

Eco-Trade Corp.  
Form 10-Q  
May 20, 2013

**United States**

**Securities and Exchange Commission**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commissions file number **001-12000**

**ECO-TRADE CORP.**

(Exact name of registrant - registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**13-3696015**

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

1915 Eye Street, N.W.

Washington, D.C. 20006

(Address of principal executive offices)

(202) 536-5191

Issuer's telephone number

Edgar Filing: Eco-Trade Corp. - Form 10-Q

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 S 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 S

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  Smaller reporting company

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

<b>Common Stock, \$0.001 par value</b>	103,854,489
(Class)	(Outstanding at May 15, 2013)

**ECO-TRADE CORP. (F/K/A YASHENG ECO-TRADE CORP.)**

**INDEX**

<b>Part I – Financial Information</b>	
Item 1. Financial Statements	2
Consolidated Balance Sheets as of March 31, 2013 (unaudited) and December 31, 2011	2
Consolidated Statements of Operations for the three months ended March 31, 2013 and 2012 (unaudited)	3
Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2012 (unaudited)	4
Notes to the Unaudited Consolidated Financial Statements (unaudited)	5
Item 2. Management’s Discussion and Analysis or Plan of Operation	12
Item 3. Quantitative and Qualitative Disclosures about Market Risk	13
Item 4. Controls and Procedures	13
<b>Part II – Other Information</b>	
Item 1. Legal Proceedings	15
Item 2. Unregistered Sales Of Equity Securities And Use Of Proceeds	15
Item 3. Defaults Upon Senior Securities	15
Item 4. Mine Safety Disclosures	15
Item 5. Other Information	15
Item 6. Exhibits	16
Signatures	17

**PART I – FINANCIAL INFORMATION****ITEM 1. Financial Statements*****ECO-TRADE CORP. and SUBSIDIARIES******Consolidated Balance Sheets***

	March 31, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
Current assets		
Cash	\$–	\$–
Total current assets	–	–
Other assets	–	–
Total assets	\$–	\$–
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Current liabilities		
Convertible notes payable, including accrued interest, net of premiums of \$94,174 and \$94,174 at March 31, 2013 and December 31, 2012, respectively	\$508,648	\$495,935
Notes payable, including accrued interest of \$4,140	169,319	161,122
Accounts payable	217,142	204,108
Accrued expenses	574,156	574,371
Accounts payable to related parties	–	1,773
Accrued expenses to related parties	37,500	7,500
Total current liabilities	1,506,765	1,444,809
Total liabilities	1,506,765	1,444,809
Commitments and contingencies (Note 4)		
Shareholders' equity (deficiency)		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized		
Preferred stock, Series E convertible, \$0.001 par value, 300,000 shares designated, issued, and outstanding (Liquidation value \$3,750,000)	300	300

Edgar Filing: Eco-Trade Corp. - Form 10-Q

Preferred stock, Series F convertible, \$0.001 par value, 40,000 shares designated, 10,000 shares issued, and outstanding	10	10
Common stock, \$0.001 par value, 400,000,000 shares authorized, 103,854,489 shares issued and 103,854,489 outstanding, at March 31, 2013 and December 31, 2012, respectively	103,855	103,855
Additional paid-in capital	135,676,494	135,592,119
Accumulated deficit	(137,262,615)	(137,116,284)
Treasury stock, 10 shares of common stock at cost	(24,809 )	(24,809 )
Total shareholders' equity (deficiency)	(1,506,765 )	(1,444,809 )
Total liabilities and shareholders' equity (deficiency)	\$-	\$-

See accompanying notes to unaudited consolidated financial statements

***ECO-TRADE CORP. and SUBSIDIARIES******Consolidated Statements of Operations******For the Three Months Ended March 31,******(Unaudited)***

	2013		2012
Sales	\$–		\$–
Cost of sales	–		–
Gross loss	–		–
Selling, general and administrative expenses	129,633		26,195
Loss from operations	(129,633	)	(26,195
Other income (expense)			
Gain on settlement of debt	–		18,166
Interest expense	(16,698	)	(12,713
Total other income (expense), net	(16,698	)	5,453
Net loss	(146,331	)	(20,742
Cumulative preferred stock dividends	(52,500	)	(52,500
Net loss allocable to common shareholders	\$(198,831	)	\$(73,242
Basic and diluted net loss per share allocable to common shareholders	\$(0.00	)	\$(0.00
Weighted average shares outstanding - basic and diluted	103,854,489		103,853,499

See accompanying notes to unaudited consolidated financial statements

**ECO-TRADE CORP. and SUBSIDIARIES****Consolidated Statements of Cash Flows****For the Three Months Ended March 31,****(Unaudited)**

	2013	2012
Cash flows used in operating activities:		
Net loss allocable to common shareholders	\$(198,831)	\$(73,242)
Adjustments to reconcile net loss to net cash used in operations:		
Cumulative preferred stock dividends	52,500	52,500
Amortization of stock options	84,375	-
Gain on settlement of liability	-	(18,166)
Changes in operating assets and liabilities:		
Accounts payable	17,234	(15,805)
Accounts payable-related party	(1,773 )	-
Accrued expenses	(215 )	13,000
Accrued expenses - related parties	30,000	29,000
Accrued interest included in notes balances	12,713	12,713
Net cash used in operating activities	(3,997 )	-
Cash flows from financing activities:		
Proceeds from loans and notes payable	3,997	-
Net cash provided by financing activities	3,997	-
Net increase (decrease) in cash	-	-
Cash at beginning of period	-	-
Cash at end of period	\$-	\$-
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$-	\$-
Cash paid for taxes	\$-	\$-

See accompanying notes to unaudited consolidated financial statements

**ECO-TRADE CORP. and Subsidiaries**

**Notes to Unaudited Consolidated Financial Statements**

**March 31, 2013**

**NOTE 1 – Nature of Operations, Basis of Presentation, Summary of Significant Accounting Policies and Going Concern**

**Nature of operations** – The Company is exploring new opportunities as of March 31, 2013.

**Basis of Presentation** – The Company prepared the accompanying unaudited consolidated financial statements without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with generally accepted accounting principles may have been condensed or omitted as allowed by such rules and regulations. Management believes that the disclosures are adequate to make the information presented not misleading. These unaudited consolidated financial statements include all of the adjustments that, in the opinion of management, are necessary for a fair presentation of financial position and results of operations. All such adjustments are of a normal and recurring nature. These financial statements should be read in conjunction with the audited financial statements at December 31, 2012 included in the Annual Report on Form 10-K as filed on April 16, 2013. The results of operations for the periods presented are not necessarily indicative of the results we expect for the full year.

**Principles of consolidation** – The unaudited consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and all variable interest entities for which the Company is the primary beneficiary. When relevant, all intercompany balances and transactions have been eliminated upon consolidation. Control is determined based on ownership rights or, when applicable, whether the Company is considered the primary beneficiary of a variable interest entity.

**Variable Interest Entities** – The Company is required to consolidate variable interest entities (“VIE’s”), where it is the entity’s primary beneficiary. VIE’s are entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The primary beneficiary is the party that has exposure to a majority of the expected losses and/or expected residual returns of the VIE.

For the periods presented in the unaudited accompanying consolidated financial statements, the balance sheets and results of operations of Davy Crockett Gas Company, LLC (“DCG”), and Vortex Ocean One, LLC (“Vortex One”) are



consolidated into these financial statements (these corporations have no activities).

**Use of estimates** – The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates in the accompanying unaudited consolidated financial statements include valuation of stock issued in note settlements and the valuation allowance on deferred tax assets.

**Fair value measurements** – The Company adopted ASC Topic 820, Fair Value Measurements. ASC Topic 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

**Fair value of financial instruments** – The carrying values of notes and loans receivable, accounts payable, and accrued expenses approximate fair values due to the current maturity of these instruments.

**Treasury Stock** – Treasury stock is recorded at cost. Issuance of treasury shares is accounted for on a first-in, first-out basis. Differences between the cost of treasury shares and the re-issuance proceeds are charged to additional paid-in capital.

**Comprehensive income (loss)** – Comprehensive income includes all changes in equity except those resulting from investments by and distributions to shareholders.

**Cash and cash equivalents** – Cash and cash equivalents include cash at bank and money market funds with maturities of three months or less at the date of acquisition by the Company.

## ECO-TRADE CORP. and Subsidiaries

### Notes to Unaudited Consolidated Financial Statements

March 31, 2013

**Earnings (loss) per share** – Basic earnings (loss) per share are computed by dividing income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings (loss) per share reflect the effect of dilutive potential common shares issuable upon exercise of stock options and warrants and convertible preferred stock. There were convertible notes convertible into approximately 2,017,000 shares of common stock and convertible preferred shares convertible into 6,050,000 common shares at March 31, 2013 that were not included in diluted loss per share in 2012 since the effect would have been anti-dilutive. These shares, which may vary significantly in quantity based on the conversion formula, may dilute future earnings per share.

**Income taxes** – Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. Deferred tax assets and liabilities, are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Under ASC Topic 740, the evaluation of a tax position is a two-step process. The first step is to determine whether it is more likely than not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigation based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50% likelihood of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met. ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition.

**Stock-based compensation** – The Company follows ASC Topic 718, “Share-Based Payment”. Under ASC Topic 718, the Company is required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The measured cost is recognized in the statement of operations over the period during which an employee is required to provide service in exchange for the award. Additionally, if an award of an equity instrument involves a performance condition, the related compensation cost is

recognized only if it is probable that the performance condition will be achieved.

The Company estimates the fair value of each option award on the date of the grant using the Black-Scholes option valuation model. Expected volatilities are based on the historical volatility of the Company's common stock over a period commensurate with the options' expected term. The expected term represents the period of time that options granted are expected to be outstanding and is calculated in accordance with SEC guidance provided in the SAB 107, using a "simplified" method. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of the Company's stock options.

### **Effect of Recent Accounting Pronouncements**

Accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

### **Going Concern**

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company sustained a net loss allocable to common shareholders of \$198,831 for the three months ended March 31, 2013. The Company had a working capital deficiency, stockholders' deficiency and accumulated deficit of \$1,506,765, \$1,506,765 and \$137,262,615, respectively, at March 31, 2013. In addition, the Company has no revenues and is in default on three promissory notes. These factors raise substantial doubt about the ability of the Company's to continue as a going concern for a reasonable period of time. The Company's continuation as a going concern is dependent upon its ability to generate revenues and its ability to continue receiving investment capital and loans from third parties to sustain its current level of operations. The Company is in the process of securing working capital from investors for common stock, convertible notes payable, and/or strategic partnerships. No assurance can be given that the Company will be successful in these efforts.

The unaudited consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**ECO-TRADE CORP. and Subsidiaries****Notes to Unaudited Consolidated Financial Statements****March 31, 2013****NOTE 2 – Convertible Notes Payable**

The convertible notes payable as of March 31, 2013 and December 31, 2012 were as follows:

**Convertible Notes Payable**

	March 31, 2013		December 31, 2012			
	Principal and Accrued Interest	Premium	Principal and Accrued Interest net of Premium	Principal and Accrued Interest	Premium	Principal and Accrued Interest net of Premium
Convertible Notes D	\$218,852	\$49,726	\$268,578	\$212,139	\$49,726	\$261,865
Convertible Note C	195,622	44,448	240,070	189,622	44,448	234,070
Total	\$414,474	\$94,174	\$508,648	\$401,761	\$94,174	\$495,935

**Defaults upon Convertible Notes** – As of March 31, 2013 the Company is in default on its convertible notes C and D since payment is past the May 30, 2011 due dates. The Company applied the default rate (18% per annum) to those notes from the default date.

**Convertible Note C** (Mr. Schaffer, a former Director) – On May 31, 2010 as consideration for accrued Directors Fees, which were not paid, the Company signed a Note Payable for \$133,344 payable to holder (who resigned from the Board on June 11, 2010) due on May 30, 2011 at 12% per annum. Originally, said Note in the amount of \$133,344 is convertible to 150,000 common shares of the Company, which per an adjustment mechanism may increase the amount of shares to be issued, if converted. The Note's adjustment mechanism states that the number of Conversion Shares issuable to the Lender shall be adjusted such that the aggregate number of Exchange Shares issuable to the Holder is equal to (a) 150,000 plus the actual legal fees and costs incurred by the Lender and the Lender's successors, designees and assigns, divided by (b) 75% of the volume-weighted average price for the 20 trading days following delivery of the Conversion Shares, calculated by dividing the aggregate value of Common Stock traded on its trading market (price multiplied by number of shares traded) by the total volume (number of shares) of Common Stock traded

on the trading market for such trading day. If this adjustment requires the issuance of additional Conversion Shares to the Lender (i.e. if a total issuance of more than 150,000 shares is required), such additional Conversion Shares shall be issued to the Lender or its designee within one business day. If this adjustment requires the return of Conversion Shares to the Borrower (i.e. if an aggregate issuance of less than 150,000 shares is required), such Conversion Shares shall be promptly returned to the Borrower. The Company determined that due to the conversion price being a fixed percentage of a future trading price, the debt is convertible at a fixed monetary amount and therefore meets the criteria of stock settled debt under ASC 480 "Distinguishing Liabilities from Equity. Accordingly, the Company recorded a \$44,448 premium to the promissory note liability to accrete it to the fixed monetary value of \$177,792 with a charge to interest expense in the year the note originated.

**Convertible Note D** (Mr. Reich, a former director) – On May 31, 2010 as consideration for accrued Directors Fees, which were not paid, the Company signed a Note Payable for \$149,177 payable to holder (who resigned from the Board on June 11, 2010) due on May 30, 2011 at 12% per annum. Originally, said Note in the amount of \$149,177 is convertible to 150,000 common shares of the Company, which per an adjustment mechanism may increase the amount of shares to be issued, if converted. The Note's adjustment mechanism states that the number of Conversion Shares issuable to the Lender shall be adjusted such that the aggregate number of Exchange Shares issuable to the Holder is equal to (a) 150,000 plus the actual legal fees and costs incurred by the Lender and the Lender's successors, designees and assigns, divided by (b) 75% of the volume-weighted average price for the 20 trading days following delivery of the Conversion Shares, calculated by dividing the aggregate value of Common Stock traded on its trading market (price multiplied by number of shares traded) by the total volume (number of shares) of Common Stock traded on the trading market for such trading day. If this adjustment requires the issuance of additional Conversion Shares to the Lender (i.e. if a total issuance of more than 150,000 shares is required), such additional Conversion Shares shall be issued to the Lender or its designee within one business day. If this adjustment requires the return of Conversion Shares to the Borrower (i.e. if an aggregate issuance of less than 150,000 shares is required), such Conversion Shares shall be promptly returned to the Borrower. The Company determined that due to the conversion price being a fixed percentage of a future trading price, the debt is convertible at a fixed monetary amount and therefore meets the criteria of stock settled debt under ASC 480 "Distinguishing Liabilities from Equity. Accordingly, the Company recorded a \$49,726 premium to the promissory note liability to accrete it to the fixed monetary value of \$198,903 with a charge to interest expense in the year the note originated.

**ECO-TRADE CORP. and Subsidiaries**

**Notes to Unaudited Consolidated Financial Statements**

**March 31, 2013**

**Notes Payable**

During 2012, the Company executed two promissory notes for \$157,000 and \$4,000 on December 31, 2012 and July 20, 2012, respectively, relating to expenses paid by third parties on behalf of the Company. The notes accrued interest at 10% and 6%, respectively, and are due December 30, 2013 and October 18, 2012, respectively. The \$4,000 note is in default as of March 31, 2013. During the three months ended March 31, 2013, additional expenses were paid by third parties on behalf of the company and increased the \$157,000 note to \$161,011. The total balances due, including interest, was \$169,319, at March 31, 2013.

**NOTE 3 – Stockholders' Equity**

Preferred Stock:

**Series E** – Based on settlement agreement dated April 15, 2010 for monetary amounts of \$2,000,000 that were paid in cash and accumulative agreed balance of \$3,000,000, the parties agreed that the holder would convert its notes (at agreed amount of \$3,000,000) into a new class of Series E Preferred Stock ("E Preferred Stock").

Each share of E Preferred Stock is convertible, at any time at the option of the holder, into 20 shares of Common Stock. Holders of the E Preferred Stock are entitled to receive, when declared by the Company's board of directors, annual dividends of \$0.70 per share of Preferred Stock paid annually (equates to a 7% annualized return). Such dividends may be paid, at the election of the Company, either (i) in cash or (ii) in restricted shares of Common Stock. In the event that the Company elects to issue shares of Common Stock in connection with the dividend on the E Preferred Stock, such dividend shares shall be determined by dividing the dividend amount by 110% of the volume-weighted average price of the common stock for the 20 trading days immediately preceding the record date for payment of such dividend (the "Dividend VWAP"); provided, however, if the Company is unable to determine the Dividend VWAP, then such dividend shall be determined by dividing the dividend amount by the average of the three highest closing bid prices during the 20 trading days immediately preceding the record date for payment of such dividend. As of March 31, 2013 and December 31, 2012, no dividends have been accrued since the Board of Directors has declared no dividends. Cumulative dividends as of March 31, 2013 were \$557,075, or \$1.51 per share.

In addition to any voting rights provided by law, holders of the E Preferred Stock will have the right to vote together with holders of Common Stock and other series of preferred stock as a single class on all matters upon which stockholders are entitled to vote, including election of the members of the Company's Board of Directors. Each share of E Preferred Stock will have the number of votes corresponding to the number of shares of Common Stock into which the E Preferred Stock may be converted on the record date for determining stockholders entitled to vote.

In the event of any liquidation or winding up of the Company, the holders of E Preferred Stock will be entitled to receive, in preference to holders of Common Stock, an amount equal to the original purchase price per share, plus interest of 15%.

Holder has contractually agreed to restrict its ability to convert the preferred stock and receive shares of Common Stock such that the number of shares of Common Stock held by them and their affiliates after such conversion or exercise does not exceed 9.99% of the Company's then issued and outstanding shares of common stock.

**Series F** – Each share of F Preferred Stock is convertible, at any time at the option of the holder, into 5 shares of Common Stock. Holders of the F Preferred Stock are not entitled to receive dividends and do not have liquidation rights.

In addition to any voting rights provided by law, holders of the F Preferred Stock will have the right to vote together with holders of Common Stock and other series of preferred stock as a single class on all matters upon which stockholders are entitled to vote, including election of the members of the Company's Board of Directors. Each share of F Preferred Stock will have the number of votes corresponding to the number of shares of Common Stock into which the F Preferred Stock may be converted on the record date for determining stockholders entitled to vote multiplied by 10.

## **ECO-TRADE CORP. and Subsidiaries**

### **Notes to Unaudited Consolidated Financial Statements**

**March 31, 2013**

The Company entered into letter agreements with each of Jeffrey Sternberg, Gerry Weinstein, Andre Lauzier and William Lieberman, directors of the Company, whereby each of the directors agreed to serve as directors of the Company in consideration of 10,000 shares of Series F Preferred Stock (the "F Preferred Stock"). On October 25, 2010, Andre Lauzier, Jeffrey Stenberg, and Gerry Weinstein resigned from the Board of Directors, and agreed to surrender their Series F Preferred shares to the Company for cancellation. As a result of this event, Mr. Lieberman was the sole director of the Company and the sole remaining holder of the 10,000 Series F Preferred shares still outstanding after the event, and no longer holds voting control of the Company. Mr. Lieberman resigned in March 2013.

#### Common Stock

On November 6, 2011, the Company and The One Media Technology Corporation ("One Media") executed a Letter of Intent ("One Media LOI") with the intent to enter a Share Purchase Agreement ("One Media SPA"). The One Media SPA would provide One Media 90% of the shares of the Company.

In January 2012, the Company issued 100,000,000 shares of common stock in regards to the One Media LOI. The shares are returnable if the One Media SPA is not completed. The One Media transaction will not be completed and the Company intends to cancel these shares.

#### Treasury Stock

As of March 31, 2013 and December 31, 2012, the Company has 10 treasury shares in its possession (which been purchased in the open market per a repurchase program in a previous year) scheduled to be cancelled.

#### Stock Option Plans



Edgar Filing: Eco-Trade Corp. - Form 10-Q

On December 18, 2012, the Company approved the 2012 Stock Option Plan under which 10,000,000 shares were reserved for issuance.

The Company has granted options to employees in December 2012. Options activity for the three months ended March 31, 2013 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms	Aggregate Intrinsic Value
Outstanding at December 31, 2012	750,000	\$ 0.45		
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited	—	\$ —		
Expired	—	\$ —		
Outstanding at March 31, 2013	750,000	\$ 0.45	4.72	\$ —
Weighted Average Grant Date Fair Value		\$ 0.45		

On December 18, 2012, the Company granted its new directors 750,000 options for common stock. The options vest monthly over one year, have a five-year life, and have an exercise price of \$0.45 per common share. The options were valued at \$0.45 per option or \$337,500 using the Black-Scholes option pricing model and using expected volatility of 688% and expected term of three years computed using the simplified method for director grant. For the three months ended March 31, 2013, the Company recognized compensation expense of \$84,375. Both directors resigned on April 21, 2013 (see Note 7).

**NOTE 4 – Commitments and Contingencies**

Employment Agreement:

In March 2013, William Lieberman resigned as chief executive officer and director. At the same time, the Company appointed Canon Bryan as chief executive officer.

## **ECO-TRADE CORP. and Subsidiaries**

### **Notes to Unaudited Consolidated Financial Statements**

**March 31, 2013**

#### Lease Agreements:

Effective May 6, 2011, the Company is operating only from its operational offices, on month-to-month basis, located in Washington, D.C.

#### Legal Proceedings:

From time to time, we may be party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. We are not involved currently in legal proceedings other than those detailed below that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

#### Loss Contingencies

Transfer Agent – On or about May 2011 the Company notified American Stock Transfer & Trust Company, LLS (“AST”) of the Company’s intent to terminate their services as the Company Transfer Agent and subsequently appointing Fidelity Transfer Services Inc., (“Fidelity”) as the company’s new Transfer Agent. AST charged the Company with unacceptable amounts and only upon receipt of full payment will terminate servicers and forward all records pursuant to the Company’s instructions. As the Company contests said charges, AST did not forward to Fidelity all records.

On September 15, 2011, Vintage Filings, LLC filed a suit, *Vintage Filings, LLC v. Yasheng Eco-Trade Corporation*, in the Superior Court of the State of California, County of Los Angeles, Beverly Hills Courthouse – West District. The company being sued is the predecessor to Eco-Trade for \$12,515 for services allegedly rendered and recorded on the Company’s books. The Company was not properly served in this matter. A hearing was scheduled for March 22, 2012 and the Company did not attend, as the Company believes it was not properly served. The Company has recorded the liability accordingly.

## Commitments

Commitment of Issuance of Preferred Stock - Series D – Not issued yet - On December 30, 2009, the Company entered into a Preferred Stock Purchase Agreement dated as of December 30, 2009 (the “Agreement”) with Socius Capital Group, LLC, a Delaware limited liability company d/b/a Socius Life Sciences Capital Group, LLC including its designees, successors and assigns (the “Investor”). Pursuant to the Agreement, the Company will issue to the Investor up to \$5,000,000 of the Company’s newly created Series D Preferred Stock (the “Preferred Stock”). The purchase price of the Preferred Stock is \$10,000 per share. The shares of Preferred Stock that are issued to the Investor will bear a cumulative dividend of 10.0% per annum, payable in shares of Preferred Stock, will be redeemable under certain circumstances and will not be convertible into shares of the Company’s common stock (the “Common Stock”). Subject to the terms and conditions of the Agreement, the Company has the right to determine (1) the number of shares of Preferred Stock that it will require the Investor to purchase from the Company, up to a maximum purchase price of \$5,000,000, (2) whether it will require the Investor to purchase Preferred Stock in one or more tranches, and (3) the timing of such required purchase or purchases of Preferred Stock. The terms of the Preferred Stock are set forth in a Certificate of Designations of Preferences, Rights and Limitations of Series D Preferred Stock (the “Preferred Stock Certificate”) that the Company filed with the Delaware Secretary of State on December 18, 2009. Pursuant to the Agreement, the Company agreed to pay the Investor a commitment fee of \$250,000 (the “Commitment Fee”), payable at the earlier of the six monthly anniversary of the execution of the Agreement or the first tranche. The Company has the right to elect to pay the Commitment Fee in immediately available funds or by issuance of shares of Common Stock. Concurrently with its execution of the Agreement, the Company issued to the Investor a warrant (the “Warrant”) to purchase shares of Common Stock with an aggregate exercise price of up to \$6,750,000 depending upon the amount of Preferred Stock that is purchased by the Investor. Each time that the Company requires the Investor to purchase shares of Preferred Stock, a portion of the Warrant will become exercisable by the Investor over a five-year period for a number of shares of Common Stock equal to (1) the aggregate purchase price payable by the Investor for such shares of Preferred Stock multiplied by 135%, with such amount divided by (2) the per share Warrant exercise price. The initial exercise price under the Warrant is \$0.022 per share of Common Stock. Thereafter, the exercise price for each portion of the Warrant that becomes exercisable upon the Company’s election to require the Investor to purchase Preferred Stock will equal the closing price of the Common Stock on the date that the Company delivers its election notice. The Investor is entitled to pay the Warrant exercise price in immediately available funds, by delivery of cash, a secured promissory note or, if a registration statement covering the resale of the Common Stock subject to the Warrant is not in effect, on a cashless basis. Pursuant to the Agreement, the Company agreed to file with the Securities and Exchange Commission a registration statement covering the resale of the shares of Common Stock that are issuable to the Investor under the Warrant and in satisfaction of the Commitment Fee. As of March 31, 2013, the Company has not paid the Commitment Fee, has received no funding and therefore have not issued in equity instruments under this agreement.

On November 6, 2011, the Company and The One Media Technology Corporation (“One Media”) executed a Letter of Intent (“One Media LOI”) with the intent to enter into a Share Purchase Agreement (“One Media SPA”). The One Media SPA would provide One Media 90% of the shares of the Company. The Company believes this transaction will not close and intends to cancel the shares which are being held in escrow.

**ECO-TRADE CORP. and Subsidiaries**

**Notes to Unaudited Consolidated Financial Statements**

**March 31, 2013**

**NOTE 5 – Related Party Transactions**

At March 31, 2013 and December 31, 2012, \$37,500 and \$7,500, respectively, was included in accrued expenses – related party was due to our Chief Executive Officer and Chief Financial Officer as accrued compensation. On April 21, 2013, both officers resigned (see Note 7).

At March 31, 2013 and December 31, 2012, \$0 and \$7,500, respectively, was due to David E. Price for legal services rendered to the Company.

**NOTE 6 – Pending Acquisitions**

In November 2012 the Company executed an agreement to acquire a limited liability company which holds an oil lease. As of the date of this report, the acquisition has not closed since a consideration has not been transferred due to certain conditions not being satisfied.

**NOTE 7 – Subsequent Events**

On April 21, 2013, Canon Bryan, Chris Popoff and John Pinsent resigned as officers and directors of the Company. Unvested options totaling 500,000 will not vest and vested options totaling 250,000 will expire 90 days after April 21, 2013.



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

*The following discussion and analysis summarizes the significant factors affecting our condensed consolidated results of operations, financial condition and liquidity position for the three months ended March 31, 2013. This discussion and analysis should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for our year-ended December 31, 2012 and the condensed consolidated unaudited financial statements and related notes included elsewhere in this filing. The following discussion and analysis contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements.*

### Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward looking statements, including without limitation, statements related to our plans, strategies, objectives, expectations, intentions and adequacy of resources. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (i) our plans, strategies, objectives, expectations and intentions are subject to change at any time at our discretion; (ii) our plans and results of operations will be affected by our ability to manage growth; and (iii) other risks and uncertainties indicated from time to time in our filings with the Securities and Exchange Commission.

In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “expect,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of such comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We are under no duty to update any of the forward-looking statements after the date of this Report.

This section of the report, should be read together with Notes of the Company consolidated financials especially - **Change in the Reporting Entity:** In accordance with Financial Accounting Standards, FAS 154, *Accounting Changes and Error Corrections*, now ASC Topic 250, when an accounting change results in financial statements that are, in effect, the statements of a different reporting entity, the change shall be retrospectively applied to the financial statements of all prior periods presented to show financial information for the new reporting entity for those periods. Previously issued interim financial information shall be presented on a retrospective basis. The consolidated statements of operations for the period ended March 31, 2013 and 2012 are compared (subject to the above description) in the sections below:

### *Results of Operations*

**Three Months Period Ended March 31, 2013 Compared to Three Months Period Ended March 31, 2012**

*Revenue.* For the three months ended March 31, 2013, our revenue was \$0, compared to \$0 for the same period in 2012.

*Gross Profit.* For the three months ended March 31, 2012, our gross profit was \$0, compared to a gross profit of \$0 for the same period in 2012.

*Selling, General and Administrative Expenses.* For the three months ended March 31, 2013, selling, general and administrative expenses were \$129,633 compared to \$26,195 for the same period in 2012, an increase of \$103,438, or 395%. This increase was primarily due to stock-based compensation of \$84,375 or 81.6% of the increase.

*Net Loss.* We generated net losses of \$198,831 for the three months ended March 31, 2013 compared to \$73,242 for the same period in 2012, an increase of \$125,589, or 171%.

*Liquidity and Capital Resources*

*General.* At March 31, 2013, we had cash and cash equivalents of \$0. We have historically met our cash needs through a combination of cash flows from operating activities, proceeds from investors and financing groups of our securities and loans. Our cash requirements are generally for selling, general and administrative activities. We believe that our cash balance is not sufficient to finance our cash requirements for expected operational activities, capital improvements, and partial repayment of debt through the next 12 months.



Our operating activities generated a use of cash in operations of \$0 for the three months ended March 31, 2013, and we used cash in operations of \$0 during the same period in 2012.

Cash generated in our financing activities was \$3,997 for the three months ended March 31, 2013, compared to cash generated of \$0 during the comparable period in 2012.

As of March 31, 2013 and December 31, 2012 the company did not have current assets. Current assets were \$0 at December 31, 2012 and \$0 at March 31, 2013 whereas current liabilities increased from \$1,444,809 at December 31, 2012 to \$1,506,765 at March 31, 2013. The increase is mostly due to increase in accrued interest of approximately \$17,000, and increase in accrued expenses to related parties of \$30,000.

### **Going Concern**

The accompanying unaudited consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company had sales of \$0 and net losses of \$198,831 for the three months ended March 31, 2013. The Company had a working capital deficit, stockholders' deficit, and accumulated deficit of \$1,506,765, \$1,506,765 and \$137,262,615, respectively, at March 31, 2013. In addition, the Company has no revenues and is in default on three promissory notes. These factors raise substantial doubt about the ability of the Company to continue as a going concern for a reasonable period of time. The Company is highly dependent on its ability to continue to obtain investment capital from future funding opportunities to fund the current and planned operating levels. The unaudited consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to bring in income generating activities and its ability to continue receiving investment capital from future funding opportunities. No assurance can be given that the Company will be successful in these efforts.

In the event the Company makes future acquisitions or investments, additional bank loans or fund raising may be used to finance such future acquisitions. The Company currently anticipates that its available cash resources will not be sufficient to meet its prior anticipated working capital requirements, though it will be sufficient manage the existing business of the Company without further development.

### *Plan of operation*

The Company is continuing to pursue its ongoing core business, and is seeking a potential business combination. As of this filing, no such business combination has been found. The Company's present cash reserves and monetary assets are not sufficient to carry out its plan of operation without additional financing. The Company is currently attempting to arrange for financing through mezzanine arrangements, debt or equity that would enable it to proceed with its plan of investment operation. However, there is no guarantee that we will be able to close such financing transaction or, if financing is available, that the terms will be acceptable to the Company.

The above efforts are subject to obtaining adequate financing on acceptable terms. The Company's present cash reserves and monetary assets are not sufficient to carry out its plan of operation without additional financing. The Company is currently attempting to arrange for financing through mezzanine arrangements, debt or equity that would enable it to proceed with its plan of investment operation. However, there is no guarantee that we will be able to close such financing transaction or, if financing is available, that the terms will be acceptable to the Company.

### **ITEM 3. Quantitative and Qualitative Disclosures About Market Risks**

Smaller reporting companies are not required to provide the information required by Item 305.

### **ITEM 4. Controls and Procedures**

The term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act (15 U.S.C. 78a, *et seq.*) is recorded, processed, summarized and reported, within the time periods specified in the 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 an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our chief executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of inherent limitations in all control systems, internal control over financial reporting may not prevent or detect misstatements, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the registrant have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*Evaluation of Disclosure and Controls and Procedures.* Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and principal financial officer concluded that our disclosure controls and procedures are currently not effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. As we develop new business or if we engage in an extraordinary transaction, we will review our disclosure controls and procedures and make sure that they remain adequate.

#### Changes in internal controls

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during the quarter ended March 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

From time to time, we may be party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. We are not involved currently in legal proceedings other than those detailed below that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

#### Loss Contingencies

Transfer Agent – On or about May 2011 the Company notified American Stock Transfer & Trust Company, LLS (“AST”) of the Company’s intent to terminate their services as the Company Transfer Agent and subsequently appointing Fidelity Transfer Services, Inc, (“Fidelity”) as the company’s new Transfer Agent. AST charged the Company with unacceptable amounts and only upon receipt of full payment will terminate services and forward all records pursuant to the Company’s instructions. As the Company contest said charges, AST did not forward to Fidelity all records.

On September 15, 2011, Vintage Filings, LLC filed a suit, *Vintage Filings, LLC v. Yasheng Eco-Trade Corporation*, in the Superior Court of the State of California, County of Los Angeles, Beverly Hills Courthouse – West District. The company being sued is the predecessor to Eco-Trade for \$12,515 for services allegedly rendered and recorded on the Company’s books. The Company was not properly served in this matter. A hearing was scheduled for March 22, 2012 and the Company did not attend, as the Company believes it was not properly served. The Company has recorded the liability accordingly.

Except as set forth above, there are no known significant legal proceedings that have been filed and are outstanding or pending against the Company.

### **ITEM 1A. RISK FACTORS.**

As a smaller reporting company, we are not required to provide the information required by this item.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

As of March 31, 2013, the Company is in default on its convertible notes C and D (see Note 2 of the Notes to the Consolidated Unaudited Financial Statements) in the amount of \$414,474 (includes principal and accrued interest).

As of March 31, 2013, and as of the date of this report, the Company is in default of its loan agreement with Devkom International, LLC De Investment Series VII, for a loan of \$4,000 and its accrued interest.

### **ITEM 4. MINE SAFETY DISCLOSURES**

None.

### **ITEM 5. OTHER INFORMATION**

None.

15

**ITEM 6. EXHIBITS**

Exhibit No.	Description
3.1	Certificate of Incorporation filed November 9, 1992 (1)
3.2	Amendment to Certificate of Incorporation filed July 9, 1997 (2)
3.3	Bylaws(1)
3.4	Certificate of Designation of Preferences, Rights, and Limitations of Series A Preferred Stock (3)
3.5	Certificate of Designation of Preferences, Rights and Limitations of Series B Preferred Stock (4)
3.6	Restated Certificate of Incorporation (5)
3.7	Certificate of Amendment to the Restated Certificate of Incorporation, dated July 29, 2008 (6)
3.8	Certificate of Ownership of Emvelco Corp. and Vortex Resources Corp.(7)
3.9	Certificate of Amendment to the Certificate of Incorporation , dated February 24, 2009 (8)
3.10	Form of Common Stock Certificate (1)
3.11	Amendment No. 1 to the Series E Certificate (11)
3.12	Certificate of Designation – Series E Preferred Stock (9)
3.13	Certificate of Designation – Series F Preferred Stock (9)
10.1	Joint Venture Agreement by and between Yasheng Eco-Trade Corp. and CMARK International, Inc., dated June 30, 2010. (10)
10.2	Form of Agreement entered between Yasheng Eco Trade Corp. and each of the directors of the Company. (9)
10.3	Director Agreement by and between Eco-Trade Corp. and Alexander Smirnov (11)
31.1	Certification of the Chief Executive Officer and Principal Financial Officer of Eco-Trade Corp. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Principal Financial Officer of Eco-Trade Corp. Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document

Edgar Filing: Eco-Trade Corp. - Form 10-Q

- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to Registrant's Registration Statement on Form SB-2 dated May 12, 1993 (Registration No. 33-62672-NY, as amended)

(2) Incorporated by reference to the exhibit filed with the Registrant's Form 10-QSB for quarter ended June 30, 1998.

(3) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on June 17, 2008

(4) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on December 5, 2008

(5) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on March 9, 2004

(6) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on August 1, 2008

(7) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on September 4, 2008

(8) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on February 25, 2009

(9) Incorporated by reference to the Form 8-K Current report filed with the Securities and Exchange Commission on August 11, 2010.

(10) Incorporated by reference to the Form 8-K Current report filed with the Securities and Exchange Commission on July 7, 2010.

(11) Incorporated by reference to the Form 8-K Current report filed with the Securities and Exchange Commission on May 5, 2011.



**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, New York, on May 20, 2013.

**ECO-TRADE CORP.**

By: /s/ Robert M. Price  
Robert M. Price  
Director