

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: **2004-08-12** | Period of Report: **2004-06-30**
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FILER

UNITED NETWORK MARKETING SERVICES INC

CIK: **1128008** | IRS No.: **134024018** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-32007** | Film No.: **04969303**
SIC: **7389** Business services, nec

Business Address
575 MADISON AVENUE
NEW YORK NY 10022
2125882808

United States
 Securities and Exchange Commission
 Washington, D.C. 20549

FORM 10-QSB
 (Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2004

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number: 0-32007

UNITED NETWORK MARKETING SERVICES, INC.

(Exact name of small business issuer as specified in its charter)

DELAWARE	13-4024018
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)

750 THIRD AVENUE
 NEW YORK, NY 10017
 (Address of principal executive offices)

(212) 688-2808
 (Issuer's telephone number including area code)

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 No

Number of shares outstanding of the issuer's Common Stock as of June 30, 2004: 7,915,747

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED NETWORK MARKETING SERVICES, INC.
 (A DEVELOPMENT STAGE COMPANY)

BALANCE SHEET

<TABLE> <CAPTION> ASSETS	JUNE 30, 2004	DECEMBER 31, 2003
	(unaudited) <C>	<C>

<S>		
Current Assets:		
Cash and cash equivalents	\$ 10,581	\$ 248
Note receivable - related parties	1	26,200
Interest receivable	-0-	5,665

TOTAL CURRENT ASSETS	10,582	32,113
Investments	1,002	1,002
Deferred Income Tax Asset	--	--

TOTAL ASSETS	\$ 11,584	\$ 33,115
=====		

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)

Liabilities:		
Accounts payable and accrued expenses	\$ 10,406	\$ 48,888
Notes payable - related parties	-0-	170,733

Commitments

Stockholders' Equity (Deficiency):

Preferred stock - \$.001 par value; authorized 1,000,000 shares; none issued		
Common stock - \$.001 par value; authorized 20,000,000 shares; issued and outstanding 7,915,747 and 3,365,000 shares respectively	7,916	3,365
Additional paid-in capital	823,838	586,857
Deficit accumulated during the development stage	(830,576)	(776,728)

TOTAL STOCKHOLDERS' EQUITY (DEFICIENCY)	1,178	(186,506)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	\$ 11,584	\$ 33,115
=====		

</TABLE>

See Notes to Financial Statements

UNITED NETWORK MARKETING SERVICES, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF OPERATIONS

<TABLE>

<CAPTION>

	THREE MONTHS ENDED JUNE 30, 2004 (unaudited)	THREE MONTHS ENDED JUNE 30, 2003 (unaudited)	SIX MONTHS ENDED JUNE 30, 2004 (unaudited)	SIX MONTHS ENDED JUNE 30, 2003 (unaudited)	PERIOD FROM SEPTEMBER 15, 1998 (DATE OF INCORPORATION) TO JUNE 30, 2004 (unaudited)
<S>	<C>	<C>	<C>	<C>	<C>
General and administrative expenses:					
Salaries	\$ --	\$ 3,000	\$ --	\$ 6,000	\$ 44,000
Consulting fees	--	--	--	--	208,731
Write-off of note receivable from consultant	--	--	--	--	30,000
Write-off of note receivable - related party	--	--	31,864	--	31,864
Recovery of bad debt	--	--	--	--	(23,500)
Professional fees	9,034	1,503	16,822	9,336	224,610
Depreciation	--	--	--	--	9,701
Stock transfer expense	774	216	774	216	17,931
Facility management	--	--	--	--	43,732
Taxes	--	229	300	1,188	9,894
Interest and amortization of discount on debt	--	9,907	3,696	19,741	99,456
Office expenses	18	--	38	93	3,454
Advertising	--	--	--	--	1,243
Miscellaneous	--	--	285	781	2,718
Travel	--	--	84	--	924

Total general and administrative expenses	9,826	14,855	53,863	37,355	704,759
Interest and dividend income	12	669	15	1,463	29,584
Gain on sale of stock	--	--	--	--	38,096
Equity in loss of investments	--	--	--	--	(138,973)
Impairment loss on investment	--	--	--	--	(54,525)

Net loss	\$ (9,814)	\$ (14,186)	\$ (53,848)	\$ (35,892)	\$ (830,576)

Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)	
=====					
Weighted-average number of common shares outstanding	7,910,252	3,365,000	6,322,167	3,365,000	
=====					

</TABLE>

See Notes to Financial Statements

UNITED NETWORK MARKETING SERVICES, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY)

PERIOD FROM SEPTEMBER 15, 1998 (DATE OF INCORPORATION) TO JUNE 30, 2004

<TABLE>
<CAPTION>

	DATE	COMMON STOCK		ADDITIONAL	DEFICIT ACCUMULATED DURING THE	TOTAL STOCKHOLDERS'	EQUITY (DEFICIENCY)	PRICE PER SHARE
		NUMBER OF SHARES	PAR VALUE	PAID-IN CAPITAL	TREASURY STOCK	DEVELOPMENT STAGE		
Issuance of common stock upon distribution from United Network Technologies, Inc.	9/29/98	2,230,000	\$ 2,230	\$ 390,810	--	--	\$ 393,040	\$.176
Net loss	~~	--	--	--	--	\$ (74,358)	(74,358)	--
Balance at December 31, 1998		2,230,000	2,230	390,810	--	(74,358)	318,682	--
Issuance of common stock	4/07/99	1,100,000	1,100	98,900	--	--	100,000	.091
Negative equity of deconsolidated subsidiary	~~	--	--	43,093	--	--	43,093	--
Net loss	~~	--	--	--	--	(217,045)	(217,045)	--
Balance at December 31, 1999		3,330,000	3,330	532,803	--	(291,403)	244,730	--
Issuance of warrant in connection with long-term debt	11/30/00	--	--	20,000	--	--	20,000	--
Net loss	~~	--	--	--	--	(249,625)	(249,625)	--
Balance at December 31, 2000		3,330,000	3,330	552,803	--	(541,028)	15,105	--
Issuance of common stock for services rendered	6/21/01	45,000	45	4,455	--	--	4,500	.10
Issuance of warrant in connection with long-term debt	1/26/01	--	--	5,000	--	--	5,000	--
Receipt of treasury stock in settlement of prior obligation	9/20/01	(10,000)	--	--	\$ (1,000)	--	(1,000)	--
Retirement of treasury stock	~~	--	(10)	(990)	1,000	--	--	--
Net loss	~~	--	--	--	--	(72,446)	(72,446)	--
Balance at December 31, 2001		3,365,000	3,365	561,268	--	(613,474)	(48,841)	--
Issuance of warrants in connection with notes payable	5/31/02	--	--	25,589	--	25,589	--	--
Net loss	~~	--	--	--	--	(97,751)	(97,751)	--
Balance at December 31, 2002		3,365,000	3,365	586,857	--	(711,225)	(121,003)	--
Net loss	~~	--	--	--	--	(65,503)	(65,503)	--
Balance at December 31, 2003		3,365,000	3,365	586,857	--	(776,728)	(186,506)	--
Issuance of common stock	4/ 1/04	500,000	500	24,500	--	--	25,000	.05
Exercise of warrants	1/11/04	1,557,331	1,557	76,310	77,867	--	--	.05
Conversion of long-term debt and accrued interest	3/31/04	2,493,416	2,494	122,177	--	--	124,671	.05
Reverse salary accrual to related party	~~	--	--	13,994	--	13,994	--	--
Net Loss	~~	--	--	--	--	(53,848)	(53,848)	--
Balance at June 30, 2004	~~	7,915,747	\$ 7,916	\$ 823,838	--	\$ (830,576)	\$ 1,178	--

</TABLE>

See Notes to Financial Statements

UNITED NETWORK MARKETING SERVICES, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	PERIOD FROM SEPTEMBER 15, 1998 (DATE OF INCORPORATION) TO		
	SIX MONTHS ENDED JUNE 30, 2003	SIX MONTHS ENDED JUNE 30, 2004	JUNE 30, 2004

<S>	<C>	<C>	<C>
	(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities:	\$ (35,892)	\$ (53,848)	\$ (830,576)
Net loss			
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	--	--	9,701
Accrued interest	8,431	3,696	35,537
Common stock issued for services	--	--	4,500
Amortization of debt discount	11,310	--	50,589
Gain on sale of investment	--	--	(38,096)
Impairment loss of investments	--	--	54,525
Uncollectible note receivable	--	31,864	61,864
Recovery of bad debt	--	--	(23,500)
Equity in loss of investments	--	--	138,973
Changes in operating assets and liabilities:			
Increase in interest receivable	(1,212)	--	(4,549)
Increase (decrease) in accounts payable and accrued expenses	2,810	(7,379)	(18,648)
NET CASH USED IN OPERATING ACTIVITIES	(14,553)	(25,667)	(559,680)
Cash flows from investing activities:			
Proceeds from notes receivable	--	--	(26,200)
Purchase of investments	--	--	(197,000)
Proceeds from sale of investment	--	--	63,095
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	--	--	(160,105)
Cash flows from financing activities:			
Proceeds from sale of common stock	--	25,000	125,000
Negative equity of deconsolidated subsidiary	--	--	43,093
Proceeds from notes payable and warrants	8,000	11,000	167,000
Cash received upon distribution from United Network Technologies, Inc.	--	--	395,273
CASH PROVIDED BY FINANCING ACTIVITIES	8,000	36,000	730,366
Net increase (decrease) in cash and cash equivalents	(6,553)	10,333	10,581
Cash and cash equivalents at beginning of period	8,164	248	--
Cash and cash equivalents at end of period	\$ 1,611	\$ 10,581	\$ 10,581
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for income taxes	\$ 275	\$ 300	\$ 4,848
Cash paid during the period for interest	\$ --	\$ --	\$ 13,330
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES:			
Net liabilities over assets upon distribution from United Network Technologies, Inc.	\$ --	\$ --	\$ 2,233
Warrants issued with notes payable and long-term debt	\$ --	\$ --	\$ 50,589
Common stock issued for services	\$ --	\$ --	\$ 4,500
Conversion of notes payable and accrued interest into common stock	\$ --	\$ 124,671	\$ 124,671
Exercise of warrants	\$ --	\$ 77,867	\$ 77,867
Reversal of related party salary accrual	\$ --	\$ 13,994	\$ 13,994
Receipt of investment and treasury stock in settlement of prior obligation	\$ --	\$ --	\$ 23,500

</TABLE>

See Notes to Financial Statements

UNITED NETWORK MARKETING SERVICES, INC.
(a development stage company)
NOTES TO FINANCIAL STATEMENTS

1. BUSINESS AND BASIS OF PRESENTATION:

United Network Marketing Services, Inc. (a development stage company) (the "Company" or "UNMS") was formed on September 15, 1998 under the laws of the state of Delaware. The Company has been in the development stage since its inception. Pursuant to the terms of a merger agreement between United Network Technologies, Inc. ("UNTI") and Pan-Agra International Corporation, UNTI incorporated and established UNMS as a wholly owned subsidiary of UNTI. Prior to the effective date of the merger, UNTI declared a dividend of all of the shares of UNMS to the premerger shareholders. In addition, on September 28, 1998, certain assets of UNTI, mainly cash of approximately \$395,000 and miscellaneous other assets, including all of the outstanding shares of TrueYou.com Inc. ("TY"), were distributed to the Company. After the distribution, TY became a wholly owned subsidiary of UNMS. On April 9, 1999, UNMS declared a dividend of all of its shares of TY and distributed the shares to its shareholders. From

September 29, 1998 through April 9, 1999, TY was a wholly owned subsidiary of the Company and, accordingly, the Company consolidated the accounts of TY for the period from September 29, 1998 through December 31, 1998 and for the three months ended March 31, 1999.

The accompanying unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the requirements of item 310(b) of Regulation S-B. Accordingly, certain information and 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 the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments (consisting of normal recurring adjustments), which, in the opinion of management, are necessary for a fair presentation of the results for the periods shown. There have been no significant changes of accounting policy since December 31, 2003. The results from operations for the interim period are not indicative of the results expected for the full fiscal year or any future period and should be read in conjunction with the audited financial statements as of December 31, 2003 and for the year then ended, and the notes thereto, in UNMS's 10-KSB for the year ended December 31, 2003.

At June 30, 2004, the Company has a stock-based compensation plan. The Company accounts for the plan under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. No stock-based compensation cost is reflected in net loss as all options granted under this plan had an exercise price equal to the market value of the underlying common stock on the date of grant. On November 1, 2000, options to purchase 250,000 shares of common stock at an exercise price of \$.10 per share were granted to the Company's president. During 2004 the exercise price on these options were modified to \$.05 per share. The options had no intrinsic value after the modification. Of the 250,000 shares, 70,000 shares vested on the date of grant and the balance vested at 15,000 shares per month commencing December 1, 2000. As of November 1, 2001, all 250,000 shares were vested.

2. EARNINGS PER SHARE:

Basic earnings per share ("EPS") is computed as net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock-based compensation including stock options, restricted stock awards, warrants and other convertible securities. Potential common shares issuable have not been included in the computation of diluted EPS since the effect would be antidilutive.

UNITED NETWORK MARKETING SERVICES, INC.
(a development stage company)
NOTES TO FINANCIAL STATEMENTS

3. NOTES PAYABLE - RELATED PARTIES:

The Company had notes payable in the amount of \$125,000 payable to related entities (stockholders of the Company). The notes bore interest at 11% and were originally due May 31, 2002 and subsequently extended to May 31, 2004. The Company also issued warrants to purchase 1,250,000 shares of the Company's common stock at \$.10 per share in connection with these notes. The value assigned to the warrants, amounting to \$25,000, represents a debt discount and had been amortized over the original term of the notes. During 2002, accrued and unpaid interest on these notes of \$6,875, were converted into new notes as described below.

During the year ended December 31, 2002, the Company issued additional notes in the amount of \$30,733 payable to related entities, including the accrued and unpaid interest on the notes payable above as well as new notes amounting to \$23,858. These notes bore interest at 11% and were originally due at various dates in 2003 and had been extended to May 31, 2004. The Company also issued warrants to purchase 307,331 shares of the Company's common stock at exercise prices ranging from \$.06 to \$.11 per share in connection with these notes. The value assigned to the warrants, amounting to \$25,589, represents a debt discount and had been amortized over the original term of the notes.

During the year ended December 31, 2003, the Company issued additional notes in the amount of \$15,000 payable to related entities. These notes bore interest at 11% and were due on May 31, 2004.

During January 2004, the Company issued additional notes in the amount of \$11,000 payable to a related entity. These notes bore interest at various rates ranging from 8% to 11% and were due on May 31, 2004. The Company did not issue any warrants during 2003 and 2004 in connection with the notes payable issued during 2003 and 2004.

During January 2004, all of the above outstanding warrants, representing 1,557,331 shares of common stock of the Company, were exercised at an exercise price of \$.05 per share. The balance due by the Company on the outstanding notes payable were reduced by the amount due on the exercise of the warrants, totaling \$77,867.

The modification of the exercise price on the above warrants did not result in a material change in the fair value of the warrants.

During March 2004, all the above outstanding debt related to the notes issued, plus the accrued interest, was converted into common stock of the Company at a conversion price of \$.05 per share. A total of 2,493,416 shares were issued with regard to this transaction. As of June 30, 2004 there are no notes outstanding by the company.

UNITED NETWORK MARKETING SERVICES, INC.
(a development stage company)
NOTES TO FINANCIAL STATEMENTS
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4. EQUITY INSTRUMENTS:

During March 2004, a stockholder of the Company rescinded all salaries and payroll taxes accrued for him, amounting to \$13,994.

During April 2004, the Company issued 500,000 shares of common stock at a price of \$.05 per share, for a total purchase price of \$25,000 to one of its current stockholders.

All of the foregoing transactions were private transactions not involving a public offering and were exempt from the registration provisions of the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof. No underwriter was engaged in connection with the foregoing sales of securities.

5. Income Taxes: The Company has net operating loss carryforwards of approximately \$634,000 at June 30, 2004 available to offset future taxable income expiring at various dates through the year 2023. The Company recorded a deferred income tax asset to reflect the effect of net operating loss carryforwards aggregating approximately \$279,000. In recognition of the uncertainty regarding the ultimate amount of income tax benefits to be derived, the Company has recorded a 100% valuation allowance against this deferred income tax asset at June 30, 2004.

ITEM 2. CRITICAL ACCOUNTING POLICIES

There have been no material changes in the Company's critical accounting policies described in our annual report on Form 10-KSB for the year ended December 31, 2003.

PLAN OF OPERATION

As of June 30, 2004, we had a cash balance of \$10,581. Based on our current cash position and funding commitments of management, we believe we could maintain our operations as currently conducted and satisfy our cash requirements for the next twelve (12) months. However, in order to expand our operations we would be required to raise additional funds through equity or debt offerings or otherwise. We are not currently seeking to raise such additional funds. We do not anticipate performing significant product research and development or purchasing plant or significant equipment during the next twelve months.

We currently own a fifty percent (50%) interest in AccessNewAge Corporation (AccessNewAge), which owns and operates an Internet website that was launched in April 1996. The website, AccessNewAge.com, offers a large selection of New Age information, products and services - most of which are holistic, esoteric, spiritual, metaphysical and/or philosophical in character. We currently have no operations or material business interests independent of AccessNewAge.

On September 20, 2001 we acquired 90,000 shares of TrueYou stock (as well as 10,000 shares of stock of our company) from one of our former officers in settlement of a dispute with such officer. This investment was deemed worthless at June 30, 2002 and was written down to \$1.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not Applicable

UNITED NETWORK MARKETING SERVICES, INC.
(a development stage company)
NOTES TO FINANCIAL STATEMENTS
=====

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There was no submission of matters to a vote of security holders during the three months ended June 30, 2004.

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6.

- (a) Exhibits - none.
- (b) Reports on Form 8-K - none.

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.

UNITED NETWORK MARKETING SERVICES, INC.

Dated: August 12, 2004

By: /s/ KENNETH LEVY

Kenneth Levy, President
(Principal executive officer
and principal financial

CERTIFICATION

I, Kenneth Levy, President, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of United Network Marketing Services, 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 respects 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 are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we 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 function):
 - 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

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 officer 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.

August 12, 2004

/S/ KENNETH LEVY

Kenneth Levy,
President (Principal executive
officer and principal
financial officer)

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 Annual Report of United Network Marketing Services, Inc. (the "Company") on Form 10-QSB for the Fiscal Quarter ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth Levy, President, Principal Executive Officer and Principal Financial and 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 results of operations of the Company.

/s/ Kenneth Levy

Kenneth Levy
President, Principal Executive
Officer and Principal Financial
and Accounting Officer
August 12, 2004