

MCF CORP
Form 10-Q
August 06, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2003

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

For the Transition Period from _____ to _____

Commission File Number 1-15831

MCF CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of)

11-2936371
(I.R.S. Employer Identification No.)

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Incorporation or Organization)

601 Montgomery Street, 18th Floor

San Francisco, California
(Address of Principal Executive Offices)

94111
(Zip Code)

(415) 248-5600

(Registrant's Telephone Number, 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 No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

As of August 5, 2003, 26,888,526 shares of the registrant's common stock, \$0.0001 par value, were outstanding.

MCF Corporation

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For the Six Months Ended June 30, 2003

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements (unaudited)****MCF CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)**

	Three Months Ended		Six Months Ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Revenue:				
Commissions	\$ 1,722,758	\$ 1,678,516	\$ 3,002,599	\$ 2,201,101
Principal transactions	516,183	106,168	731,523	124,776
Investment banking	340,865	220,743	712,740	246,416
Other		3,300		28,827
Total revenue	2,579,806	2,008,727	4,446,862	2,601,120
Operating expenses:				
Compensation and benefits	1,778,884	1,478,743	3,166,820	2,387,334
Brokerage and clearing fees	263,533	238,030	566,053	395,572
Professional services	144,886	129,917	228,975	270,036
Occupancy and equipment	85,809	44,797	159,981	125,220
Communications and technology	200,121	57,008	384,942	88,292
Depreciation and amortization	17,049	100,281	32,279	199,375
Other	343,248	358,180	780,061	537,965
Total operating expenses	2,833,530	2,406,956	5,319,111	4,003,794
Operating loss	(253,724)	(398,229)	(872,249)	(1,402,674)
Interest income	7,633	12,221	11,734	27,717
Interest expense	(1,083,990)	(363,848)	(1,296,061)	(727,620)
Gain on retirement of convertible note payable	3,088,230		3,088,230	
Income (loss) from continuing operations	1,758,149	(749,856)	931,654	(2,102,577)
Loss from discontinued operations				(262,843)
Net income (loss)	\$ 1,758,149	\$ (749,856)	\$ 931,654	\$ (2,365,420)
Basic net income (loss) per share:				
Income (loss) from continuing operations	\$ 0.05	\$ (0.04)	\$ 0.01	\$ (0.11)
Income (loss) from discontinued operations	\$	\$	\$	\$ (0.01)
Net income (loss)	\$ 0.05	\$ (0.04)	\$ 0.01	\$ (0.12)

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Diluted net income (loss) per share:				
Income (loss) from continuing operations	\$ 0.04	\$ (0.04)	\$ 0.01	\$ (0.11)
Income (loss) from discontinued operations	\$	\$	\$	\$ (0.01)
Net income (loss)	\$ 0.04	\$ (0.04)	\$ 0.01	\$ (0.12)
Weighted average common shares outstanding:				
Basic	26,120,020	20,292,922	24,827,978	20,111,950
Diluted	32,846,345	20,292,922	27,286,542	20,111,950

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

MCF CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(unaudited)

	June 30, 2003	December 31, 2002
ASSETS		
Cash and cash equivalents	\$ 2,989,759	\$ 1,402,627
Securities owned:		
Marketable, at fair value	1,233,512	764,421
Not readily marketable, at estimated fair value	22,903	16,067
Restricted cash	610,240	610,240
Due from clearing broker	172,198	124,053
Accounts receivable, net	54,549	27,661
Equipment and fixtures, net	150,781	49,216
Debt issuance costs	74,396	612,673
Prepaid expenses and other assets	367,479	162,169
	<u> </u>	<u> </u>
Total assets	\$ 5,675,817	\$ 3,769,127
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Accounts payable	\$ 320,871	\$ 112,041
Commissions payable	563,310	325,351
Accrued liabilities	728,428	342,454
Due to clearing and other brokers	22,345	63,550
Securities sold, not yet purchased	176,595	
Deferred revenue	25,000	
Capital lease obligation	4,456	
Convertible notes payable, net	1,142,159	8,055,085
Notes payable	1,449,122	400,000
	<u> </u>	<u> </u>
Total liabilities	4,432,286	9,298,481
	<u> </u>	<u> </u>
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, Series A - \$0.0001 par value; 2,000,000 shares authorized; 619,999 and 499,999 shares issued and outstanding as of June 30, 2003 and December 31, 2002, respectively; aggregate liquidation preference of \$1,899,010 as of June 30, 2003	62	50
Preferred stock, Series B - \$0.0001 par value; 12,500,000 shares authorized; 8,750,000 shares issued and outstanding as of June 30, 2003; aggregate liquidation preference of \$13,125 as of June 30, 2003	875	
Preferred stock, Series C - \$0.0001 par value; 14,200,000 shares authorized; 11,800,000 shares issued and outstanding as of June 30, 2003; aggregate liquidation preference of \$1,875 as of June 30, 2003	1,180	
Common stock, \$0.0001 par value; 300,000,000 shares authorized; 26,673,526 and 23,521,580 shares issued and outstanding as of June 30, 2003 and December 31, 2002, respectively	2,667	2,352
Additional paid-in capital	92,617,727	86,156,666
Accumulated deficit	(91,015,327)	(91,324,769)
Treasury stock	(363,653)	(363,653)
	<u> </u>	<u> </u>
Total stockholders' equity (deficit)	1,243,531	(5,529,354)
	<u> </u>	<u> </u>

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Total liabilities and stockholders' equity (deficit)	\$ 5,675,817	\$ 3,769,127
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The accompanying notes are an integral part of these condensed consolidated financial statements.

MCF CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Six Months Ended June 30,	
	2003	2002
Cash flows from operating activities:		
Net income (loss)	\$ 931,654	\$ (2,365,420)