FONEFRIEND INC
Form 10QSB
February 13, 2004

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

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2003

COMMISSION FILE NUMBER 0-24408

FONEFRIEND, INC.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	33-0611753
(State of Incorporation)	(I.R.S. Employer ID Number)

14545 Friar Street, Suite 204
Van Nuys, CA 91411
(Address of Principal Executive Offices)

(818) 376-1616
(Registrant's Telephone Number, Including Area Code)

2722 Loker Avenue West, Suite G
Carlsbad, CA 92008
(Former Name or Former Address, if changed since last Report)

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

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

As of February 12, 2004, there were 19,014,444 shares of Common Stock outstanding and no shares of preferred stock outstanding.

FONEFRIEND, INC.

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FONEFRIEND, INC.
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BALANCE SHEETS
(Amounts in Dollars)

ASSETS

	December 31, 2003	September 30, 2003
Current Assets		
Cash in banks and on hand	$ 11,853	$ 10,699
Inventory-equipment	$ 16,400	$ 16,400
Stock subscription receivable	$ 2,500	$ 1,390
Current portion of prepaid expenses	$ 45,775	$ 99,400
Total current assets	$ 76,528	$ 127,889
Furniture & equipment, net of depreciation - Note 3	$ 13,029	$ 13,892

Other Assets		
Non-current prepaid expenses and deposits	$ 13,597	$ 13,597
Capitalized development costs	$ 694,863	$ 694,863
Technology rights, FoneFriend license	$ 300,000	$ 300,000
Stock in FoneFriend Systems, Inc.	$ 150,000	$ 150,000
Organizational costs, net of amortization - Note 3	$ 90	$ 100
Total other assets	$ 1,158,550	$ 1,158,560
TOTAL ASSETS	$ 1,248,107	$ 1,300,341

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable	$ 23,833	$ 31,919
Accrued expenses payable	$ 176,500	$ 163,500
Litigation settlement payable	$ 10,000	$ 20,000
Loans from officers and others	$ 126,300	$ 57,188
Payroll taxes payable	$ 5,416	$ 5,416
Total current liabilities	$ 342,049	$ 278,023
Loans payable, non-current	$ 25,000	$ 25,000
TOTAL LIABILITIES	$ 367,049	$ 303,023
Stockholders' Equity - Note 4		
Preferred stock, $.001 par value, authorized 50,000,000 shares, issued and outstanding 820,361 shares	$ 820	$ 820
Common stock, $.001 par value, authorized 200,000,000 shares, issued and outstanding, 9,556,000 at December 31, 2003 and 9,386,000 at September 30, 2003	$ 9,556	$ 9,386
Additional paid in capital	$ 3,887,533	$ 3,869,203
Operating deficit	$ (3,016,851)	$ (2,882,091)
TOTAL STOCKHOLDERS' EQUITY	$ 881,058	$ 997,318
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,248,107	$ 1,300,341

See Accompanying Notes to Financial Statements

FONEFRIEND, INC.

STATEMENTS OF OPERATIONS
(AMOUNTS IN DOLLARS)

	Three Months Ended	
	December 31, 2003	September 30, 2003
Revenue	$ 0	$ 0
Expenses		
Consulting fees	$ 115,607	$ 241,539
Depreciation and amortization	$ 873	$ 873
Director payment	$ 500	$ 0
Insurance	$ 55	$ 1,681
Legal fees	$ 0	$ 24,398
Office supplies	$ 620	$ 917
Officer/stockholder payments	$ 0	$ 20,060
Postage	$ 232	$ 1,358
Rent	$ 8,737	$ 6,620
Telephone	$ 2,301	$ 4,990
Travel	$ 3,200	$ 4,464
Other	$ 2,635	$ 8,983
Total expenses	$ 134,760	$ 315,883
Loss from development stage operations	$ (134,760)	$ (315,883)

See Accompanying Notes to Financial Statements

FONEFRIEND, INC.

STATEMENTS OF CASH FLOWS
(AMOUNTS IN DOLLARS)

	Three Months Ended	
	December 31, 2003	September 30, 2003

Operating Activities		
Loss from development stage operations	$ (134,760)	$ (315,883)
Adjustments to loss from development stage operations:		
Prepaid expenses	$ 53,625	$ 49,125
Accounts payable	$ (8,086)	$ 27,617
Accrued expenses payable	$ 13,000	$ 163,500
Litigation settlement payable	$ (10,000)	$ 20,000
Depreciation and amortization	$ 873	$ 873
Other	$ (1,110)	$ (14,290)
Net cash provided (used) by development stage operations	$ (86,458)	$ (69,600)
Investing Activities		
Financing Activities		
Common stock and paid-in capital	$ 18,500	$ 80,000
Loans from officers and others	$ 69,112	$ 0
Net cash provided by financing activities	$ 88,612	$ 80,000
Net cash increase (decrease) for the period	$ 1,154	$ 10,542
Cash at beginning of period	$ 10,699	$ 157
Cash at end of period	$ 11,853	$ 10,699

See Accompanying Notes to Financial Statements

FONEFRIEND, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE 1 - DESCRIPTION OF BUSINESS

A. Background

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

The Company is a development stage enterprise and has not generated any revenue during its history. The primary business of the Company is to market an Internet telephony device and related services to customers worldwide, called the "FoneFriend". The underlying technology of FoneFriend has been licensed by the Company from FoneFriend Systems, Inc. and will enable the Company's subscribers to make and receive unlimited long distance telephone calls over the Internet,

using only their standard residiential telephone set (without the need for a computer), for a low monthly fee of about $10.00 or less. Due to the small cost of transmitting calls over the Internet, the Company anticipates that it will realize significant profit margins, in excess of the traditional telecommunications industry.

B. Basis of Presentation

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fiscal Year

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

B. Significant Estimates

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

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

C. Cash and Cash Equivalents

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

D. Prepaid Expenses and other Current Assets

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

E. Furniture and Equipment

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

F. Capitalized Development Costs

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

G. Technology Rights, FoneFriend License

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

H. Stock in FoneFriend Systems, Inc.

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

NOTE 3 - DEPRECIATION AND AMORTIZATION

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

A. Furniture and Equipment

	2003	
	Dec. 31	Sept. 30,
Cost	$ 18,745	$ 16,245
Less accumulated depreciation	$ (5,716)	$ (4,853)
Net value	$ 13,029	$ 13,893

B. Organizational Costs

	2003	
	Dec. 31	Sept. 30,
Cost	$ 195	$ 195
Less accumulated depreciation	$ (105)	$ (95)

Net value	$ 90	$ 100

NOTE 4 - MERGER AND CAPITAL STOCK

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

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

1. All of UBN's issued and outstanding shares of capital stock were cancelled and extinguished and the stockholders of UBN prior to the Merger have no further interest or rights in UBN.

2. UBN issued 2,200,000 shares of newly created common stock in favor of FoneFriend, Inc. (Nevada corporation) in exchange for all of the Nevada corporation's assets and 115,750 of newly created common stock in favor of a Liquidating Trust for the benefit of UBN's creditors. As a result, the merged entity had a total of 2,315,750 shares of newly created common stock issued and outstanding, of which former shareholders of the dissolved Nevada corporation owned 95%, and J. Michael Issa, Esq., as Trustee of the Liquidating Trust (which was created under the Plan), owned 5%. Additionally, the Liquidating Trust was granted a conditional put option under the Plan whereby it could sell its shares back to the Company for up to $3 Million dollars, contingent upon the Company having sufficient available capital surplus at the time of such transaction. This option was valid for a period of one year after trading commenced in the Company's securities.

3. The issuance of stock pursuant to the Plan, as filed within the U.S. Bankruptcy Court, was ordered by the Court to be exempt from all applicable Federal, State and local securities law, pursuant to 11 U.S.C. ss.1145 (a).

4. The dissolved Nevada corporation's management distributed the newly issued 2,200,000 shares of FoneFriend, Inc. (Delaware corporation) to its former shareholders, on a pro-rata basis. Each of such former shareholders received one share of stock in FoneFriend, Inc. (Delaware corporation) for every four shares held in the dissolved Nevada corporation.

5. Immediately subsequent to the Merger, the Company authorized the issuance of 820,361 shares of a newly created Series A Preferred Stock (each share of which is convertible into one share of common stock) to be issued to shareholders of preferred stock in the dissolved Nevada corporation prior to the Merger.

6. The Company then issued 4,600,000 shares of common stock to various management personnel and consultants in order to hire and/or retain their services. The Company also issued 423,000 shares of common stock to Dennis H. Johnston, Esq. as compensation for his services in connection with the Merger. Additionally, the Company issued 307,250 shares of common stock to the Liquidating Trust so as to be in compliance with the Anti-Dilution Protection provisions of the Plan.

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

The following discussion and analysis should be read in conjunction with the Company's financial statements and related footnotes included elsewhere herein.

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

OVERVIEW

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

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

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

During the first three quarters of the current fiscal year, the Company's management focused its efforts primarily on reducing its overhead, to conserve financial resources, and the hiring of consultants that would help further its quest for financing, as well as assist in implementing the Company's intended plan of business and preparing the technical infrastructure and marketing support necessary for its operational stage.

To date, the Company has established the foundation necessary upon which it can build a next generation telecommunications company, utilizing the Internet and VoIP technology, that will carry customer calls at rates which are dramatically lower than traditional international long distance carriers with excellent quality.

RESULTS OF OPERATIONS

The Company had no revenue during the three months ended December 31, 2003, or during its entire history.

Expenses of the Company for the third quarter of the current fiscal year, ending December 31, 2003, decreased to $134,760 from $315,883 for the three month period ending September 30, 2003. The decrease was due primarily to a reduction in consulting fees as the Company has dramatically curtailed operations until financing can be obtained. Current expenses consist primarily of consultant fees, officer salaries, overhead and other general expenses related to continuing operations, seeking financing and preparing to bring the Company's product to market.

In November of 2003, the Company entered into a strategic relationship with Winsonic Holdings, Ltd., whereby Winsonic agreed to co-locate and house the Company's global network servers and gateway equipment at the Level 3 facilities rented by Winsonic. This provides the Company with access to a state-of-the-art, fiber optic network that is expected to greatly improve the voice quality and reliability of service of the FoneFriend product. In a related agreement, the Company hired the services of Winston Johnson, president of Winsonic, to serve as the Company's Chief Technology Officer. This agreement provides for the issuance of up to 350,000 shares of common stock in exchange for services to be provided by Mr. Johnson over a 12 month period.

During the third quarter of fiscal 2004, the Company issued 170,000 shares of stock to two consultants for services provided to the Company during the quarter. The consulting contract for one of the consultants was cancelled due to lack of performance or results. Also, on November 22, 2003, the Company's board of directors authorized the issuance of 2,443,083 shares of common stock as a dividend to its preferred stockholders and 4,000,000 shares of common stock to current management, in settlement of its breach of contract with these individuals. In addition, 814,361 shares of the Company's Series A Convertible, Preferred Stock was automatically converted into a like number of shares of common stock as of November 22, 2003. However, the Company's transfer agent was not instructed to issue any of the foregoing shares until January 12, 2004.

In December, 2003, the Company entered into a preliminary agreement for up to $5 Million in equity financing with an unaffiliated investor. In connection with this agreement, the investor advanced the Company $100,000 and received a one year, convertible note with interest at 15% per annum. The note is

convertible at a 25% discount to the market price of the Company's common stock at the time of conversion. Also, in connection with this transaction, the Company issued 200,000 warrants to purchase the Company's common stock at $0.20 per share. As of December 31, 2003, the Company had not entered into any final agreement for the equity financing.

FACTORS THAT MAY AFFECT FUTURE RESULTS

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

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

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

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

THE LOSS OF OUR KEY PERSONNEL COULD HARM OUR BUSINESS.

The loss of the services of the Company's CEO and other key consultants or employees could have a material adverse effect on our operations, as hiring replacements would most likely involve the payment of salaries, for which we do not currently have the financial resources. Our inability to hire suitable replacements could have a material adverse effect on our ability to continue operating.

THE COMPANY IS IN BREACH OF KEY EMPLOYMENT AND CONSULTING AGREEMENTS.

For the last calendar year, the Company has failed to make the required payments of $7,500 per month to Jackelyn Giroux, the President and Director, under her employment agreement. There is no guarantee that she will continue to work without being paid. However, on November 22, 2003, the Company's board of directors agreed to amend her Employment Agreement and issued her 1,000,000 shares of common stock and promised to pay back salary upon receipt of financing. Additionally, the Company agreed to an anti-dilution clause to maintain her current equity ownership in the Company. The Company believes that the loss of Ms. Giroux as President would have a material adverse effect on the Company's ability to continue operating.

For the last calendar year, the Company has failed to make the required payments of $10,000 a month to Gary A. Rasmussen, a Consultant and founder, under the terms of his Consulting Agreement. There is no guarantee that he will continue to work without being paid. However, on November 22, 2003, the Company's board of directors agreed to amend his Consulting agreement and issued him 3,000,000 shares of common stock and promised to pay past due amounts under his agreement upon receipt of financing. Additionally, the Company agreed to an anti-dilution clause to maintain his equity ownership in the Company at 25%. The Company believes that the loss of Mr. Rasmussen would have a material adverse effect on the Company's ability to continue operating.

ADDITIONAL RISK FACTORS ARE SET FORTH IN THE COMPANY'S FORM 10KSB, AS FILED ON JULY 16, 2003, FOR THE FISCAL YEAR ENDED MARCH 31, 2003, WHICH ARE HEREBY

ADOPTED AND INCORPORATED BY REFERENCE.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2003, the Company had limited working capital and the Company had no material unused sources of liquid assets. Also at December 31, 2003, the Company had no existing credit facility. As a result, the Company is delinquent in certain general and administrative expenses and has a shortage of cash to pay its pending accounts payable.

A part of the Company's strategy is to seek external financing to grow its commercial business. Management is presently negotiating with several qualified investment sources in order to obtain the necessary financing required to implement its intended plan of business. The Company's operating capital for the current quarter was provided primarily through a loan from an unaffiliated third party and accrual of officers' salaries and consulting fees.

While the Company intends to generate working capital from its product and related services in the future, we expect our minimum capital needs during the current calendar year to be approximately $3 Million. This amount will primarily be used for manufacturing, implementing a large scale network system, marketing programs and for general working capital. However, the Company may not be able to obtain this required financing, or such financing may not be available on acceptable terms. Due to the Company's historical operating losses, there can be no assurance that projected capital requirements will not substantially exceed current and future capital resources. This could result in a significant and material adverse effect on our ability to continue operating.

Additional working capital needs of the Company may require issuance of equity securities, either on a public or private basis. Such issuances would, if consummated, affect the ongoing capital structure of the Company and may result in substantial dilution to shareholders. If additional funds are raised through the issuance of equity, convertible debt, or similar securities of the Company, the percentage of ownership of the Company's current shareholders will be reduced, and such new securities may have rights or preferences senior to those of the common stock held be current shareholders. To this extent, the Company has recently entered into a preliminary agreement with an unaffiliated third party to provide up to $3 Million in an equity line of credit. This agreement provides the Company with a series of put options whereby the third party will purchase shares of the Company's common stock at a discount to the current bid price. In connection with this preliminary agreement, the Company was obligated to cover legal expenses necessary to prepare final documents and has issued 12,500 shares in consideration of said legal expenses This financing arrangement is expected to result in substantial dilution. In the event that alternative funding sources are not available as and when needed by the Company, and this current equity financing is not fully realized, it could have a severe adverse impact on the combined business and results of operations of the Company and could result in the Company being unable to continue as a going concern. Management is continually monitoring and evaluating the financing sources available to achieve the Company's goals.

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

As of December 31, 2003, management estimated that the Company's cash resources were not enough to meet the Company's estimated funding requirements

for the remainder of the current fiscal year ending March 31, 2004.

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

The foregoing discussion should be read in conjunction with our financial statements and the notes thereto included elsewhere in this Form 10-QSB. This Form 10-QSB contains forward-looking statements regarding the plans and objectives of management for future operations. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and we cannot assure you that these projections included in these forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors.

ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

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

(b) Changes in internal control.

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

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As previously reported in the Company's quarterly report for the period ending September 30, 2003, the Company received notice of a lawsuit commenced against its predecessor company, FoneFriend, Inc., a Nevada corporation, seeking

past due legal fees of approximately $21,000. The assets of this predecessor company were acquired by the Company in a stock for assets purchase transaction and FoneFriend of Nevada was dissolved. Should the Company become a party to this litigation, it believes it has affirmative defenses to the amount of such charges and intends to defend against any such action should it be commenced.

Also previously reported, the Company has received a threat of litigation from the bankrupt estate of Allegiance Telecom, seeking approximately $5,000. Should the Company become a party to this litigation, it believes it has affirmative defenses to such charges and intends to defend against any such action should it be commenced.

In January, 2003, the Company entered into a settlement agreement with a former officer and director of FoneFriend, Inc., a Nevada corporation. As partial consideration under the settlement agreement, the Company was required to pay plaintiff the sum of $20,000 on December 1, 2003. The plaintiff accepted a payment of $10,000 from the Company in December of 2003 and agreed to accept a final payment of $12,500 on January 4, 2004. The Company has not yet made the final payment to plaintiff. In accordance with the terms of the settlement, the plaintiff may, upon the Court's order, file with the Court a "Stipulation for Entry of Judgment." The plaintiff has not yet moved to file or enforce the judgment.

ITEM 2. CHANGES IN SECURITIES

During the three months ended December 31, 2003, the Company issued a total of 170,000 shares of common stock to consultants for services provided to the Company. Additionally, the Company issued 200,000 warrants to purchase the Company's common stock at $0.20 per share in connection with a $100,000 loan from an unaffiliated third party. The loan is evidenced by a promissory note which is convertible into the Company's stock at a discount to the market price at the time of conversion.

Subsequent to December 31, 2003, in accordance with resolutions adopted by the Board of Directors during the current reporting period, the Company instructed its transfer agent to: (i) cancel 76,500 shares of common stock and 6,000 shares of Series A convertible preferred stock ("Preferred Stock") that were issued either in error or without proper consideration; (ii) issue 4,015,000 shares of common stock to officers and a consultant in order to retain their continued services and to cure any default under their agreements; (iii) issue 2,443,083 shares of common stock as a special, one-time dividend on the Preferred Stock; (iv) issue 814,361 shares of common stock in exchange for a like amount of Preferred Stock.

Also, subsequent to December 31, 2003, the Company signed a terms sheet for a financing with an unaffiliated third party entity, which is subject to the execution of definitive agreements, pursuant to which it will receive up to $3 million in an equity line of credit to be made available over a period that could extend for the next thirty-six months. In connection with the signing of the terms sheet, the Company issued 12,500 shares for legal fees relating to the preparation of the definitive agreements. Further, in anticipation of this financing, the Company entered into several consulting agreements whereby it issued an additional 2,250,000 shares of common stock in exchange for financial, legal, marketing, technical support and other services in furtherance of its intended plan of operation.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

Exhibit No.	Description
10.1	2002 Non-Employee Director And Consultant Retainer Stock Plan And Employee Stock Incentive Plan (incorporated by reference from Form S-8, filed on December 27, 2002).
10.2	Employment Agreement executed by the Registrant and Jackelyn Giroux (incorporated by reference from Annual Report on Form 10KSB filed on July 16, 2003).
10.3	Consulting Agreement executed by the Registrant and Gary A. Rasmussen (incorporated by reference from Annual Report on Form 10KSB filed July 16, 2003).
10.4	Indemnification Agreement executed by the Registrant and Jackelyn Giroux (incorporated by reference from Annual Report on Form 10KSB filed July 16, 2003).
10.5	Indemnification Agreement executed by the Registrant and Edward N. Jones (incorporated by reference from Annual Report on Form 10KSB filed July 16, 2003).
10.6	Indemnification Agreement executed by the Registrant and Dennis H. Johnston (incorporated by reference from Annual Report on Form 10KSB filed July 16, 2003).
10.7	Indemnification Agreement executed by the Registrant and Gary A. Rasmussen (incorporated by reference from Annual Report on Form 10KSB filed July 16, 2003).
10.8	Indemnification Agreement executed by the Registrant and Francois Van Der Hoeven (incorporated by reference from Annual Report on Form 10KSB filed July 16, 2003).
10.9	Technology License Agreement executed by the Registrant and Fonefriend Systems, Inc. (incorporated by reference from Annual Report on Form 10KSB filed July 16, 2003).
17.1	Resignation of Director (Francois Van Der Hoeven) (incorporated by reference from Quarterly Report on Form 10QSB filed on August 19, 2003).
31.1*	Chief Executive Officer certification pursuant to

	Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
99.1*	Chief Executive Officer certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2*	Chief Financial Officer certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Filed herewith

(b) No reports on Form 8-K were filed during the three months ended December 31, 2003.

SIGNATURE PAGE FOLLOWS

SIGNATURES

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

By: /S/ Jackelyn Giroux

Jackelyn Giroux,
President, Director

By: /S/ Edward N. Jones

Edward N. Jones,
Chief Financial Officer

Dated: February 12, 2004.