AMANDA CO INC
Form 10QSB
August 19, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISION
WASHINGTON, D.C. 20549
FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2002

[] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

For the transition period from to .

Commission file number 1-14072

THE AMANDA COMPANY,INC.
(Exact name of small business issuer as specified in its charter)

UTAH	87-0430260
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No)

13765 ALTON PARKWAY, SUITE F, IRVINE, CA	92618
(Address of Principal Executive Offices)	(Zip Code)

(949) 859-6279
(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report) N/A

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

APPLICABLE ONLY TO CORPORATE ISSUERS

As of June 30, 2002, approximately 109,672,839 shares of the Registrant's Common Stock, $0.01 par value were outstanding.

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

FORM 10-QSB

THE AMANDA COMPANY, INC.

Table of Contents

THE AMANDA COMPANY, INC.
BALANCE SHEET
June 30, 2002 and September 31, 2001 (Audited)

ASSETS	June 30, 2002	September 30, 2001
CURRENT ASSETS		
Cash and cash equivalents	$ 69,390	$ 36,394
Accounts receivable, net	95,650	84,069
Other receivable	10,000	-
Inventory	58,415	172,617
Prepaid and other current assets	157,525	51,880
Total current assets	390,980	344,960
PROPERTY AND EQUIPMENT, NET	25,100	33,020
SECURITY AND OTHER DEPOSITS	-	29,436
Total assets	$ 416,080	$ 407,416

The accompanying notes are an integral part of these statements.

THE AMANDA COMPANY, INC.
BALANCE SHEET
June 30, 2002 and September 30, 2001 (Audited)

LIABILITIES & STOCKHOLDER'S DEFICIT	June 30, 2002	September 30, 2001
CURRENT LIABILITIES		
Accounts payable	$ 1,010,803	$ 778,986
Accrued liabilities	420,926	1,198,496
Leasing financing payable	22,750	22,750
Notes payable	486,500	573,000
Deferred revenue	-	15,448
Convertible debentures	900,000	800,000
Accrued dividends payble	523,538	480,324
Total current liabilities	3,364,517	3,869,004
LONG-TERM LIABILITIES		
Lease financing payable	50,721	72,320
Contingent notes payble	130,300	-
Promissory note - Bristol	300,000	-
Convertible promissory notes	364,825	-
Total long-term liabilties	845,846	72,320
Total liabilites	4,210,363	3,941,324
STOCKHOLDERS' DEFICIT		
Convertible Preferred stock, $0.01 par value authorized 5,000,000 shares		
Series A; issued and outstanding 21 shares at June 30, 2002 and 91 shares at September 30, 2001.	1	1
Series B; issued and outstanding 631 shares at June 30, 2002 and 926 shares at September 30, 2001	6	9
Common stock, $0.01 par value, issued and outstanding 139,672,839 shares at June 30, 2002 and 68,778,960 shares at September 30, 2001	1,096,728	687,789
Accumulated deficit	(4,891,018)	(4,221,707)
Total stockholders' deficit	(3,794,283)	(3,533,908)
Total liabilities and stockholders' deficit	$ 416,080	$ 407,416

The accompanying notes are an integral part of these statements.

THE AMANDA COMPANY, INC.
STATEMENT OF OPERATIONS
For the Three and Nine Months Ended June 30, 2002 and 2001
(Unaudited)

	Three months ended June 30, 2002	Three months ended June 30, 2001	Nine months ended June 30, 2002	Nine months ended June 20
Net sales	$ 776,574	$ 1,071,676	$ 2,471,513	$ 3,0
Cost of sales	465,109	568,745	1,401,564	1,8
Gross profit	311,465	502,931	1,069,949	1,1
Selling, general and administrative expenses	527,285	537,412	1,531,943	1,5
Operating loss	(215,820)	(34,481)	(491,994)	(3
Other income (expense):				
Interest expense	(45,947)	(5,651)	(106,557)	(
Miscellaneous income, net	163	(15,396)	79,420	
Loss on impairment	-	-	-	
Loss from discontinued operations	-	-	-	
Extinguishment of debt	-	-	-	
Loss before extraxordinary item	(261,604)	(55,528)	(519,131)	(3
Merger costs	-	-	-	
Net loss before income taxes	(261,604)	(55,528)	(519,131)	(3
Income taxes	600	667	600	
Net loss	$ (262,204)	$ (56,195)	$ (519,731)	$ (4

The accompanying notes are an integral part of these statements.

THE AMANDA COMPANY, INC.

STATEMENTS OF CASH FLOW
(Unaudited)

	Nine months ended June 30, 2002	June 30 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (519,731)	$ (400
Adjustments of reconcile net cash provided (used) in operating activities		
Depreciation and amortization	8,971	22
Loss on disposal of property and equipment	-	
Allowance for notes receivable	-	63
Warrant/option compensation expense	-	75
Common stock issued for compensation and interest	1,081,729	
Effect on cash of changes in operating assets and liabilities:		
Decrease (increase) in accounts receivalbe, net	(21,421)	(48
Decrease (increase) in other receivables	(10,000)	(337
Decrease (increase) in inventory	86,056	(66
Decrease (increase) in prepaid and other current assets	(79,983)	22
Decrease (increase) in security deposits	-	
Increase (decrease) in accounts payable	(54,779)	(113
Increase (decrease) in accrued ezpenses	(1,191,552)	285
Increase (decrease) in deferred revenue	(3,370)	
Net cash provided (used) in operating activites	(704,080)	(498
CASH FLOWS FROM INVESTING ACTIVITIES:		
Issuance of notes receivable	-	(360
Advances to perFORMplace	-	(63
Net cash provided (used) in investing activites	-	(423
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of notes payable	(110,000)	
Payments of equipment financing	(33,223)	
Accrued dividends on preferred shares	-	(98
Proceeds from equipment financing	-	
Exercise of warrants	-	
Proceeds from notes payable	-	
Proceeds from sale of common stock	-	646
Proceeds from issuance of short term note payable	-	350
Proceeds from convertible debenture	130,300	
Proceeds from convertible promissory ntes	750,000	
Net cash provided (used) in financing activities	737,077	897
Net increase (decrease) in cash and cash equivalents	32,997	(23
Cash and cash equivalents at beginning of period	36,393	36
Cash and cash equivalents at end of period	$ 69,390	$ 12

NON-CASH ACTIVITIES:

(1) $118,101 of Convertible Notes were converted into 12,205,211 shares of common stock.

(2) 40 shares of Preferred Stock Series A were converted into 3,796,516 shares of common stock.

(3) 115 shares of Preferred Stock Series B were converted into 15,192,672 shares of common stock.

(4) 6,126,513 common shares at the cost of $68,540 were issued related to merger costs.

(5) 2,000,000 common shares at the cost of $18,400 were issued for consulting expenses.

The accommmpanying notes are an integral part of these statemens.

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The accompanying notes are an integral part of these statements.

Non-cash investing and financing activities

During the first quarter of FY2002 Series A preferred shareholders converted 30 preferred shares into 2,941,176 common shares at an average conversion price of $0.0102 per common share. Series B preferred shareholders converted 150 preferred shares into 15,730,674 common shares at an average conversion price of $0.0095 per common share. Under the conversion terms of the convertible preferred shares, a holder has the right to convert preferred shares into common shares at eighty-five (85%) percent of the average of the two lowest closing bid prices during the last twenty-two (22) consecutive trading days prior to conversion. As part of the merger, the Company issued 50,000,000 shares of common stock with a value of $876,000. There were 39,320,912 conversions of preferred shares into common shares in the third quarter.

NOTE A - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company had a loss of $262,204 for the quarter ended June 30, 2002, and a loss of $519,731 for the nine months ended June 30, 2002. A deficit of $3,794,283 in stockholders' equity and negative working capital of $2,973,537 for the period ended June 30, 2002. The Company intends to continue to raise additional funds in the capital markets for working capital purposes. The Company must raise additional capital in order to continue as a going concern.

NOTE B - ACQUISITIONS/DISPOSITIONS

The Company completed its merger with the Automatic Answer Company (tAA) in the quarter ended December 31, 2001. The merger was accounted for as a reverse merger. The recapitalization of tAA, the surviving entity, resulted in a reduction of $2,119,979 in stockholder's equity; $876,000 of which was attributable to merger expenses and $1,243,979 resulting from the assumption of the net deficit of the registrant.

NOTE C - OPTIONS TO PURCHASE COMMON STOCK

No options were exercised in the second quarter.

NOTE D - WARRANTS TO PURCHASE COMMON STOCK

No warrants were exercised in the second quarter.

NOTE E - OPTIONS/WARRANTS TO PURCHASE COMMON STOCK

No options or warrants were issued in the second quarter.

NOTE F - ACCRUED PREFERRED STOCK DIVIDENDS

The Preferred Shareholders agreed to waive all dividends, effective October 1, 2001. No accrual for dividends on preferred shares was recorded in the third quarter ended June 30, 2002.

NOTE G - PREFERRED STOCK

The Company has issued two series of Preferred Stock. Series A was issued in February 1999 consisting of 1,800 shares, par value $0.01 per share, for $1,000 per share. Series B was issued in April 1999 at the same price and par value but only 1,000 shares were issued. Both series of Preferred Stock carry a 16 percent dividend rate, which is paid quarterly. If and when the Company's stock is listed again on NASDAQ the dividend rate will drop to 8 percent.

Both issuances of Preferred Stock are convertible into shares of the Company's Common Stock. Each share of Series A Preferred Stock is convertible into an amount of shares of Pen Common Stock equal to $1,000 divided by the average of the two lowest closing bid prices for Pen Common Stock during the period of 22 consecutive trading days ending with the last trading day before the date of conversion, after discounting that market price by 15 percent (the "Conversion Price"). The maximum Conversion Price for the Series A Preferred Stock is $1.17 per share. The shares of Series B Preferred Stock are convertible into Common Stock at the same Conversion Price as the Series A Preferred Stock except for a maximum Conversion Price of $0.79 per share. Warrants to acquire 320,000 shares of Common Stock at prices ranging from $0.86 to $1.28 per share were also issued to the purchasers of the Series A and Series B Preferred Stock. The Warrants expire three years from date the Preferred Stock and warrants were initially issued.

NOTE H - CONVERTIBLE DEBENTURE

In the first quarter ended December 31, 2001 the Company issued $100,000 in one year convertible debentures with interest at eight (8) percent, payable quarterly. These debentures are convertible into the Company's common stock at the lower of $.04 or 70% of the average of the three lowest closing prices during the 30 days prior to the conversion. These debentures are due one year from the date of the issuance.

NOTE I - CONVERTIBLE PROMISSORY NOTE

In the first quarter ended December 31, 2001 the Company issued a convertible promissory note totaling $450,000 at an interest rate of eight (8) percent per annum. In the second quarter ended March 31, 2002 the issued a convertible promissory note totaling $300,000 at an interest rate of eight (8) percent per annum. These notes are convertible into the

Company's common stock at $.01 per share and a 8,055,853 warrant exercisable for common stock at $.02 per share and 1,500,000 warrants at $.01 per share.

Note J - EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per common share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted earnings (loss) per common share are similarly calculated, except that the weighted average number of common shares outstanding includes common shares that may be issued subject to existing rights with dilutive potential except for periods when such calculations would be anti-dilutive.

The calculation of earnings (loss) per share is included in Exhibit 11.

NOTE K - INTERIM PERIOD COST OF GOODS SOLD

Inventory costing is based on specific identification. An inventory count is taken at the end of each quarter.

NOTE L - INCOME TAXES

The future benefits of loss carried forward are fully reserved. The company accrued $600 for California Franchise Tax during the quarter.

NOTE M - COMMON STOCK OUTSTANDING

On February 8, 2002, the company executed a reverse split of one new share for each ten outstanding shares of common stock. The resultant effect was that the number of shares to be outstanding of 703,519,273 become 70,351,927 post split.

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

FORWARD-LOOKING STATEMENTS. This report contains certain forward-looking statements within the meaning of section 27A of the Securities Act of 1933 as amended, and section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. In addition, the Company may from time to time make oral forward-looking statements. Actual results are uncertain and may be impacted by the following factors. In particular, certain risks and uncertainties that may impact the accuracy of the forward-looking statements with respect to revenues, expenses and operating results include without limitation, cycles of customer orders, general economic and competitive conditions and changing consumer trends, technological advances and the number and timing of new product introductions, shipments of products and components from foreign suppliers, and changes in the mix of products ordered by customers. As a result, the actual results may differ materially from those projected in the forward-looking statements.

Because of these and other factors that may affect the Company's operating results, past financial performance should not be considered an indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

The following discussion and analysis provides certain information which the Company's management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition for the three months and nine months ended June 30, 2002 and 2001. This discussion should be read in conjunction with the audited financial statements of the Company and notes thereto included in the Annual Report of the Company on Form 10-KSB for the year ended September 30, 2001.

General. On October 1, 2001, the Company completed a reverse merger with tAA. tAA is the surviving entity for accounting purposes. The following discussion is based upon the merged activities of both companies for all periods presented.

Net sales. Net sales for the Company decreased $295,102 or approximately 28 percent for the three months ended June 30, 2002, as compared to the same period in the prior year. Net sales for the Company decreased $610,368 or approximately 20 percent for the nine months ended June 30, 2002 as compared to the same period in the prior year. The events of September 11, 2001 as well as the general economic condition in the country today has contributed to the general decrease in sales experienced not only by the Company, but the industry as a whole.

Cost of sales. Cost of sales as a percentage of net sales decreased to 60 percent of net sales for the three months ended June 30, 2002 as compared to 53 percent for the same period in the prior year. Cost of sales as a percentage of net sales decreased to 43 percent of net sales for the nine months ended June 30, 2002 as compared to 39 percent for the same period in the prior year. Gross profit increased due to an increase in product margins, reduced shipping costs due to increased efficiency in product scheduling, both for incoming and

outgoing shipments, and a reduction in replacement of defective product due to increased product testing prior to shipment to customers.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased $10,127 or approximately 2 percent for the three months ended June 30, 2002 as compared to the same period in the prior year. Selling, general and administrative costs decreased $16,194 or approximately 1 percent for the nine months ended June 30, 2002 as compared to the same period in the prior year. The merger of Pen Interconnect and The Automatic Answer (tAA) resulted in the elimination of several executive positions, thereby eliminating significant salary and related payroll and employee benefit expenses. In addition, the consolidation of offices, along with the reduction in rent for both the California corporate office and the Danbury, CT sales office contributed significantly to expense reduction in the current quarter and nine months. The Company has concentrated on reviewing all recurring expenses and has made reductions when possible.

Other income and expenses. Interest expense increased by $40,296 for the three months ended June 30, 2002 as compared to the same period in the prior year. In the prior year the Company was able to negotiate settlements on outstanding vendor debt resulting in a gain of $73,168. There were no settlements in the quarter ended June 30, 2002.

Liquidity and capital resources. For the quarter ended June 30,2002 and for the nine months ended June 30, 2002, the Company sustained losses of $262,204 and $519,731, respectively.

Inflation and seasonality. The Company does not believe that it is significantly impacted by inflation or seasonality.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time the Company has been a party to various legal proceedings arising in the ordinary course of business

1. On October 28, 1999 Color Savvy Systems, Ltd., filed suit to recover $165,750 in past due uncontested vendor obligations. On February 16, 2000, Color Savvy obtained a judgment against the Company for $165,750.

2. On February 15, 2000, Amistar Corporation filed suit against the Company to recover $95,733 in uncontested past due vendor obligations. As of this writing, Amistar has accepted the Company's stock for debt offer.

3. On March 21, 2000, Interworks Computer Products, Inc., filed suit to recover $35,771 in past due uncontested vendor obligations. Settled in January 2001.

4. On July 22, 2000, Force Electronics filed suit to recover $68,816 in past due uncontested vendor obligations, and obtained a judgment on September 15, 2000. Settled in January 2001.

5. Control Design Supply/Nedco filed suit to recover $6,788 in past due uncontested vendor obligations. Settled in January 2001.

6. On March 20, 2000, DHL Airways Inc. obtained a judgment in the amount of $3,868 for past due uncontested vendor obligation.

7. In January 2001 Fidelity Leasing, Inc. filed suit to recover $26,608.91 and obtained a judgment for uncontested past due lease obligations. Settled in February 2001.

On November 15, 1999, Alan L. Weaver, former CEO of Pen Interconnect, Inc., obtained a judgment against the Company in the amount of $135,300 for breach of a settlement agreement relative to Mr. Weavers' employment agreement with the Company. The Company has reserved $135,300 as a contingent liability as of September 30, 2000 for this agreement.

Item 2. Changes in Securities and Use of Proceeds:

None during the quarter

Item 3. Defaults Upon Senior Securities:

None during the quarter

Item 4. Submission of Matters to a Vote of Security Holders:

None during the quarter.

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Item 5. Other Information:

None

Item 6. Exhibits and Reports on Form 8-K:

April 04, 2002 Item 6
Resignation of William Prevot for personal reasons

Resignation of Jose Candia due to disagreements with the Company which are disclosed on Form 8-K.

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.

THE AMANDA COMPANY, INC.
(Registrant)

August 16, 2002 By: /s/ Brian Bonar
Brian Bonar,
CEO and Chairman of the Board of Directors

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CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Amanda Company, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian Bonar, Chief Executive Officer and Chairman of the Board of Directors of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Brian Bonar

Brian Bonar
CEO and Chairman of the Board of Directors
August 16, 2002

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CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Amanda Company, Inc.. (the "Company") on Form 10-QSB for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian Bonar, Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Brian Bonar

Brian Bonar
Chief Accounting Officer
August 16, 2002

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THE AMANDA COMPANY, INC.
CALCULATION OF EARNINGS (LOSS) PER SHARE
FOR THE THREE MONTHS AND NINE MONTHS ENDED JUNE 30, 2002 AND 2001

	Three months ended June 30, 2002	June 30, 2001	Nine months ended June 30, 2002	June 20
Net profit (loss)	$ (262,204)	$ 13,700	$ (519,731)	$ (4
Common Shares Outstanding entire period	109,672,839	34,454,731	108,886,306	27,5
Weighted Average common shares issued	13,106,971	5,622,373	12,098,478	10,0

Weighted Average common shares outstanding during period	122,779,810	40,077,104	120,984,784	37,6
Loss per common share - basic	$ (0.00)	$ 0.00	$ (0.00)	$

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