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Datone, Inc  
Form 10-Q  
August 07, 2009

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2009

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

For the transition period from

Commission File No. 000-53075

DATONE, INC.

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

Delaware	16-1591157
(State or other	(I.R.S.
jurisdiction of	employer
incorporation	identification
or formation)	number)

7325 Oswego Road  
Liverpool, New York 13090  
(Address of principal executive offices)

Issuer's telephone number: (315) 451-7515  
Issuer's facsimile number: (315) 453-7311

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No change  
(Former name, former address and former  
fiscal year, if changed since last report)

Copies to:

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 a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No



APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE  
PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 4,963,226 shares of \$.0001 par value common stock outstanding as of June 30, 2009.

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. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

(Do not check if a smaller reporting  
company)

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Datone, Inc.

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FINANCIAL STATEMENTS

JUNE 30, 2009 AND DECEMBER 31, 2008  
(UNAUDITED)

DATONE, INC.  
BALANCE SHEETS

	(Unaudited) June 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash	\$ -	\$ -
Commissions and Sales Receivable, Net	16,667	30,503
<b>TOTAL CURRENT ASSETS</b>	<b>16,667</b>	<b>30,503</b>
EQUIPMENT		
Telephone and Office Equipment	1,459,765	1,459,765
Vehicle	71,274	71,274
	1,531,039	1,531,039
Less: Accumulated Depreciation	(1,525,699 )	(1,525,371 )
Net Equipment	5,340	5,668
<b>TOTAL ASSETS</b>	<b>\$ 22,007</b>	<b>\$ 36,171</b>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts Payable	\$ 142,828	\$ 148,447
Bank Overdraft	7,508	8,313
Current Portion of Long-Term Debt	568	2,245
Accrued Expenses	70,344	64,570
Related Party Note	62,920	38,731
<b>TOTAL CURRENT LIABILITIES</b>	<b>284,168</b>	<b>262,306</b>
<b>TOTAL LONG-TERM DEBT</b>	<b>334,348</b>	<b>304,349</b>
<b>TOTAL LIABILITIES</b>	<b>618,516</b>	<b>566,655</b>
STOCKHOLDERS' EQUITY (DEFICIT)		
Common Stock, .0001 par value 100,000,000 shares authorized, 4,963,226 shares issued and outstanding at June 30, 2009 and December 31, 2008	496	496
Additional Paid in Capital	1,738,109	1,727,460
Accumulated Deficit	(2,335,114 )	(2,258,440 )
<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>(596,509 )</b>	<b>(530,484 )</b>
	<b>\$ 22,007</b>	<b>\$ 36,171</b>

TOTAL LIABILITIES AND STOCKHOLDERS'  
EQUITY

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

DATONE, INC.  
STATEMENTS OF OPERATIONS  
(Unaudited)

	For the Three Months Ended June 30, 2009	For the Three Months Ended June 30, 2008	For the Six Months Ended June 30, 2009	For the Six Months Ended June 30, 2008
SALES	\$ 24,275	\$ 20,109	\$ 42,966	\$ 68,975
Depreciation	164	164	327	327
Cost of Sales	5,643	12,257	11,692	30,150
Total Cost of Sales	5,807	12,421	12,019	30,477
Gross Profit	18,468	7,688	30,947	38,498
OPERATING EXPENSES				
Insurance	(518 )	626	484	5,869
Payroll Wages and Taxes	11,605	18,125	21,552	26,659
Rent	15,000	15,000	30,000	30,000
General & Administrative	24,665	25,362	43,284	38,676
Total Operating Expenses	50,752	59,113	95,320	101,204
Operating Income (Loss)	(32,284 )	(51,425 )	(64,373 )	(62,706 )
OTHER INCOME (EXPENSE)				
Other Expense	-	-	-	(60 )
Interest Expense	(4,929 )	(6,347 )	(12,299 )	(13,788 )
Total Other Income (Expense)	(4,929 )	(6,347 )	(12,299 )	(13,848 )
NET LOSS BEFORE PROVISION	(37,213 )	(57,772 )	(76,672 )	(76,554 )
PROVISION FOR INCOME TAXES	-	-	-	0
NET LOSS	\$ (37,213 )	\$ (57,772 )	\$ (76,672 )	\$ (76,554 )
Net Loss per Common Share	\$ (0.01 )	\$ (0.01 )	\$ (0.02 )	\$ (0.02 )
Weighted Common Shares Outstanding	4,963,226	4,963,226	4,963,226	4,963,226

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



DATONE, INC.  
STATEMENTS OF CASH FLOWS  
(Unaudited)

	For the Six Months Ended June 30, 2009	For the Six Months Ended June 30, 2008
Operating Activities:		
Net Loss	\$ (76,672 )	\$ (76,554 )
Depreciation Expense	327	327
Imputed Interest	10,648	12,350
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Commission Receivables	13,836	(1,048 )
(Increase) Decrease in Prepaid Expense		35
Increase (Decrease) in Accounts Payable	(5,619 )	(614 )
Increase (Decrease) in Accrued Expenses	5,774	9,518
Net cash used in operating activities	(51,706 )	(55,986 )
Financing Activities:		
Bank Overdraft	(805 )	
Proceeds (Payments) on Related Party Note	24,189	27,592
Proceeds (Payments) on Notes Payable	28,322	28,394
Net cash provided by (used in) financing activities	51,706	55,986
Net Increase in Cash	-	-
Cash - Beginning of Period	-	-
Cash - End of Period	\$ -	\$ -
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During The Period For:		
Interest	\$ (12,073 )	\$ (6,161 )

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

DATONE, INC.  
JUNE 30, 2009  
NOTES TO THE FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Datone, Inc. is currently a provider of both privately owned and company owned payphones (COCOT's) and stations in New York. The Company receives revenues from the collection of the payphone coinage, a portion of usage of service from each payphone and a percentage of long distance calls placed from each payphone from the telecommunications service providers. In addition, the Company also receives revenues from the service and repair of privately owned payphones, and sales of payphone units.

Summary of Significant Accounting Policies

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

The Company's payphones are located primarily in New York and usage of those phones may be affected by economic conditions in those areas.

The Company maintains cash balances with a financial institution insured by the Federal Deposit Insurance Corporation which is unlimited as of June 30, 2009. There are no uninsured balances at June 30, 2009.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents for purposes of classification in the balance sheets and statement of cash flows. Cash and Cash equivalents consists of cash in bank (checking) accounts.

DATONE, INC.  
JUNE 30, 2009  
NOTES TO THE FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies - Continued

Equipment and Depreciation

Fixed assets are stated at cost. Depreciation is calculated on a straight-line basis over the useful lives of the related assets, which range from five to seven years.

Income Taxes

Income taxes are accounted for in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Under SFAS No. 109, deferred income taxes are recognized using the asset and liability method by applying tax rates to cumulative temporary differences based on when and how they are expected to affect the tax return. Deferred tax assets and liabilities are adjusted for income tax rate changes.

Net (Loss) per Common Share

Net loss per common share has been calculated by taking the net loss for the current period and dividing by the weighted average shares outstanding at the end of the period.

Revenue Recognition

The Company derives its primary revenue from the sources described below, which includes dial around revenues, coin collections, and telephone equipment repairs and sales. Other revenues generated by the company include, and commissions.

Dial around revenues are generated from calls to gain access to a different long distance carrier than is already programmed into the phone. GAAP (SAB No. 101) requires the Company to recognize revenue when earned. In the past, the Company was recording the revenue when the money was wire deposited into the bank account. The Company is now recording a monthly accrual and adjusting the revenue to actual on a quarterly basis. The revenue is estimated monthly, based on prior quarter's actual receipts. The Company uses prior quarter receipts as estimates because there has not been a significant change to total payphones in the previous few quarters. Also, historical figures have shown the revenue earned is not far different than estimates made. Revenues on commissions, and telephone equipment repairs and service are recognized when the services are provided.

The proceeds from the sales of pay telephones and other equipment are excluded from revenues and reported as other income.

DATONE, INC.  
 JUNE 30, 2009  
 NOTES TO THE FINANCIAL STATEMENTS

Note 2. Commissions and Sales Receivable

Commissions and Sales Receivable consists of the following at June 30, 2009 and December 31, 2008:

	2009	2008
Commissions		
Receivable	\$ 15,080	\$ 27,603
Sales		
Receivable	1,587	2,900
	\$ 16,667	30,503

Note 3. Related Party Note

The Company has a three notes payable with Joseph Passalacqua. The notes are due on demand and carry interest ranging from 10% to 18%. The outstanding principal on the notes are \$56,000 and 36,000, at June 30, 2009 and December 31, 2008 respectively. The accrued interest was \$6920 as of June 30, 2009.

The Company has rents payable to a related party in the amount of \$329,509 as of June 30, 2009.

Note 4. Commitments

The Company leases office space under an operating lease expiring in December 2009. Rent expense for the period ended June 30, 2009 amounted to \$30,000.

The minimum future rental payments under the operating lease at June 30, 2009 are as follows:

2009	\$30,000
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DATONE, INC.  
JUNE 30, 2009  
NOTES TO THE FINANCIAL STATEMENTS

Note 5. Major Dial Around Compensation Providers (Commissions)

The Company received approximately 95% of total dial around and zero-plus compensation (commissions) from two providers.

Note 6. Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates.

Net deferred tax assets consist of the following components as of:

	2008	2007
Deferred tax assets		
NOL		
Carryover	(932,394)	(828,587)
Valuation Allowance	932,394	828,587
Net deferred tax assets	-	-

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income tax rates of 39% to pretax income from continuing operations:

	2008	2007
Book Income	(98,719)	(76,757)
Valuation Allowance	98,719	76,757
	-	-

At December 31, 2007, the Company had net operating loss carry forwards of approximately \$2,110,047 that may be offset against future taxable income through 2027. No tax benefit has been reported in the December 31, 2007, financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating carryforwards for Federal Income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carryforwards may be limited as to use in future years.



DATONE, INC.  
JUNE 30, 2009  
NOTES TO THE FINANCIAL STATEMENTS

Note 7. Uncertain Tax Provisions

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The adoption of the provisions of FIN 48 did not have a material impact on the company's financial position and results of operations. At January 1, 2007, the company had no liability for unrecognized tax benefits and no accrual for the payment of related interest.

Interest costs related to unrecognized tax benefits are classified as "Interest expense, net" in the accompanying statements of operations. Penalties, if any, would be recognized as a component of "Selling, general and administrative expenses". The Company recognized \$0 of interest expense related to unrecognized tax benefits during 2007. In many cases the company's uncertain tax positions are related to tax years that remain subject to examination by relevant tax authorities.

With few exceptions, the company is generally no longer subject to U.S. federal, state, local or non-U.S. income tax examinations by tax authorities for years before 2004. The following describes the open tax years, by major tax jurisdiction, as of January 1, 2007:

United States	2004–
(a)	Present

(a) Includes federal as well as state or similar local jurisdictions, as applicable.

DATONE, INC.  
 JUNE 30, 2009  
 NOTES TO THE FINANCIAL STATEMENTS

Note 8. Long-Term Debt

Long-term debt consists of the following at June 30 and December 31, respectively:

	2009	2008
Note Payable to bank in monthly installments of \$261, including interest at 4.5%, through August 2009.	\$568	\$2,246
Note payable to Callaway Properties with no repayment terms.	329,503	299,503
Note payable to Key Bank bears interest at 9.25% and is due on demand.	4,845	4,845
	334,916	306,594
Less: Current portion	(568 )	(2,246 )
Total	\$334,348	\$304,348



DATONE, INC.  
 JUNE 30, 2009  
 NOTES TO THE FINANCIAL STATEMENTS

Note 9. Going Concern Considerations

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which contemplates the Company as a going concern. However, the Company has sustained substantial operating losses in recent years. The company has a current ratio of .089 for the period ended June 30, 2008, and has a deficit in stockholders' equity. The Companies ability to continue as a going concern is dependent upon obtaining the additional capital as well as additional revenue to be successful in its planned activity. The Company is actively pursuing alternative financing and has had discussions with various third parties, although no firm commitments have been obtained. In the interim, shareholders of the Company have committed to meeting its minimal operating expenses. Management believes that actions presently being taken to revise the Company's operating and financial requirements provide them with the opportunity to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the Company were unable to continue as a "going concern". While management believes that the actions already taken or planned, will mitigate the adverse conditions and events which raise doubt about the validity of the "going concern" assumption used in preparing these financial statements, there can be no assurance that these actions will be successful.

If the Company were unable to continue as a "going concern", then substantial adjustments would be necessary to the carrying values of assets, the reported amounts of its liabilities, the reported revenues and expenses, and the balance sheet classifications used.

Note 10. Pro Forma Earnings Per Share

The following table outlines what the pro forma earnings per share will be based on the shares of Datone, Inc. that will be distributed in the spin-off transaction.

	For the Period ended June 30, 2009	For the Year ended December 31, 2008
Net Income		
(Loss)	\$ (76,672 )	\$ (110,144 )
Shares	49,632,226	49,632,226
EPS	\$ 0	\$ 0

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

### Forward Looking Statements

Some of the information in this section contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. You should read statements that contain these words carefully because they:

- o discuss our future expectations;
- o contain projections of our future results of operations or of our financial condition; and
- o state other "forward-looking" information.

We believe it is important to communicate our expectations. However, there may be events in the future that we are not able to accurately predict or over which we have no control. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors," "Business" and elsewhere in this prospectus. See "Risk Factors."

### Organization and Basis of Presentation

Datone, Inc. is currently a provider of both privately owned and company owned payphones (COCOT's) and stations in New York. The Company receives revenues from the collection of the payphone coinage, a portion of usage of service from each payphone and a percentage of long distance calls placed from each payphone from the telecommunications service providers. In addition, the Company also receives revenues from the service and repair of privately owned payphones, and sales of payphone units.

### Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. However, future events are subject to change, and the best estimates and judgments routinely require adjustment. The amounts of assets and liabilities reported in our consolidated balance sheet, and the amounts of revenues and expenses reported for each of our fiscal periods, are affected by estimates and assumptions which are used for, but not limited to, the accounting for allowance for doubtful accounts, goodwill and intangible asset impairments, restructurings, inventory and income taxes. Actual results could differ from these estimates. The following critical accounting policies are significantly affected by judgments, assumptions and estimates used in the preparation of our consolidated financial statements.

## Revenue Recognition Policies

The Company derives its primary revenue from the sources described below, which includes dial around revenues, coin collections, and telephone equipment repairs and sales. Other revenues generated by the company include commissions.

Dial around revenues are generated from calls to gain access to a different long distance carrier than is already programmed into the phone. Revenues from dial around calls are recorded based upon estimates until the coin collection revenues are generated when callers deposit coins into the phones to make calls. Coin revenues are recorded in an amount equal to the coins collected. Revenues on commissions, and telephone equipment repairs and sales are realized when the services are provided.

## SIX MONTHS ENDED JUNE 30, 2009 COMPARED WITH SIX MONTHS ENDED JUNE 30, 2008

### Revenue

Our total revenue decreased by \$22,634 or approximately 32.81%, from \$68,975 in the six months ended June 30, 2008 to \$46,341 in the six months ended June 30, 2009. This decrease was primarily attributable to a decrease in commission revenue. As well as a reduced number of payphones coupled with increased competition from wireless communication service.

Our commissions decreased by \$11,595 or approximately 227.98%, from \$5,086 in the six months ended June 30, 2008 to (\$6,509) in the six months ended June 30, 2009. This decrease was primarily attributable to a lower volume of payphones in our network.

Our coin call revenue decreased by \$4,441 or approximately 22.74%, from \$19,531 in the six months ended June 30, 2008 to \$15,090 in the six months ended June 30, 2009. The decrease in coin call revenue was primarily attributable to a reduced number of payphones in the network.

Our non-coin call revenue, which consists primarily of dial-around revenue decreased \$6,534 or approximately 19.27% from \$33,900 in the six months ended June 30, 2008 to \$27,366 in the six months ended June 30, 2009. This decrease was primarily attributed to a lower volume of toll free calling (ex. 1-800,1-888,1-877,1-866 calls in this quarter.

Service and Repair Sales decreased by \$64 or approximately 0.61% to \$10,394 for the six months ended June 30, 2009 from \$10,458 for the same period in 2008. This decrease is due to less payphones to repair and service because the number of payphones have decreased, the number of payphones breaking down and requiring repair is consequently less. We only receive service revenue for company-owned payphones and repair revenue for privately-owned payphones. Some privately-owned payphones represent unprofitable locations that we previously owned but have since sold to the site owner.

## Cost of Revenue

Our overall cost of sales decreased by \$18,458 or approximately 60.56%, from \$30,477 in the six months ended June 30, 2008 to \$12,019 in the six months ended June 30, 2009. This decrease in our overall cost is primarily a decrease in telecommunication costs.

Our telecommunication costs decreased by \$19,794 or approximately 66.99% from \$29,547 in the six months ending June 30, 2008 to \$9,753 for the six months ending June 30, 2009. Our ongoing strategy is to identify and remove unprofitable payphones. Once a low revenue payphone is identified, we offer the site owner an opportunity to purchase the equipment. If the site owner does not purchase the payphone, we remove it from the site, which is evidenced by our decreased telecommunication costs as a result of removing phones for the six months ended June 30, 2009 over the same period in 2008. At the same time, our plan is to continue to look out for ideal locations with high traffic to install our payphones.

Depreciation expense remained constant at \$327 in the six months ending June 30, 2009 and 2008. This is due to certain assets being fully depreciated and our on going strategy of identifying unprofitable payphones, and selling them to the site owners. Once a payphone is sold to the site owner, it is removed from our assets and depreciation schedules. We own telephone equipment and motor vehicles, which provide a service for a number of years. The term of service is commonly referred to as the "useful life" of the asset. Because an asset such as telephone equipment or motor vehicle is expected to provide service for many years, it is recorded as an asset, rather than an expense, in the year acquired. A portion of the cost of the long-lived asset is reported as an expense during the cost of an asset to expense over its life in a rational and systematic manner.

Our commissions expense increased by \$1,317 or approximately 218.41% to \$1,920 in the six months ending June 30, 2009 from \$603 for the six months ending June 30, 2008. This increase was due a new location who receives a monthly commission.

## Operating Expenses

Operating expenses decreased by \$2,509 or approximately 2.48% to \$98,695 for the six months ended June 30, 2009 compared to \$101,204 for the same period in 2008. This was due to the fees we pay our accountants and attorneys for performing they're services.

Salaries and related payroll taxes decreased by \$5,107 or approximately 19.16% to \$21,552 for the six months ended June 30, 2009 compared to \$26,659 for the same period in 2008. This decrease is due to employee not taking payroll on a regular basis.

Our insurance expense decreased by \$5,385 or approximately 91.75% to \$484 for the six months ended June 30, 2009 compared to \$5,869 for the same period in 2008. This decrease was due to a decrease in insurance premiums.

Professional fees increased by \$6,487 or approximately 21.64% to \$36,460 for the six months ended June 30, 2009 compared to \$29,973 for the same period in 2008. This increase is due to an increase in fees we pay to accountants and attorneys throughout the year for performing various tasks.

Our telephone, utilities, office, and vehicle expenses, together account for an increase of \$1,088 or approximately 12.50% to \$10,199 for the six months ended June 30, 2009 compared to \$8,703 for the same period in 2008.

#### Interest Expense

Interest expense, net, decreased \$1,489 or approximately 10.80% for the six months ended June 30, 2009 to \$12,299 from \$13,788 for the six months ended June 30, 2008. This decrease was due to less interest-rate debt.

#### Net Loss from Operations

We had net loss of \$76,672 for the six months ended June 30, 2009 as compared to a net loss of \$76,554 for the six months ended June 30, 2008. The increases were related to an increase in telephone, utilities and professional fees.

### LIQUIDITY AND CAPITAL RESOURCES

#### June 30, 2009 Compared with December 31, 2008

Our primary liquidity and capital resource needs are to finance the costs of our operations, to make capital expenditure.

As of June 30, 2009, we had \$0 cash on hand, compared to \$0 as of June 30, 2008.

We believe that we will continue to need financing activities to fund operations.

Net cash used in operating activities was \$51,706 during the six-month period ended June 30, 2009, mainly representative of the net loss incurred during 2009. This compares to net cash used in operating activities of \$55,986 for the six-month period ended June 30, 2008 which resulted from a decrease in accounts payable and net loss.

Net cash provided by financial activities was \$51,706 during six-month period ended June 30, 2009, mainly representing the proceeds from notes and related party notes. This compares to net cash provided by financing activities of \$55,986 for the six-month period ended June 30, 2008 due to proceeds from notes and related party notes.

Our expenses to date are largely due to rents for the office space, professional fees for financial services performed and the cost of sales for telephone communication costs.

We believe that our results of financing activities will provide us with the necessary funds to satisfy our liquidity needs for the next 6 months. To the extent that such funds are insufficient, our principal stockholder has agreed to fund our operations for the next six-month period and beyond in the form of a loan or loans. However, there is no formal agreement with our principal stockholder, Greenwich Holdings LLC in writing or otherwise to do so and accordingly, may not be enforced against Greenwich Holdings, Inc. in the event that it decides not to continue to fund the Company.

## Working Capital

As of June 30, 2009, we had total assets of \$22,007 and total liabilities of \$618,516 which result in working deficit of \$(596,509) as compared to total assets of \$36,171 and total liabilities of \$566,655 resulting in a working deficit of \$(530,484) as of December 31, 2008.

## THREE MONTHS ENDED JUNE 30, 2009 COMPARED WITH THREE MONTHS ENDED JUNE 30, 2008

### Revenue

Our total revenue increased by \$7,542 or approximately 37.51%, from \$20,109 in the three months ended June 30, 2008 to \$27,651 in the three months ended June 30, 2009. This increase was primarily attributable to an increase in commission revenue.

Our commissions increased by \$20,043 or approximately 120.32%, from (\$16,658), in the three months ended June 30, 2008 to \$3,385 in the three months ended June 30, 2009. This increase was due to the company forming a better estimate of revenue per quarter for the accrued revenue. Adjustments were made during 2008 to adjust to actual after an overestimate. In the current quarter, there is a better estimate of revenues earned.

Our coin call revenue decreased by \$2,931 or approximately 29.25%, from \$10,021 in the three months ended June 30, 2008 to \$7,090 in the three months ended June 30, 2009. The decrease in coin call revenue was primarily attributable to a decrease in number of payphones in our network.

Our non-coin call revenue, which consists primarily of dial-around revenue decreased \$8,934 or approximately 41.94% from \$21,300 in the three months ended June 30, 2008 to \$12,366 in the three months ended June 30, 2009. This decrease was primarily attributed to a lower volume of toll free calling (ex. 1-800,1-888,1-877,1-866 calls in this quarter).

Service and Repair Sales decreased by \$636 or approximately 11.68% to \$4,810 for the three months ended June 30, 2009 from \$5,446 for the same period in 2008. This decrease is due to less payphones to repair and service because the number of payphones have decreased, the number of payphones breaking down and requiring repair is consequently less. We only receive service revenue for company-owned payphones and repair revenue for privately-owned payphones. Some privately-owned payphones represent unprofitable locations that we previously owned but have since sold to the site owner.

### Cost of Revenue

Our overall cost of sales decreased by \$8,037 or approximately 64.7%, from \$12,421 in the three months ended June 30, 2008 to \$4,384 in the three months ended June 30, 2009. This decrease was primarily attributable to a decrease in telecommunication expense.

Our telecommunication costs decreased by \$8,156 or approximately 68.66% from \$11,879 in the three months ending June 30, 2008 to \$3,723 for the three months ending June 30, 2009. This was due to a change in service provider with lower telecommunication rates. Our ongoing strategy is to identify and remove unprofitable payphones. Once a low revenue payphone is identified, we offer the site owner an opportunity to purchase the equipment. If the site owner does not purchase the payphone, we remove it from the site, which is evidenced by our decreased telecommunication costs as a result of removing phones for the three months ended June 30, 2009 over the same period in 2008. At the same time, our plan is to continue to look out for ideal locations with high traffic to install our payphones.

Depreciation expense remained constant at \$164 in the three months ending June 30, 2009 and 2008 respectively. This is due to certain assets being fully depreciated and our on going strategy of identifying unprofitable payphones, and selling them to the site owners. Once a payphone is sold to the site owner, it is removed from our assets and depreciation schedules. We own telephone equipment and motor vehicles, which provide a service for a number of years. The term of service is commonly referred to as the "useful life" of the asset. Because an asset such as telephone equipment or motor vehicle is expected to provide service for many years, it is recorded as an asset, rather than an expense, in the year acquired. A portion of the cost of the long-lived asset is reported as an expense during the cost of an asset to expense over its life in a rational and systematic manner.

Our commissions expense increased by \$119 or approximately 31.48% to \$497 in the three months ending June 30, 2009 from \$378 for the three months ending June 30, 2008. This increase was due a new location who receives a monthly commission.

#### Operating Expenses

Operating expenses decreased by \$3,563 or approximately 6.03% to \$55,550 for the three months ended June 30, 2009 compared to \$59,113 for the same period in 2008. This was due to fees we pay our accountants and attorneys throughout the year.

Salaries and related payroll taxes decreased by \$6,520 or approximately 35.97% to \$11,605 for the three months ended June 30, 2009 compared to \$18,125 for the same period in 2008. This decrease is due to employee not taking payroll on a regular basis.

Our insurance expense decreased by \$1,144 or approximately 182.75% to (\$518) for the three months ended June 30, 2009 compared to \$626 for the same period in 2008. This decrease was due to a premium adjustment.

Professional fees increased by \$4,514 or approximately 24.04% to \$23,289 for the three months ended June 30, 2009 compared to \$18,775 for the same period in 2008. These are fees we pay to accountants and attorneys throughout the year for performing various tasks.

Our telephone, utilities, office, and vehicle expenses, together account for a decrease of \$413 or approximately 6.27% from \$6,174 for the three months ended June 30, 2009 compared to \$6,587 for the same period in 2008.

### Interest Expense

Interest expense, net, decreased \$1,418 or approximately 22.34% for the three months ended June 30, 2009 to \$4,929 from \$6,347 for the three months ended June 30, 2008. This decrease was due to less interest-rate debt.

### Net Loss from Operations

We had net loss of \$37,212 for the three months ended June 30, 2009 as compared to a net loss of \$57,772 for the three months ended June 30, 2008. This increase was primarily due to a decrease in operating expenses for the three months ended June 30, 2009.

### Item 3. Quantitative and Qualitative Disclosure About Market Risks.

Not Applicable.

### Item 4. Controls and Procedures

#### (a) Evaluation of disclosure controls and procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934, as amended the ("Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules, regulations and related forms, and that such information is accumulated and communicated to our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We have carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective.

#### (b) Changes in internal controls.

There have been no significant changes in our internal controls or other factors that could significantly affect such controls and procedures subsequent to the date we completed our evaluation. Therefore, no corrective actions were taken.



PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

To the best knowledge of the Company's officers and directors, the Company is currently not a party to any pending legal proceedings.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed under item 1 of the Company's Registration Statement on Form SB as initially filed with the United States Securities and Exchange Commission on February 1, 2008.

Item 2. Unregistered sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

- (a) Exhibits:
  - \*3.1 Certificate of Incorporation.
  - \*3.2 By-Laws.
  - 31.1 Certification pursuant to Section 302 of Sarbanes Oxley Act of 2002.
  - 31.2 Certification pursuant to Section 302 of Sarbanes Oxley Act of 2002.
  - 32.1 Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002.
  - 32.2 Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002.

\* Filed as an exhibit to the Company's Registration Statement on Form SB, as initially filed with the Securities and Exchange Commission on February 1, 2008, and incorporated herein by this reference.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

Dated: August 7, 2009

DATONE, INC.

By: /s/ Craig Burton  
Craig Burton  
President, Chief Executive Officer

