amount of \$19,000 for various obligations the Company was party to, including former legal counsel, former transfer agent and tax obligations with the state of Delaware. The note carries interest in the amount of 8% per annum and must be repaid by the Company on or before November 31, 2007.

***Note 5. Preferred stock and common stock***

For the period ended September 30, 2007, the Company entered into agreements with several parties to retire certain obligations of the Company as follows:

**Shares of Common Stock**

**To be issued under Settlement Agreements as of  
September 30, 2007**

	<b>2007</b>
Notes Payable <sup>1</sup>	216,668
Accounts Payable <sup>2</sup>	106,650
Accrued Expenses <sup>3</sup>	75,668
Total	398,986

<sup>1</sup> On September 30, 2007, the Company entered into settlement agreements with two former note holders and directors of the Company. Both Edward P. Gistaro and Chauncey E. Schmidt collectively were owed \$108,334 or \$54,167 each. Each party agreed to convert amounts owed without interest into the Company's common stock at a conversion rate of \$0.50 per share, for a total of 216,668 common shares, herein attached as exhibits 10.2 and 10.2

<sup>2</sup> On September 30, 2007, the Company entered into a settlement agreement with a former consultant for previous amounts owed in the amount of \$53,325. The party agreed to convert its obligation into the Company's common stock at a conversion rate of \$0.50 per share, for a total of 106,650 common shares, herein attached as exhibits 10.4.

<sup>3</sup> On September 30, 2007, the Company entered into a settlement agreement with a former officer for previous amounts owed under an employment agreement in the amount of \$37,834. The party agreed to convert its obligation into the Company's common stock at a conversion rate of \$0.50 per share, for a total of 75,668 common shares, herein attached as exhibits 10.2.

The Certificate of Designation of the rights, preferences and limitations of the Company's Series A Convertible Preferred Stock provides that each share of the Company's Series A Convertible Preferred Stock (\$25,000 stated value) is convertible into 8,333 shares of common stock (approximately 556 shares on a split-adjusted basis) and earns cash dividends of eleven percent (11.0%) per year. Each share of Series A Convertible Preferred Stock is entitled to vote the equivalent of 8,333 (approximately 556 shares on a split-adjusted basis) common shares and has a liquidation preference of \$25,000 per share. The Certificate of Designation of the rights, preferences and limitations of the Company's Series A Convertible Preferred Stock also provides that the Company may not pay dividends on its common stock until all accrued but unpaid dividends on such preferred stock have been paid. At December 31, 2006 and 2005, cumulative undeclared dividends on the seven shares of the Company's Series A Convertible Preferred Stock then issued and outstanding were approximately \$236,500 and \$217,250, respectively. As the cumulative dividends are undeclared, they have not been recorded as a reduction of the Company's equity. In August 2002, in connection with the Company's then proposed and subsequently abandoned merger with DVS, the Company and the holders of the Company's Series A Convertible Preferred Stock entered into agreements which would have resulted in



the surrender and cancellation of all issued and outstanding shares of such preferred stock, and the release of the Company from any obligation to declare or pay any accrued dividends on such preferred stock. For all intents and purposes, these agreements were contingent upon the consummation of the Company's proposed merger with DVS, which, as stated above, did not occur.

The Certificate of Designation of the rights, preferences and limitations of the Company's Series B Non-Convertible, Cumulative, Non-Voting, Redeemable Preferred Stock provides that the Company may issue up to 476,200 shares of Series B Non-Convertible, Cumulative, Non-Voting, Redeemable Preferred Stock, par value \$1.00 per share, which shall earn dividends at the rate of fifteen percent (15.0%) per year. Declaration and payment of dividends are at the sole discretion of the Company's Board of Directors, and are not mandatory. The Certificate of Designation of the rights, preferences and limitations of the Company's Series B Non-Convertible, Cumulative, Non-Voting, Redeemable Preferred Stock also provides that the Company may not pay dividends on its common stock until all accrued but unpaid dividends on such preferred stock have been paid. At September 30, 2007, there were no issued and outstanding shares of such preferred stock.

The Company has never declared or paid any cash dividends on its common stock.

***Note 6. Stock options***

None

***Note 7. Income taxes***

At September 30, 2007, the Company had, subject to the limitations discussed below, net operating loss carryforwards for tax purposes of approximately \$10,632,599. These loss carryforwards are available to reduce future taxable income and will expire during this fiscal year and through 2021 if not utilized.

Uncertainties exist as to the future realization of the deferred tax asset under the criteria set forth under SFAS No. 109. In light of these uncertainties, no valuation allowance has been established or reported in the Company's financial statements for period ended September 30, 2007.

***Note 8. Other contingency***

On February 2, 1999, the Company contacted the Department of Defense's Voluntary Disclosure Program Office to request admission into its Voluntary Disclosure Program. The Company's request for admission was the result of an internal review that indicated that a Company billing practice reflected in certain invoices submitted to the Department of Defense ( DOD ) between September 1996 and July 1997 might be perceived as a technical violation of DOD billing procedures. The DOD Inspector General formally admitted the Company into the Voluntary Disclosure Program in June 1999 and began its investigation of the Company's voluntary disclosure in the second half of that year. In February 2000, the Company's previous legal counsel was advised informally that the DOD's investigation was complete and that criminal prosecution had been declined. Neither the DOD nor any other department or agency of the federal government has made a claim against the Company for civil damages or other remedies relating to the billing practices that were the subject of the Company's voluntary disclosure or any other matter. The Company's previous legal counsel has informed us that the making of any such claims today is remote and probably time-barred by the statute of limitations governing the making of any such claims. Based on the opinion of the Company's legal counsel, the Company considers the matter of these billing practices closed, and no reserve for this contingency has been recorded, nor will any reserve for this contingency be established in the absence of changed information or circumstances.

***Note 9. Weighted average common shares outstanding***

For the period ended September 30, 2007, weighted average common shares outstanding applicable to earnings (loss) per common share were 243,918.

For the period ended September 30, 2007, there were no outstanding options or warrants to purchase shares of the Company's common stock.

Common shares of 58,331 (approximately 3,889 on a split-adjusted basis) issuable upon the potential conversion of Company's Series A Convertible Preferred Stock as of September 30, 2007 were not included in the computation of diluted earnings (loss) per common share because they were anti-dilutive.

***Note 10. Subsequent events***

Between October 16 and 17, 2007 the State of Delaware was paid \$3,378 in taxes and re-instatement fees related to the corporation and its good standing. These funds were paid under the September 21 2007, promissory note from and directly by Balbirnie.

*Change of certifying accountant*

Effective September 28, 2007, the Company retained De Joya Griffith & Company, LLC (the Accountant ) as the principal independent auditors of the Registrant effective immediately to review or audit, as the case may be, its financial statements beginning fiscal year ended December 31, 2002. Before engaging De Joya Griffith & Company, the Company did not consult with the accounting firm regarding the application of accounting principles to a specific transaction; or the type of audit opinion that might be rendered on the Company's financial statements; or regarding any matter that were the subject of any disagreement between or reportable event regarding the Company and any of its former principal independent accountants.

**ITEM 2.**

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

Except for the historical information contained herein, the matters discussed in this Form 10-QSB include certain forward-looking statements that involve risks and uncertainties, which are intended to be covered by safe harbors. Those statements include, but are not limited to, all statements regarding our and management's intent, belief and expectations, such as statements concerning our future and our operating and growth strategy. We generally use words such as "believe," "may," "could," "will," "intend," "expect," "anticipate," "plan," and similar expressions to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons including our ability to implement our business plan, our ability to raise additional funds and manage our substantial debts, consumer acceptance of our products, our ability to broaden our customer base, our ability to maintain a satisfactory relationship with our suppliers and other risks described in our reports filed with the Securities and Exchange Commission. Although we believe the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made, and our future results, levels of activity, performance or achievements may not meet these expectations. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, the factors set forth under the Risk Factors section of Item 6, Management's Discussion and Analysis of Financial Condition and Results of Operations, of the Annual Report on Form 10-KSB for the year ended December 31, 2006 and other factors detailed from time to time in our filings with the Securities and Exchange Commission. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. All forward-looking statements made in this Form 10-QSB are based on information presently available to our management. We do not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results or to changes in our expectations, except as required by law.

*Introduction*

Our discussion and analysis refer extensively to the Company's previous period ended September 30, 2007. Our discussion and analysis herein should be read closely in conjunction with the Company's previous annual reports as filed with the Securities and Exchange Commission.

*Comparison of results of operations for the quarterly periods September 30, 2007 and 2006*

As disclosed in the notes to the financials, after the Company sold substantially all of its operating assets to TAB in May 2000, it discontinued its document conversion business operations. The Company has not generated any revenue from any continued or new business operations since the TAB sale. The Company has incurred general and

administrative expenses in order to maintain its existence and pursue the business plan we adopted as a result of the TAB sale. At all times since the TAB sale, that business plan has been and continues to be to engage in a merger or acquisition transaction with a suitable candidate for the benefit of the Company's stockholders and other constituents. We do not expect to have future operating revenues unless the Company successfully completes a merger or acquisition transaction with a suitable candidate. There is no guarantee that this will happen.

At September 30, 2007, current liabilities totaled approximately \$260,823, primarily made up of short term notes payable, and accounts payables. At the time of this report, the Company, through one of its Directors, settled \$37,731 in unpaid legal services for the past two fiscal years for a total amount of \$15,000 and \$15,000 in previous transfer agency related expenses for \$4,000. The Company reported no revenues in the quarterly period ended September 30, 2007.

*Liquidity and capital resources*

On September 17, 2007, the Company entered into a promissory note with Mr. Balbirnie in the amount of \$19,000 for various obligations the Company was party to, including former legal counsel, former transfer agent and tax obligations with the state of Delaware. The note carries interest in the amount of 8% per annum and must be repaid by the Company on or before November 31, 2007.

Current liabilities which totaled approximately \$260,823 at September 30, 2007 include accounts payable, short term notes payable and compliance and related fees.

The Company's only potential source of liquidity is a merger or acquisition transaction with a suitable candidate. There is no guarantee this will occur. At September 30, 2007, the Company's total liabilities exceeded its total assets by approximately \$260,823.

The Company's financial statements have been prepared assuming that it will continue as a going concern. As disclosed in notes to financials and throughout this report, the Company sold substantially all of its operating assets to TAB in May 2000, at which time it discontinued its document conversion business operations. The Company has not generated any revenue from any continued or new business operations since the TAB sale. The Company has incurred minimal general and administrative expenses in order to maintain its existence and pursue its business plan to engage in a merger or acquisition transaction with a suitable candidate for the benefit of the Company's stockholders and other constituents.

### **ITEM 3.**

#### **CONTROLS AND PROCEDURES.**

##### *Management's quarterly report regarding internal disclosure controls and procedures*

As of the end of the period covered by this Quarterly Report on Form 10-QSB, an evaluation was performed under the supervision and with the participation of our management, including the individual serving as our Chief Executive Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934). Based on that evaluation, our Chief Executive Officer concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 (i) is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance that such information is accumulated and communicated to our management. Our disclosure controls and procedures include components of our internal control over financial reporting. Management's assessment of the effectiveness of our internal control over financial reporting is expressed at the level of reasonable assurance that the control system, no matter how well designed and operated, can provide only reasonable, but not absolute, assurance that the control system's objectives will be met.

There was no change in our internal controls, which are included within disclosure controls and procedures, during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls.



**PART II OTHER INFORMATION**

**ITEM 1.**

**LEGAL PROCEEDINGS**

None

**ITEM 2.**

**UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

None

**ITEM 3.**

**DEFAULTS UPON SENIOR SECURITIES.**

Not Applicable.

**ITEM 4.**

**SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

None

**ITEM 5.**

**OTHER INFORMATION**

None



**ITEM 6.**

**EXHIBITS**

Exhibits included or incorporated by reference herein are set forth in the attached Exhibit Index.

Exhibit index

<b>Number</b>	<b>Description</b>
10.1	Settlement Agreement for Payment of Account and Release Allan Hobgood
10.2	Settlement Agreement for Payment of Account and Release - Chauncey Schmidt
10.3	Settlement Agreement for Payment of Account and Release Edward Gistaro
10.4	Settlement Agreement for Payment of Account and Release Schwartz Heslin Group
31.1	Certification of the Chief Executive Officer/ pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of the Chief Executive Officer/Chief 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 the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**DOCUCON, INCORPORATED**

November 16, 2007

By: /s/ Robert W. Schwartz

Robert W. Schwartz

President, Chief Executive Officer, Chief Financial  
Officer