

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-07-01**
SEC Accession No. **0001015402-01-502049**

([HTML Version](#) on secdatabase.com)

FILER

REDNECK FOODS INC

CIK: **1048057** | IRS No.: **562035983** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-24093** | Film No.: **1696920**
SIC: **5812** Eating places

Mailing Address
1605 STONER AVENUE
SUITE 3
LOS ANGELES CA 90025

Business Address
1605 STONER AVENUE
SUITE 3
LOS ANGELES CA 90025
3102079881

REDNECK FOODS INC

Filing Type: 10QSB
Description: Quarterly Report
Filing Date: Aug 2, 2001
Period End: July 1, 2000

Primary Exchange: Pink Sheets
Ticker: RDNK

Table of Contents

10QSB OTHERDOC

| | |
|---------------------------|---|
| Part I. | 1 |
| Item 1. | 1 |
| Income Statement. | 3 |
| Table2. | 3 |
| Table3. | 5 |
| Table4. | 8 |
| Table5. | 8 |

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

Quarterly Report Under Section 13 or 15 (d) of
Securities Exchange Act of 1934

For Quarter ended July 1, 2001
Commission File Number 0-24093

REDNECK FOODS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

58-2035983

(State of Incorporation)

(I.R.S. Employer ID No.)

1605 Stoner Avenue, Suite 3, Los Angeles, CA 90025

(Address of Principal Executive Offices) (Zip)

(310) 207-9881

(Registrant's telephone, including area code)

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 X No
 --- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock at the latest practicable date.

As of August 2, 2001, the registrant had 35,098,634 shares of common stock, \$.001 par value, issued and outstanding.

1

Redneck Foods, Inc.

10Q

Quarter 2 2001

For the three months and six months ending July 1, 2001

Overview

Redneck Foods, Inc. is a Development Stage company. The Company was organized in February 1997 under the laws of the State of Delaware. The Company intends to own, franchise and operate restaurants, primarily, but not exclusively, under the Jeff Foxworthy's BBQ brand name. In addition, the Company intends to market a line of BBQ sauces to consumers through traditional retail outlets.

The Company began selling Jeff Foxworthy's BBQ sauces through grocery, mass

merchandisers and retailers in December 1997. Wal*Mart stores were the initial purchasers of the line of Jeff Foxworthy's BBQ sauces.

On April 3, 2001, Company President, William E. Eskew, acquired the controlling interest in Love's. Love's is a twelve unit chain of BBQ restaurants, located in Southern California, plus one restaurant in Jakarta, Indonesia.

On June 1, 2000, the previous owners of Love's and the Company entered into a Management Agreement under which the Company will operate the Love's chain of restaurants. The Company will receive 50% of the adjusted cash flow of Love's as a management fee. That Management Agreement has continued.

The Company did not give William Eskew any consideration for his acquisition of Love's

In April, the Company moved to its present offices in West Los Angeles. Under the terms of the management agreement with Love's, Love's will furnish office space, telephone service, and other administrative functions to the Company. This will enable the Company to operate with a minimum of Selling, General & Administrative Expense.

2

Results of Operations

For the three month periods April 2, 2001 - July 1, 2001 and April 3, 2000 - July 2, 2000.

For the three months ended July 1, 2000, the Company's share of Love's income was \$12,185 with a Net Loss of \$25,435.. In the prior year for the quarter ended July 2, 2001, sales were \$7,204 with a net loss of \$20,537.

Costs and Expenses

Selling, Administrative and General (SG&A) expenses were \$19,155 for the three month period ended July 1, 2001. For the three month period ended July 2, 2000, SG&A Expenses were \$10,561.

Other Expenses

Interest Expense for the Convertible Debentures was \$18,465 for the three months ended July 2, 2000, compared to \$17,180 for the comparable quarter of the prior year.

For the six months ended July 1, 2001 and July 2, 2000

Revenues

The Company's share of Love's income for the six months ended July 1, 2001 was

\$48,367, with a Net Loss of \$22,453. For the first six months of 2000, sales were \$7,204 with a Net Loss of \$37,717.

Costs and Expenses

Selling General and Administrative (SG&A) expenses were \$34,155 for the six month period ending July 1, 2001. For the six month period ending July 2, 2000, SG&A expenses were \$10,561.

Other Expenses

Interest Expense for the Convertible Debentures amounted to \$36,665 for the six months ended July 1, 2001, compared to \$34,360 for the comparable period of 2000.

Liquidity and Capital Resources

Historically, the Company has required capital to fund the operations and capital expenditure requirements of its business.

3

The Company operated from the cash flow of the operations during the three month period ended July 1, 2001.

Results of Operations

Redneck Foods, Inc.
(A Development Stage Company)
Statement of Operations
July 1, 2001 and July 2, 2000

| | 3 Months ended July 1, 2001 | 3 Months ended July 2, 2000 |
|-------------------------------|--------------------------------|--------------------------------|
| | ----- | ----- |
| Net Sales | | 7,204 |
| Share of Love's Income | 12,185 | - |
| Cost of Goods Sold | - | - |
| Gross Profit | 12,185 | 7,204 |
| Selling, General & Admin | 19,155 | 10,561 |
| Income/(Loss) from Operations | (6,970) | (3,357) |

| | | |
|-----------------------------|------------|------------|
| Other Income/(Expense) | | |
| Miscellaneous Income | - | - |
| Interest Income | (18,465) | (17,180) |
| Royalty Income | | - |
| Insurance Proceeds | - | - |
| Loss on equipment theft | | |
| Loss on equipment disposal | | |
| Total Other income | (18,465) | (17,185) |
| Net Income/(Loss) | (25,435) | (20,537) |
| Net Income/(Loss) per Share | (\$0.0006) | (\$0.0007) |

4

| | 6 Months ended July 1, 2001 | 6 Months ended July 2, 2000 |
|-------------------------------|--------------------------------|--------------------------------|
| | ----- | ----- |
| Net Sales | - | 7,204 |
| Share of Love's Income | 48,367 | - |
| Cost of Goods Sold | - | - |
| Gross Profit | 48,367 | 7,204 |
| Selling, General & Admin | 34,155 | 10,561 |
| Income/(Loss) from Operations | 14,212 | (3,357) |
| Other Income/(Expense) | | |
| Miscellaneous Income | - | - |
| Interest Income | (36,665) | (34,360) |
| Royalty Income | | - |
| Insurance Proceeds | - | - |
| Loss on equipment theft | | |
| Loss on equipment disposal | | |
| Total Other income | (36,665) | (34,360) |
| Net Income/(Loss) | (22,457) | (37,717) |
| Income/(Loss) per share | (\$0.0007) | \$ (0.0012) |

5

Notes to Financial Statements
July 1, 2001 and July 2, 2000

1, Organization

Nature of Operations - Redneck Foods, Inc. (the "Company") is a development stage company that was organized in January 1997 in the State of Delaware. It intends to acquire and operate barbecue restaurants to be known as "Foxworthy's Smoke House Grill" or "Foxworthy's Bar-B-Q." The Company intends to initially acquire existing barbecue restaurants for conversion to one of the two restaurant concepts. The Company also intends to produce, market, and distribute food products using the "Foxworthy" name.

2. Basis of Presentation

The accompanying unaudited financial statements were prepared in accordance with instructions for Form 10-QSB and, therefore, do not include all disclosures necessary for a complete presentation of the balance sheet, statements of operations, and statements of cash flows in conformity with generally accepted accounting principles. However, all adjustments which are, in the opinion of management, necessary for the fair presentation of the audited financial statements have been included. All such adjustments are of a normal recurring nature. The statement of operations for the interim periods are not necessarily indicative of the results which may be expected for the entire year.

In the third quarter of 1998, the Company changed to a fiscal calendar based on a 52-53 week year with the fiscal year ending on the Sunday closest to December 31 of each year. Management does not believe this effects the comparability of the financial statements.

It is suggested that these unaudited financial statements be read in conjunction with the audited financial statements and notes thereto for the Company for the year ended December 31, 2000.

3. Income Taxes

The Company files its federal and State income tax returns on a calendar year basis. Now provision for income tax benefit has been provided for in the accompanying audited statements of operations because of the Company's uncertainty regarding the utilization of its operating losses.

4. Joint Venture

In March 1998, the Company entered into a joint venture agreement to own and operate the first barbecue restaurant under the "Foxworthy's Bar-B-Q" concept. The Company contributed \$50,000 to the joint venture for its 10% interest. The company planned to acquire the remaining interest in the joint venture in the fourth quarter of 1998 pursuant to an agreement with its joint venture partner whereby common shares will be issued after completion of an audit. The Company has agreed to manage the operations until the final audit is complete and the shares of the common stock have been issued.

5. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following at January 3, 1999.

| | | |
|---|-------|-----------|
| Deposits | \$ | 14,259 |
| Real Estate Deposit | | 42,352 |
| Restaurant design and architectural fees | | 138,983 |
| Earnest Money deposit for business acquisition | | 870,930 |
| Prepaid Advertising | | 17,875 |
| Prepaid Advertising Woody's | | 17,189 |
| Prepaid Franchise Tax | | 742 |
| Prepaid Insurance Kissimmee | | 2,208 |
| Prepaid Insurance Other | | 25,614 |
| Product/Restaurant Design | | 138,983 |
| | ----- | |
| | \$ | 1,130,151 |

On September 11, 1998, the Company obtained an extension relating to its ongoing negotiations to acquire all the stock of Woody's Bar-B-Q Holdings, Inc. ("Woody's"), a 33 unit chain of barbecue restaurants based in Jacksonville, Florida. To obtain this extension, the Company agreed to release to the selling shareholders of Woody's \$870,930, representing the net funds held in escrow at that time. The parties have verbally extended the agreement until December 31, 1998 to give the Company additional time to raise the necessary funding. The parties have also verbally agreed to have the Company manage the business of Woody's under certain prudent industry practices guidelines.

6. Secured Convertible Debentures

In order to fund the cash portion of the proposed acquisition of Woody's, the Company authorized the issuance of up to \$3 million in aggregate principal amount of Series 1 Convertible Debentures due 2001 (the "Debentures"). The Debentures bear interest at 5% per annum, payable quarterly, and are redeemable after 2 years at 125% of the principal amount sold. The Debentures are convertible, subject to certain adjustments, at the lower of (1) \$2.51 per share or (2) 70% of the average of the closing bid price of the stock for the previous five (5) trading days. As of January 3, 1999, \$1,275,000 in Debentures have been sold.

7. In June 1998, the 2,500,000 shares of convertible preferred stock were converted into 2,904,722 shares of common stock in accordance with the preferred stock agreement.

During the year ended January 3, 1999, the Company issued 233,333 shares of common stock under an asset purchase agreement with a fair market value of \$670,000 to the owners of a barbecue restaurant in Asheville, North Carolina. The stock issued was in consideration for a five year non-compete agreement,

valued at \$70,000, goodwill valued at \$500,000, and various restaurant equipment valued at \$100,000. The company anticipated completing the acquisition of the land, building and improvements. As of January 3, 1999, the Company had deposited with the sellers \$42,352 toward the purchase price of the real property. This deposit is presented in other assets on the accompanying balance sheet.

During the year, the Company sold 428,500 additional shares of common stock for net proceeds of \$775,000 and issued 110,436 shares in exchange for services which have been expensed at fair market value of the shares on the date of the Issuance.

7

8. New Accounting Pronouncement

In April 1998, the American Institute of Certified Public Accountants issued a Statement of Position ('SOP") 98-5, "Reporting on the Cost of Start-up Activities." This SOP requires that the cost of start-up activities, or one-time activities that relate to the opening of a new facility and organizational cost be expensed as incurred instead of being capitalized. This SOP must be implemented by no later than the first quarter of 1999 at which time the write-off of any unamortized pre-opening costs or organization cost will be reported as a cumulative effect of a change in accounting principle in the statement of operations.

9. Commitments and Contingencies

The agreement with Mr. Foxworthy provided that if the Company had not raised \$2.5 million of initial capital by June 30, 1998, Mr. Foxworthy had the right to withdraw the use of his name and likeness. As of June 7, 1998, the initial capital had been raised and, accordingly, this contingency was removed.

10. Forward Looking Statements

This financial report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Sections 21E of the Securities Exchange Act of 1934, and are subject to the safe harbor created by those sections. Such forward-looking statements, particularly as related to the business plans of the Company, expectations of strategic relationships, business opportunities related to electronic document delivery and related applications and voice, data and internet access telecommunications services, and the Company's ability to gain market share, the size of the market, the ability of the Company to develop new technologies, the ability of the Company to compete effectively in the marketplace, and the future product opportunities of the Company are based on current expectations that involve a number of risks and uncertainties.

Actual results may differ materially from the Company's expectations and estimates.

NOTES TO FINANCIAL STATEMENT

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company is a development stage company that operates, franchises and licenses restaurants under the Jeff Foxworthy's BBQ and Love's BBQ & Grill tradenames. In addition, the Company markets a line of Jeff Foxworthy's BBQ sauces to retail, grocery and mass merchandiser customers.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

8

Investments

The Company classifies its marketable debt and equity securities as available for sale. Securities classified as available for sale are carried in the financial statements at fair value. Realized gains and losses, determined using the first-in, first-out (FIFO) method, are included in earnings; unrealized holding gains and losses are reported in other comprehensive income.

Inventory

The Company's inventory is valued at the lower of cost (first-in, first-out) or market using the retail method.

Depreciation

The Company's equipment and leasehold improvements are depreciated using primarily the straight-line method.

Amortization

Franchise Agreements are amortized on a straight-line basis over the number of years (usually 20 years) for which each franchise is granted.

Advertising

The Company expenses advertising costs as they are incurred. Advertising

expenses for the years ending December 31, 1997, January 3, 1999, January 2, 2000 and December 31, 2000 were \$40,679, \$25,064, \$10,032, \$ 1,425, respectively.

Income Taxes

The Company plans to file its federal and state income tax returns of a calendar year basis. No provision for income tax benefit has been provided for in the accompanying statements of operation because of the Company's uncertainty regarding the utilization of its operating losses.

NOTE B - RELATED PARTY TRANSACTIONS

Effective June 1, 2000, the Company entered into an agreement to manage and operate the Love's BBQ chain of restaurants. Under the terms of the agreement, the Company will receive 50% of the adjusted cash flow of the Love's BBQ chains during the time the Company manages Love's. In May 2000, the Love's BBQ chain was purchased by four individuals, all of whom are shareholders of the Company, including William E. Eskew, President and CEO of the Company. In consideration for executing the agreement, the Company agreed to pay the selling Love's shareholders 1,250,000 shares of Redneck common stock, and pay 1,000,000 shares and 750,000 shares, respectively, to the two principal shareholders who purchased Love's. On April 3, 2001, Company President William E. Eskew acquired controlling interest in Love's BBQ. William E. Eskew did not receive any consideration from the Company for his involvement with the Love's BBQ chain.

The Company has an employment agreement with William E. Eskew, President and CEO, providing for a salary at a rate of \$150,000 per year for 1999 and 2000. Thereafter, Mr. Eskew will receive a salary of \$175,000 per year. The agreement also provides for Mr. Eskew's salary to increase in relation to the total system sales of the Redneck system.

In addition, Mr. Eskew is to receive certain benefits, including health insurance, vacation, reimbursement of business expenses, the use of a company automobile and other benefits usually provided CEO's of chain restaurant companies.

The employment agreement calls for Mr. Eskew to work for the Company as President and CEO through 2003.

There were no other significant transactions between the Company and related parties during 1998, 1999, 2000, and 2001.

NOTE C - MARKETABLE DEBT AND EQUITY SECURITIES

The Company does not possess any Marketable Debt and/or Equity Securities.

NOTE D - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following:

| | 1998 | 1999 | 2000 | 2001 |
|-----------------------------------|------------|------------|------------|-----------|
| | ----- | ----- | ----- | ----- |
| Furniture Fixtures & Equipment | \$ 184,684 | \$ 175,837 | \$ 166,990 | \$158,154 |
| Leasehold Improvements | | | | |
| Accumulated Depreciation | \$ 9,851 | \$ 18,698 | \$ 27,545 | \$ 36,392 |

NOTE E - DEBT

The Company's long-term debt consists of the following:

| | 1998 | 1999 | 2000 | 2001 |
|---|-------------|-------------|-------------|-------------|
| | ----- | ----- | ----- | ----- |
| Notes payable at 10% Interest, due 366 days after date made | \$ 150,000 | \$ 0 | \$ 0 | \$ 0 |
| Convertible Debentures Due 2001, interest at 5% | \$1,275,000 | \$1,275,000 | \$1,275,000 | \$1,275,000 |
| | ----- | ----- | ----- | ----- |
| Total long-term debt | \$1,425,000 | \$1,275,000 | \$1,275,000 | \$1,275,000 |

The interest payments due under the notes payable and convertible debentures are as follows.

| | 1998 | 1999 | 2000 | 2001 |
|--------------------------------------|-----------|-----------|-----------|-----------|
| | ----- | ----- | ----- | ----- |
| Interest - Long-term notes | \$ 15,000 | | | |
| Interest - Convertible Debentures | \$ 8,460 | \$ 65,386 | \$ 68,717 | \$ 74,172 |
| | ----- | ----- | ----- | ----- |
| | \$ 23,460 | \$ 65,386 | \$ 68,717 | \$ 74,172 |

NOTE F - DESCRIPTION OF LEASING ARRANGEMENTS

The company leases its office space on a month-to-month basis. The company plans to lease its company-operated restaurants under noncancelable operating leases.

NOTE G - RETIREMENT PLANS

The company has agreed to pay William E. Eskew, President and CEO, a sum of

\$4,000 per month for 120 months, beginning on the first day of the month after Mr. Eskew's employment terminates. Under this agreement, the company will pay Mr. Eskew \$48,000 per year in 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013.

The Company has no other retirement plans or agreements.

NOTE H - INCOME TAXES

The provision (benefit) for income taxes consists of the following components:

| 1997 | 1998 | 1999 | 2000 |
|-------|-------|-------|-------|
| ----- | ----- | ----- | ----- |

The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes because certain expenses are not deductible for tax purposes.

10

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.

REDNECK FOODS, INC.

Date: August 2 , 2001

/s/ William E. Eskew, CEO

William E. Eskew, CEO

11