

Edgar Filing: WEBTRONICS INC - Form 10QSB

WEBTRONICS INC
Form 10QSB
May 19, 2003

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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 Quarter Ended
March 31, 2003

Commission File No. 33-63474

WEBTRONICS, INC.
(Exact name of Registrant as specified in its Charter)

Florida

62-1106840

(State or jurisdiction of incorporation
or organization)

(IRS Employer
Identification No.)

420 Lexington Avenue, Suite 601, New York, NY

10710

(Address of Principal Executive Office)

(Zip Code)

Registrant's telephone number, including area code: (212) 672-9190

Former name, former address and former fiscal year,
if changed since last report:

N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for a shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The number of shares issued and outstanding of the Registrant's Common Stock, \$.000005 par value, as of May 14, 2003 was 522,602,178

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INTRODUCTORY NOTE

This Report on Form 10-QSB may be deemed to contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and

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Section 21E of the Securities Exchange Act of 1934. The Company intends that such forward-looking statements be subject to the safe harbors created by such statutes. The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties set forth under "Risk Factors" in our Annual Report on Form 10-KSB and other period reports filed with the SEC. Accordingly, to the extent that this Report contains forward-looking statements regarding the acquisitions, financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company's actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

WEBTRONICS, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS
MARCH 31, 2003 AND DECEMBER 31, 2002

ASSETS

	2003	2002
	-----	-----
Current Assets:		(audited)
Cash	\$ 190	\$ 232
	-----	-----
Total Assets	\$ 190	\$ 232
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Account payable	\$ - 0 -	\$ - 0 -
	-----	-----
Total Liabilities	- 0 -	- 0 -
	-----	-----
Stockholders' Equity:		
Preferred Stock \$.0001 par value, 20,000,000 authorized none issued and outstanding	\$ - 0 -	\$ - 0 -
Common Stock \$.000005 par value, 550,000,000 authorized; 500,887,500 shares issued and outstanding	\$ 2,504	\$ 2,504
Additional paid in capital	321	321
Accumulated Deficit during development stage	(2,635)	(2,593)
	-----	-----

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Total Stockholders' Equity	190	232
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 190	\$ 232
	=====	=====

See accompanying notes to financial statements

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WEBTRONICS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF OPERATIONS

	Three months ended		Feb 2, 2001 (Inception)
	March 31, 2003	March 31, 2002	to March 31, 2003
	-----	-----	-----
Revenue	\$ - 0 -	\$ - 0 -	\$ - 0 -
Expenses	42	2,048	2,635
	-----	-----	-----
Net income (loss) before provision for income taxes	\$ (42)	\$ (2,048)	\$ (2,635)
Provisions for income taxes	- 0 -	- 0 -	- 0 -
	-----	-----	-----
Net income (loss)	\$ (42)	\$ (2,048)	(2,635)
	=====	=====	=====
Net (Loss) per weighted average of shares	\$ (0.00)	\$ (0.00)	\$ (0.00)
	=====	=====	=====
Weighted average of shares	500,887,500	500,887,500	500,887,500
	=====	=====	=====

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See accompanying notes to financial statements

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WEBTRONICS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS

	For the three months ended March 31, 2003 -----	For the three months ended March 31, 2002 -----	Feb. 2, 20 (Inception) March 31, 2 -----
Cash Flows from operations:			
Net income (loss)	\$ (42) -----	\$ (2,048) -----	\$ (2,635) -----
Net cash used for operations	(42) -----	(2,048) -----	(2,635) -----
Net (decrease) in cash	(42)	(2,048)	(2,635)
Cash - beginning	232 -----	2,385 -----	2,825 -----
Cash - ending	\$ 190 =====	\$ 337 =====	\$ 190 =====

See accompanying notes to financial statements

WEBTRONICS, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

The Company was incorporated under the laws of the State of Florida on February 2, 2001.

The Company is in the development stage. The Company plans to develop a website where individuals can obtain foreclosure of real estate and related mortgage information. The Company currently has no operations.

On April 30, 2003, the Company acquired Callisto Research Labs LLC (formerly Callisto Pharmaceuticals, Inc.) and Synergy Pharmaceuticals, Inc. The Company has entered the pharmaceutical industry as a result of this merger.

The Company will eventually change its name to Callisto Pharmaceuticals, Inc and will re-domesticate the company's state of incorporation from Florida to Delaware.

Basis of Accounting

The Company's policy is to prepare its financial statements using the accrual basis of accounting in accordance with generally accepted accounting principles. The Company has elected December 31 at its annual year-end.

Interim Financial Information

The condensed unaudited interim financial statements included herein have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed financial statements and notes are presented as permitted on Form 10-SB and do not contain information included in the Company's annual statements and notes. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulation, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the December 31, 2002 audited financial statements and the accompanying notes thereto. While management believes the procedures followed in preparing these condensed financial statements are reasonable, the accuracy of the amounts are in some respect dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year.

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These condensed unaudited financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the consolidated operations and cash flows for the periods presented.

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WEBTRONICS, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Cash and Equivalent

Cash and cash equivalents include cash and cash in banks. The Company maintains cash and cash equivalent balances at a financial institution that is insured by the Federal Deposit Insurance Corporation up to \$100,000.

Organization Costs

The Company has incurred various expenditures in the formation of its corporate and organizational structure. In accordance with SOP98-5 these costs will be expenses as incurred.

Revenue Recognition

The Company will recognize revenue upon completion of its services to be rendered or delivery of products to its customers. The Company has not generated revenues since inception.

Development Stage

The Company is in its development stage. The Company since inception has not commenced its operations, nor has generated sufficient working capital to pursue its business objectives. The accumulated deficit during its development stage is \$2,655.

Net Earnings (Losses) Per Share

The Company reports its net earnings (losses) per share in accordance with SFAS No. 128 "Earnings Per Share". Basic net earnings (losses) per share is computed by dividing net income (loss) available to common stockholders by the weighted averaged number of common shares outstanding.

WEBTRONICS, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Diluted earnings (losses) per share is computed similar to basic earnings (losses) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding. As of March 31, 2003, there are no outstanding stock options or stock warrants that would have affected our computation.

NOTE 2 - INCOME TAX

In February 1992, the Financial Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred assets and liabilities are recognized for the estimated future tax consequences between the financial statement carrying amounts of the existing assets and their respective basis.

Deferred assets and liabilities are measured using enacted tax rates in effect for the year in which temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

NOTE 3 - CAPITAL TRANSACTIONS

On March 15, 2003, certain shareholders entered into a Stock Purchase Agreement with Callisto Pharmaceuticals, Inc. Under the agreement, Callisto purchased approximately 99.7% of the Company's issued and outstanding stock. A Form 8-K was filed on March 19, 2002 reporting the change in control of the Company.

On March 14, the Company amended its Articles of Incorporation to change its capital structure. As a result of this amendment, the authorized common stock was increased from 50,000,000 to 550,000,000 and the par value changed from \$.0001 to \$.000005, respectively.

Pursuant to a merger agreement that was closed on April 30, 2003, the Company issued 17,318,994 shares of common stock to holders of Callisto and 4,395,684 shares of common stock to holders of Synergy Pharmaceuticals.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Background

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On March 10, 2003, as amended on April 4, 2003, we entered into a merger agreement with Callisto Research Labs, LLC (formerly known as Callisto Pharmaceuticals, Inc.), or Callisto Research and Synergy Pharmaceuticals, Inc., or Synergy, an unaffiliated company under which Callisto Research and Synergy agreed to merge in a stock for stock transaction and each become our subsidiaries. On April 30, 2003 the merger closed. In addition it is anticipated that we will change our name from Webtronics, Inc. to Callisto Pharmaceuticals, Inc. and re-domesticate from Florida to Delaware by merging into a wholly-owned subsidiary (the "Webtronics Merger").

Pursuant to the merger agreement we issued 17,318,994 shares of our common stock to holders of Callisto Research common stock and 4,395,684 shares to holders of Synergy common stock in exchange for outstanding Callisto Research and Synergy common stock. As a result of the merger there is a total of approximately 23,217,578 of our shares outstanding (not including 499,384,600 of our shares owned by Callisto Research, which have been returned for cancellation prior to the Webtronics merger).

Pursuant to the merger agreement, upon the closing of the Webtronics Merger, it is expected that four of our directors will be nominated to our Board by the former Callisto Research stockholders and three of our directors will be nominated to our Board by the former Synergy stockholders. It is anticipated that the Callisto Research directors will include Gabriel M. Cerrone and Christoph Bruening. It is anticipated that the Synergy directors will be Donald H. Picker, Ph.D., Edwin Snape and Albert J. Henry.

Pursuant to the merger agreement we assumed the obligations of Callisto Research with respect to Callisto Research's outstanding 3,510,560 stock options and the stock option plan under which Callisto Research had granted 2,563,055 of these stock options. The remaining stock options are non-plan options.

Critical Accounting Policies

Our accounting policies are described in Note 1 of the consolidated financial statements included in this report on Form 10-QSB. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which 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.

Since we are in the development stage and have had only limited expenditures and no estimates we do not consider any accounting policy to be critical to the understanding of our business.

Results of Operations

Our financial statements, which are set forth in Item 1 of this report, reflect our operating results from February 12, 2001 (inception) to March 31, 2003 and for the quarter ended March 31, 2003 and 2002. During the period from inception to March 31, 2003, we had no revenue and our expenses totaled \$2,635, of which \$440 was incurred in 2001, \$2,353 in 2002 and \$42 in 2003. Substantially all of these expenses were for office and administrative activities related to the early stages of developing plans for our foreclosure and mortgage information business. We entered into an agreement for the hosting of our website prior to our change in control in March, 2002 and thereafter

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suspended that agreement to preserve cash pending our new management's assessment of plans for financing the cost of indexing with search engines and providing amortization calculators, mortgage analysis tools and 24 access. Substantially all of these expenditures were made by management before March 15, 2002.

Callisto, who was our principal shareholder until the merger, pays for expenses such as accounting and legal fees relating to our reporting responsibility under the Securities Exchange Act of 1934, as well as provides us with an office location without any expectation of repayment. We abandoned the mortgage and foreclosure information business to facilitate the merger. Each of Callisto and Synergy have plans to expand and develop their pharmaceutical businesses and a full discussion of the results of operations of each company and the plan for expenditures by the combined company as included in a Form 8-K Report filed by us on May 15, 2003.

Liquidity and Capital Resources

Most of our operating expenses were borne by Callisto, our former parent and, effective April 30, 2003, subsidiary, without any expectation of reimbursement.

We will require substantial additional funds to conduct and sponsor research and development activities, to conduct pre-clinical and clinical testing, and to market Callisto's and Synergy's products. Our future capital requirements will depend on many factors, including continued scientific progress, progress with pre-clinical testing and clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in filing, prosecuting and enforcing patent claims, competing technological and market developments, the ability of Callisto and Synergy to establish collaborative arrangements, effective commercialization activities and arrangements and the purchase or development of additional equipment and facilities. There can be no assurance, however, that changes in Callisto's or Synergy's research and development plans or other events affecting operating expenses will not result in the expenditure of such proceeds prior to that time. Neither we, Callisto nor Synergy have other current sources of funding. As a result, we will need to raise additional funds before any of its product candidates achieves regulatory approvals, if at all. We intend to seek such additional funding through collaborative arrangements and through public or private financings. There can be no assurance that additional financing will be available, or, if available, that such additional financing will be available on terms acceptable to us. If additional funds are raised by issuing debt, we will incur fixed payment obligations, which could delay the time, if any, when we may achieve profitability. If adequate funds are not available, we may be required to delay, scale back or eliminate one or more of its principal product candidates or obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to certain of its technologies, product candidates or products that Callisto or Synergy would not otherwise relinquish.

Item 3. Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures within 90 days of the filing date of this quarterly report, and, based on their evaluation, our principal executive officer and principal financial officer have concluded that these controls and procedures

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are effective. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities and Use of Proceeds

(a) None

(b) None

(c) On April 30, 2003, we issued 17,318,994 shares of our common stock to holders of Callisto Research common stock and 4,395,684 shares to holders of Synergy common stock in the merger in reliance on exemption Rule 506 of Regulation D. Each holder has or will represent that they are accredited investors and Form D was filed May 15, 2003.

(d) Not Applicable

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of this report:

99.1 Certification pursuant to 18 U.S.C. Section 1350

(b) Reports on Form 8-K

A current report on Form 8-K was filed on March 19, 2003 to report a 475-for-one forward split of our shares of common stock.

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SIGNATURES

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 15, 2003

WEBTRONICS, INC.

By: /s/ Christoph Bruening

Christoph Bruening, President

CERTIFICATION

I, Christoph Brueing, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Webtronics, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respect the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officers and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 15, 2003

/s/ Christoph Bruening

Christoph Bruening
President and Sole Officer