

Blink Technologies, Inc.
Form 10-Q
June 05, 2014

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 ACT OF 1934

For the quarterly period ended December 31, 2012

Blink Technologies, Inc.
(Exact name of registrant as specified in Charter)

ePunk, Inc.
(Former name, former address and former fiscal
year, if changed since last report)

| | | |
|---|------------------------------------|--|
| Nevada (State or other jurisdiction of incorporation or organization) | 000-53564 (Commission File No.) | 26-1395403 (IRS Employee Identification No.) |
|---|------------------------------------|--|

5536 S. Ft. Apache #102
Las Vegas, NV 89148
(Address of Principal Executive Offices)

(949) 903-9144
(Issuer Telephone number)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the issuer 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 web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a larger accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

| | | | |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes

No x

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. At May 10, 2014 the registrant had outstanding 19,950,602 shares of common stock, \$.0001 par value per share. The registrant's common stock is listed under the symbol "PUNK.PK".

1

Blink Technologies, Inc.

FORM 10-Q

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

| | | |
|---------|--|----|
| Item 1. | Financial Statements | 3 |
| | Condensed Consolidated Balance Sheets as of December 31, 2012 (Unaudited) and September 30, 2012 | 3 |
| | Condensed Consolidated Statements of Operations (Unaudited) for the Three Months Ended December 31, 2012 and 2011 | 4 |
| | Condensed Consolidated Statement of Stockholders' Deficit for three months ended December 31, 2012 (Unaudited) and the Year Ended September 31, 2012 | 5 |
| | Condensed Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended December 31, 2012 and 2011 | 6 |
| | Notes to the Condensed Consolidated Financial Statements (Unaudited) | 7 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 16 |
| Item 4. | Control and Procedures | 21 |

PART II – OTHER INFORMATION

| | | |
|---------|---|----|
| Item 1. | Legal Proceedings | 22 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 22 |
| Item 3. | Defaults Upon Senior Securities | 22 |
| Item 6. | Exhibits | 23 |
| | Signatures | 24 |

Item 1. Financial Statements.

Blink Technologies, Inc. (fka ePunk, Inc.)
Condensed Consolidated Balance Sheets

| | December 31, 2012 (Unaudited) | September 30, 2012 |
|---|-------------------------------------|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ - | \$ 226,738 |
| Other current assets | 12,967 | 17,289 |
| Assets from discontinued operations (Note B) | 95,054 | 89,966 |
| Total current assets | 108,021 | 333,993 |
| Assets from discontinued operations | 58,740 | 62,292 |
| Total assets | \$ 166,761 | \$ 396,285 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities: | | |
| Bank overdraft | \$ 2,633 | \$ - |
| Accounts payable and accrued liabilities | 75,321 | 15,841 |
| Accrued interest (Note C) | 13,578 | 11,430 |
| Convertible notes payable (Note C) | 133,821 | 133,821 |
| Promissory note (Note C) | 100,000 | 197,859 |
| Liabilities from discontinued operations | 224,866 | 150,596 |
| Total current liabilities | 550,219 | 509,547 |
| Total liabilities | 550,219 | 509,547 |
| Commitments and contingencies (Note D) | | |
| Stockholders' deficit (Note E): | | |
| Preferred stock, \$0.0001 par value; 25,000,000 shares authorized; none issued and outstanding at December 31, 2012 and September 30, 2012 | - | - |
| Common stock, \$0.0001 par value; 200,000,000 shares authorized; issued and outstanding 46,092,421 and 46,003,671 at December 31, 2012 and September 30, 2012, respectively | 4,609 | 4,600 |
| Deferred stock compensation | (22,600) | (56,500) |
| Additional paid-in capital | 1,172,889 | 1,090,360 |
| Accumulated deficit | (1,538,356) | (1,151,722) |
| Total stockholders' deficit | (383,458) | (113,262) |
| Total liabilities and stockholder's deficit | \$ 166,761 | \$ 396,285 |

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

Blink Technologies, Inc. (fka ePunk, Inc.)
Condensed Consolidated Statements of Operations
(Unaudited)
For the Three Months Ended December 31, 2012 and
2011

| | Three Months Ended December 31, | |
|--|------------------------------------|-------------|
| | 2012 | 2011 |
| Net sales | \$- | \$- |
| Cost of sales | - | - |
| Gross profit | - | - |
| Operating expenses: | | |
| General and administrative | 92,686 | 5,588 |
| Operating loss | (92,686) | (5,588) |
| Non-operating income (expense): | | |
| Interest expense | (4,840) | (5,930) |
| Loss on continuing operations | \$(97,526) | \$(11,518) |
| Discontinued operations: | | |
| Net sales | \$329,453 | \$226,706 |
| Cost of sales | (225,586) | (192,164) |
| Operating expenses | (292,652) | (113,607) |
| Non-operating expenses: | | |
| Interest expense - other | (8,426) | - |
| Interest expense - accretion of debt discount | (91,897) | - |
| Loss on Discontinued operations: | (289,108) | (79,065) |
| Net loss | (386,634) | (90,583) |
| Basic and Diluted Loss per Common Share: | | |
| Continuing operations | \$(0.002) | \$(0.000) |
| Discontinued operations | (0.006) | (0.003) |
| Total | \$(0.008) | \$(0.003) |
| Weighted average common shares outstanding - basic | 46,057,164 | 30,008,585 |

The shares listed below were not included in the computation of diluted losses per share because to do so would have been antidilutive for the periods presented:

| | | |
|------------------------------|-----------|------------|
| Convertible promissory notes | 1,473,994 | 32,936,332 |
|------------------------------|-----------|------------|

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

Blink Technologies, Inc. (fka ePunk, Inc.)
 Condensed Consolidated Statement of Stockholder's Deficit
 For The Three Months Ended December 31, 2012 (Unaudited) and Year Ended September
 30, 2012

| | Common stock Shares | Amount | Deferred Stock Compensation | Additional paid-in Capital | Accumulated Deficit | Total Stockholders' Deficit |
|---|------------------------|----------|-----------------------------------|----------------------------------|------------------------|-----------------------------------|
| Balance, September 30, 2011 | 60,017,170 | \$ 6,002 | \$ - | \$ (303,918) | \$ (74,843) | \$ (372,759) |
| Shares issued for cash | 1,282,000 | 128 | \$ - | 323,272 | \$ - | 323,400 |
| Shares issued upon the conversion of debt | 3,222,664 | 322 | - | 321,944 | - | 322,266 |
| Shares issued in exchange for services | 915,000 | 91 | (113,000) | 332,159 | - | 219,250 |
| Shares returned from officers | (19,740,000) | (1,974) | - | 1,974 | - | - |
| Shares issued in connection with issued debt | 306,837 | 31 | - | 159,137 | - | 159,168 |
| Discount on Revolving credit facility due to beneficial conversion feature | - | - | - | 152,065 | - | 152,065 |
| Beneficial conversion feature of convertible promissory notes | - | - | - | 103,727 | - | 103,727 |
| Amortization of deferred stock compensation | - | - | 56,500 | - | - | 56,500 |
| Net loss | - | - | - | - | (1,076,879) | (1,076,879) |
| Balance, September 30, 2012 | 46,003,671 | 4,600 | \$ (56,500) | \$ 1,090,360 | \$ (1,151,722) | \$ (113,262) |
| Shares issued in exchange for services | 88,750 | 9 | - | 82,529 | - | 82,538 |
| Amortization of deferred stock compensation | - | - | 33,900 | - | - | 33,900 |
| Net loss | - | - | - | - | (386,634) | (386,634) |
| Balance, December 31, 2012 | 46,092,421 | 4,609 | \$ (22,600) | \$ 1,172,889 | \$ (1,538,356) | \$ (383,458) |

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

Blink Technologies, Inc. (fka ePunk, Inc.)
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the Three months ended December 31, 2012 and 2011

| | Three Months Ended December 31, | |
|---|------------------------------------|--------------|
| | 2012 | 2011 |
| Cash flows from operating activities: | | |
| Loss on continuing operations | \$ (97,526) | \$ (11,518) |
| Loss on discontinued operations | (289,108) | (79,065) |
| Reconciliation to net cash provided by (used in) continuing operations: | | |
| Depreciation and amortization | 3,551 | 940 |
| Accretion of debt discount | 91,897 | - |
| Common stock issued for services | 116,438 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | (4,353) | 8 |
| Inventory | 960 | (9,679) |
| Other current assets | 2,628 | - |
| Deposits | - | (1,160) |
| Accounts payable | 93,386 | 74,109 |
| Accrued interest | 11,124 | 5,930 |
| Net cash used by operating activities | (71,003) | (20,435) |
| Cash flows from investing activities: | | |
| Capital expenditures, net | - | (8,754) |
| Net cash used by investing activities | - | (8,754) |
| Net cash provided by financing activities: | | |
| Proceeds from convertible promissory notes | - | 22,350 |
| Proceeds from promissory notes | 2,141 | - |
| Payment of promissory note | (100,000) | - |
| Proceeds from revolving credit facility | 93,650 | - |
| Payments of revolving credit facility | (151,526) | - |
| Net cash provided by financing activities | (155,735) | 22,350 |
| Net increase in cash | (226,738) | (6,839) |
| Cash - beginning of period | 226,738 | 18,206 |
| Cash - end of period | \$ 0 | \$ 11,367 |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

CASH PAID DURING THE YEAR FOR:

| | | |
|---------------|------|------|
| Taxes paid | \$ - | \$ - |
| Interest paid | \$ - | \$ - |

NON-CASH FINANCING ACTIVITIES:

| | | |
|---|-----------|------|
| Value of common stock issued for services | \$ 82,538 | \$ - |
| Value of debt discount recorded for beneficial conversion feature | \$ 91,897 | \$ - |
| Value of stock issued for deferred stock compensation | \$ 33,900 | \$ - |

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

Blink Technologies, Inc. (fka ePunk, Inc.)
Notes to Condensed Consolidated Financial Statements (Unaudited)

Basis of Presentation

The unaudited financial statements of Blink Technologies, Inc. (formerly known as ePunk, Inc.) as of December 31, 2012, and for the three months ended December 31, 2012 and 2011, have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and include our wholly-owned subsidiary, Punk Industries, Inc. (“Punk”). Accordingly, they do not include all of the disclosures required by accounting principles generally accepted in the United States for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended September 30, 2012, as filed with the Securities and Exchange Commission as part of the Company’s Form 10-K. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the interim financial information have been included. The Company did not record an income tax provision during the periods presented due to net taxable losses. The results of operations for any interim period are not necessarily indicative of the results of operations for the entire year.

Note A-Organization and Going Concern

Organization

Blink Technologies, Inc. (formerly known as ePunk, Inc.) (the “Company,” “we,” “us,” “our”) (formerly Truesport Alliances & Entertainment, Ltd.) (formerly Sewell Ventures, Inc.) was incorporated under the laws of the State of Delaware on April 27, 2007.

On December 16, 2009, the Company acquired Seven Base Consulting, LLC, a privately owned Nevada limited liability company organized under the laws of the State of Nevada on October 17, 2008.

On January 15, 2010, the Company name was changed with the State of Delaware from Sewell Ventures, Inc. to Truesport Alliances, Ltd., and on January 29, 2010, the Company changed its state of incorporation to the State of Nevada.

On April 22, 2011, the Company and Seven Base Consulting, LLC entered into an Agreement and Plan of Reorganization whereby the Company divested all Seven Base Consulting, LLC business related assets, liabilities and rights to the operation of the Seven Base Consulting, LLC business to Seven Base Consulting, LLC in exchange for the return of 90,000 shares of Truesport Alliances & Entertainment, Ltd. Common stock held by Seven Base Consulting, LLC members. As a result of this transaction all the Company’s assets were transferred and the Company kept certain notes payable totaling approximately \$359,000.

On June 15, 2011, Excelsior Management, LLC, (“Seller”) as agent for the beneficial owners of a total of 202,852 shares of common stock of ePunk, Inc. (fka Truesport Alliances & Entertainment, Ltd.), entered into a stock purchase agreement with Richard Jesse Gonzales, Justin Matthew Dornan, and Frank J. Drechsler (the “Purchasers”) for the sale and purchase of the Common Shares. As a result of the execution of the Stock Purchase Agreement, Excelsior sold, 65.75% of the issued and outstanding shares of common stock of the Company to the Purchasers in exchange for \$23,451.97.

On June 20, 2011 a majority of the shareholders of the Company approved the appointment of Richard Jesse Gonzales and Justin Matthew Dornan to the Board of Directors. In addition, Richard Jesse Gonzales was appointed the

Edgar Filing: Blink Technologies, Inc. - Form 10-Q

Company's President and Chief Executive Officer and Justin Matthew Dornan as Treasurer and now Secretary. None of the appointed directors or officers entered into an employment agreement with the Company.

On June 20, 2011, the board of directors and a majority of the shareholders of the Company approved the name change of the Company from TrueSport Alliance & Entertainment, Ltd. to ePunk, Inc. and amended Article 1 of its Articles of Incorporation to change the Company's name to ePunk, Inc.

On June 20, 2011, the shareholders and the board of directors of ePunk authorized a 1 for 100 reverse stock split. FINRA approved the reverse split on June 28, 2011 and declared the reverse split effective as of July 5, 2011.

On June 30, 2011, The board and majority of the shareholders of the Company approved the issuance of 24,750,000 shares of common stock in exchange for 100% of the issued and outstanding capital stock of Punk Industries, Inc. causing Punk Industries, Inc. to become a wholly owned subsidiary of the Company. Punk Industries, Inc. was formed in February 2011 to develop off-road vehicle distribution. The Merger was accounted for as a "reverse merger," as the stockholders of Punk Industries, Inc. owned a majority of the outstanding shares of ePunk, Inc. common stock immediately following the Merger. Punk Industries, Inc. was deemed to be the acquirer in the reverse merger. Consequently, the assets and liabilities and the historical operations of Punk Industries, Inc. prior to the Merger are reflected in the financial statements at the historical cost basis of Punk Industries, Inc. The Company's consolidated financial statements include the assets and liabilities of both ePunk, Inc. and Punk Industries, Inc., the historical operations of Punk Industries, Inc. and the Company's continuing operations from the Effective Date of the Merger. The Company accounted for the merger under recapitalization accounting whereby the equity of the acquiring enterprise (Punk Industries, Inc.) is presented as the equity of the combined enterprise and the capital stock account of the acquiring enterprise is adjusted to reflect the par value of the outstanding stock of the legal acquirer (ePunk, Inc.) after giving effect to the number of shares issued in the business combination. Shares retained by the legal acquirer (ePunk, Inc.) are reflected as an issuance as of the reverse merger date (June 30, 2011) for the historical amount of the net assets of the acquired entity.

On August 16, 2012, the shareholders and the board of directors of ePunk authorized a 2 for 1 forward stock split. The split was effective as of August 31, 2012. In conjunction with the split, the management team and a former director canceled 19,740,000 shares. All share amounts have been adjusted to reflect the forward split.

Going Concern

In its report with respect to the Company's financial statements for the year ended September 30, 2012, the Company's independent auditors expressed substantial doubt about the Company's ability to continue as a going concern. Because the Company has not yet generated sufficient revenues from its operations, its ability to continue as a going concern is dependent upon its ability to obtain additional financing. Currently, the Company is seeking additional financing but has no commitments to obtain any such financing, and there can be no assurance that financing will be available in amounts or on terms acceptable to the Company, if at all.

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplate continuation of the Company as a going concern. In the course of funding sales and marketing activities, the Company has sustained operating losses since inception, and, as of December 31, 2012, has an accumulated deficit of \$1,538,356 and negative working capital of \$442,198. The Company will continue to use capital and may not be profitable for the foreseeable future. These factors raise doubt about the ability of the Company to continue as a going concern. In this regard, management is proposing to raise any necessary additional funds not provided by operations through loans or through sales of common stock. There is no assurance that the Company will be successful in raising this additional capital. If adequate funds are not available on reasonable terms or at all, it would result in a material adverse effect on the Company's business, operating results, financial condition and prospects.

In view of these conditions, the ability of the Company to continue as a going concern is in substantial doubt and dependent upon achieving a profitable level of operations and on the ability of the Company to obtain necessary financing to fund ongoing operations. Management is planning to raise necessary additional funds for working capital through loans and additional sales of its common stock. However, there is no assurance that the Company will be successful in raising additional capital or that such additional funds will be available on acceptable terms, if at all.

Should the Company be unable to raise this amount of capital its operating plans will be limited to the amount of capital that it can access. These financial statements do not give effect to any adjustments which will be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

Note B - Discontinued Operations

On October 9, 2013, the Company and TCA Global Credit Master Fund executed an Assignment, Assumption Waiver and Termination Agreement (the "Assignment Agreement") as a result of the default by the Company under the Credit Agreement for failure to make principle and interest payments. Under the Assignment Agreement the Company assigned all of its right, title and interest in the website www.countyimports.com in consideration for (i) the TCA's waiver of its rights to foreclose upon the Collateral (as defined in the Credit Agreement), (ii) TCA's immediate release and discharge of all liens and security interests currently held in favor of TCA against the Company, (ii) TCA's immediate release and discharge of all obligations owed by the Company under and pursuant to the Credit Agreement and all Loan Documents (as defined therein) and (iii) TCA's immediately termination of the Credit Agreement and all Loan Documents. As a result, the Company effectively ceased revenue generating activities and on October, 9, 2013, the Company impaired the full value of its fixed and intangible assets. These financial statements reflect the revenue generating activities and related financial statement items as discontinued operations.

Discontinued operations is comprised of the following balance sheet components:

| | December 31, 2012 | September 30, 2012 |
|----------------------|-------------------------|--------------------------|
| Current assets: | | |
| Accounts receivable | \$4,353 | \$- |
| Inventory | 23,741 | 24,701 |
| Other current assets | | |