

CoroWare, Inc,
Form 10-Q
August 15, 2016

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

FORM 10- Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF
1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 000-33231

COROWARE, INC.
(EXACT NAME OF THE COMPANY AS
SPECIFIED IN ITS CHARTER)

Delaware 95-4868120
(State or Other Jurisdiction (I.R.S. Employer
of Incorporation) Identification No.)

601 108th Avenue Northeast, Suite 1900
Bellevue, WA 98004
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(800) 641-2676
(ISSUER REGISTRANT TELEPHONE NUMBER)

SECURITIES REGISTERED UNDER SECTION 12(B) OF THE ACT: NONE

SECURITIES REGISTERED UNDER SECTION 12(G) OF THE ACT:

COMMON STOCK, PAR VALUE \$0.0001
(TITLE OF CLASS)

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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

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

Number of shares of common stock (\$0.0001 par value) outstanding as of August 15, 2016: 11,937,670,076 shares.

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COROWARE, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash	\$55,885	\$99,056
Accounts receivable, net	113,318	178,557
Inventory, net	7,323	7,323
Total Current Assets	176,526	284,936
Property and equipment, net	30,355	30,086
Security deposits	7,128	9,746
TOTAL ASSETS	\$214,009	\$324,768
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$6,734,191	\$7,851,870
Accrued expenses - related parties	230,993	228,148
Deferred revenue	15,331	-
Obligations collateralized by receivables, net	203,919	159,218
Convertible debt, net	4,590,318	2,937,593
Notes payable	136,123	153,732
Notes payable - related parties	160,354	166,506
Small business administration loan	979,950	979,950
Derivative liability	7,863,051	7,396,430
Total Current Liabilities	20,914,230	19,873,447
TOTAL LIABILITIES	20,914,230	19,873,447
Commitments and contingencies	-	-
STOCKHOLDERS' DEFICIT:		
Redeemable convertible preferred stock, Series A, \$0.001 par value, 125,000 shares authorized, 0 shares issued and outstanding	-	-
Redeemable convertible preferred stock, Series B, \$0.001 par value, 525,000 shares authorized, 159,666 shares issued and outstanding	160	160
Redeemable convertible preferred stock, Series C, \$0.001 par value, 500,000 shares authorized, 0 shares issued and outstanding	-	-
Redeemable convertible preferred stock, Series D, \$0.001 par value, 500,000 shares authorized, 100,000 shares issued and outstanding	100	100
Redeemable convertible preferred stock, Series E, \$0.001 par value, 1,000,000 shares authorized, 791,567 and 805,392 shares issued and outstanding, respectively	791	805
Redeemable convertible preferred stock, Series F, \$0.001 par value, 500,000 shares authorized, 190,000 and 0 shares issued and outstanding	190	190

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Redeemable convertible preferred stock, Series G, \$0.001 par value, 500,000 shares authorized, 25,000 shares issued and outstanding	25	25
Common stock; 35,000,000,000 and 13,000,000,000 shares authorized at \$0.0001 par value, respectively, 11,937,670,076 and 8,888,809,250 shares issued and outstanding, respectively	1,193,767	888,881
Additional paid-in capital	31,543,315	31,432,749
Non controlling interest	92,258	92,258
Treasury stock	(18,997)	(13,172)
Accumulated deficit	(53,511,830)	(51,950,675)
TOTAL STOCKHOLDERS' DEFICIT	(20,700,221)	(19,548,679)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$214,009	\$324,768

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

COROWARE, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Operations

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
REVENUES, NET	\$ 1,971,901	\$ 1,355,239	\$ 3,618,088	\$ 2,153,780
COST OF REVENUE	1,585,033	1,070,007	2,756,636	1,642,069
GROSS PROFIT	386,868	285,232	861,452	511,711
OPERATING EXPENSES				
General and administrative	415,261	453,037	1,129,801	824,842
Sales and marketing	21,133	39,221	48,649	59,239
Research and development	11,494	19,548	32,872	39,876
Depreciation and amortization	2,983	3,200	5,727	6,220
TOTAL OPERATING EXPENSES	450,871	515,006	1,217,049	930,177
LOSS FROM OPERATIONS	(64,003)	(229,774)	(355,597)	(418,466)
OTHER INCOME (EXPENSES)				
Change in derivative liabilities	6,092,487	(78,751)	2,579,370	(840,790)
Interest expense, net	(267,732)	(154,233)	(485,211)	(301,587)
Gain (loss) on extinguishment of debt	-	5,297	(3,299,717)	(211,309)
TOTAL OTHER INCOME (EXPENSES)	5,824,755	(227,687)	(1,205,558)	(1,353,686)
NET INCOME (LOSS)	\$ 5,760,752	\$ (457,461)	\$ (1,561,155)	\$ (1,772,152)
INCOME (LOSS) PER SHARE:				
Basic	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
Basic	11,356,930,076	8,414,278,152	10,730,896,775	8,414,278,152
Diluted	83,712,925,430	8,414,278,152	10,730,896,775	8,414,278,152

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

COROWARE, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows

	For the Six Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,561,155) \$ (1,772,152
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,727	6,220
Amortization of debt discounts	117,318	47,306
Change in derivative liability	(2,579,370) 840,790
Preferred stock issued for services and compensation	27,000	-
Debt issuance costs	5,000	2,499
Loss on extinguishment of convertible debt	3,299,717	211,309
Changes in operating assets and liabilities:		
Accounts receivable	65,239	(306,470
Inventory	-	3,159
Security deposits	2,618	(250
Accounts payable and accrued expenses	681,434	871,544
Accrued expenses - related parties	2,845	-
Deferred revenue	15,331	-
Intercompany	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	81,704	(96,045
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,996) (14,007
NET CASH USED IN INVESTING ACTIVITIES	(5,996) (14,007
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from obligations collateralized by receivables	285,000	-
Payments towards obligations collateralized by receivables	(357,230) -
Proceeds from convertible debt financings	-	16,500
Payments towards convertible debt	(21,500) -
Proceeds from notes payable	103,640	147,501
Payments towards notes payable	(88,750) (50,077
Proceeds from related party loans	6,420	1,939
Payments towards related party loans	(12,572) (10,957
Net repurchase of common and preferred stock	(33,887) -
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(118,879) 104,906
Net decrease in cash	(43,171) (5,146
Cash at beginning of year	99,056	27,679
Cash at end of year	\$ 55,885	\$ 22,533
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 25,353	\$ -
Cash paid for income taxes	\$ -	\$ -

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Debt discounts on convertible notes payable	\$ -	\$ 9,050
Convertible notes issued in settlement of liabilities	\$ -	\$ 188,356
Conversion of accrued interest and note payable to convertible note principal	\$ 1,834,062	\$ -
Common stock issued upon conversion of debt	\$ 162,774	\$ -
Debt discounts on obligations collateralized by receivables		