EMAILTHATPAYS COM INC
Form 10QSB
May 15, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

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

For the quarterly period ended:	March 31, 2002
Commission file number:	000-26047

Forge, Inc.
(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware	65-0609891
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

428 West Sixth Avenue
Vancouver, British Columbia V5Y1L2
(Address of Principal Executive Offices)

(604) 801-5566
(Issuer's Telephone Number, Including Area Code)

emailthatpays.com,Inc.
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: May 10, 2002: 10,395,507 shares of common stock, $.005 par value per share.

FORGE, INC. AND SUBSIDIARIES
FORM 10-QSB
QUARTERLY PERIOD ENDED MARCH 31, 2002
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Forge, Inc.

Consolidated Balance Sheets (unaudited)

	March 31, 2002
Assets	
Current assets:	
Cash	$ -
Accounts receivable	148,474
Prepaid expenses	47,150
	195,624
Property and equipment, less accumulated depreciation	97,619

	$ 293,243
Liabilities and Stockholders' Deficit	
Current liabilities:	
Bank indebtedness	$ 9,053
Accounts payable and accrued liabilities	722,245
Accrued salaries	92,753
Unearned revenue	-
Lease obligation - current portion	5,511
	829,562
Due to related parties	525,284
Note payable	25,999
Lease obligation	8,601
Total liabilities	1,389,446
Stockholders' deficit:	
Common stock	52,184
Additional paid-in capital	3,593,722
Deficit	(4,756,442)
Accumulated other comprehensive income (loss):	
Foreign currency translation adjustment	14,333
Total stockholders' deficit	(1,096,203)
	$ 293,243

See accompanying notes to unaudited financial statements.

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Forge, Inc.
Consolidated Statements of Operations and Deficit (unaudited)

	Three Months En 2002
Revenue	$ 547,871
Cost of revenue	(394,730)
Gross profit	153,141
Operating expenses:	
Depreciation	7,175
Remuneration including stock-based compensation	209,470
Legal and accounting	24,406

Consulting fees and computer services	43,702
Phones and utilities	4,108
Rent	9,652
Advertising and promotion	23,374
Other selling, general and administrative	23,643
	345,530
Loss from operations	(192,389)
Other income (expenses):	
Interest expense	(21,729)
	(21,729)
Net loss	(214,118)
Deficit, beginning of period	(4,542,324)
Deficit, end of period	$ (4,756,442)
Net loss per common share, basic and diluted	(0.02)
Weighted average common shares outstanding, basic and diluted	(10,351,758)

See accompanying notes to unaudited financial statements.

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Forge, Inc.
Consolidated Statements of Cash Flows (unaudited)

	Three Months En 2002
Cash provided by (used in):	
Operations:	
Net loss	$ (214,118)
Items not involving cash:	
Depreciation	7,175
Stock-based compensation	-
Foreign exchange on subsidiary operations	4,070
Changes in operating assets and liabilities:	
Change in accounts receivable	(61,279)
Change in prepaid expenses	4,994
Change in accounts payable and accrued liabilities	452,255
Change in unearned revenue	(259,369)
Increase in accrued salaries	14,212

Net cash used in operating activities		(52,060)
Cash flows used in investing activities:		
Purchase of property and equipment		(7,459)
Net cash used in investing activities		(7,459)
Cash flows from financing activities:		
Repayment of loans payable		-
Repayment of lease obligation		(1,304)
Proceeds from bank indebtedness		9,053
Proceeds from notes payable		421
Proceeds from (repayment of) advances from related parties		26,962
Net cash provided by financing activities		35,132
Increase (decrease) in cash		(24,387)
Cash, beginning of period		24,387
Cash, end of period	$	-
Supplementary information:		
Interest paid		12,562
Income taxes paid		-

See accompanying notes to unaudited financial statements.

FORGE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2002

1. The Company and description of business:

Forge, Inc. (the "Company") is incorporated in the state of Delaware and is a "permission-based" e-mail marketing and integrated advertising strategies service. The Company's services include the design, delivery, tracking, and analysis of targeted "one-to-one" e-mail campaigns, customized loyalty programs, comprehensive list management/brokerage packages and the creation, integration and execution of both online and traditional advertising strategies.

As described in Note 7, "Subsequent Events", on May 13, 2002 emailthatpays.com, Inc. ("email"), the Company's parent corporation, was merged into the Company in order to, among other things, change email's domicile from Florida to Delaware and to change its name. References to "the Company" refer to email for periods prior to May 13, 2002.

On October 22, 1999, the Company, then named Realm Production and Entertainment, Inc. ("Realm"), a public company listed on the Over-the-Counter Bulletin Board in the United States, issued 6,572,000 shares of its common stock in connection with the merger of a wholly owned subsidiary of Realm with and into emailthatpays.com ("email Nevada"), a company incorporated in the state of Nevada. This transaction was accounted for as a recapitalization of email Nevada, effectively as if email Nevada had issued common shares for consideration equal to the net monetary assets of Realm. On October 27, 1999 Realm changed its name to tvtravel.com, Inc. and subsequently on December 21, 1999 to emailthatpays.com, Inc.

The Company's historical financial statements reflect the financial position, results of operations and cash flows of email Nevada since its inception and include the operations of Realm from the date of the effective recapitalization, being October 22, 1999. Stockholders' equity gives effect to the shares issued to the stockholders of email Nevada prior to October 22, 1999 and of the Company thereafter.

email Nevada (formerly Hotel Media Group Inc.) was incorporated on June 26, 1998. In August 1999, it acquired 100% of Coastal Media Group Ltd ("Coastal"), a full-service advertising agency founded in May 1998. A common group of shareholders controlled both Coastal and email Nevada. For accounting purposes, the transaction was considered to be an acquisition by Coastal for consideration equal to the net assets and liabilities of email Nevada. Accordingly, the assets and liabilities of email Nevada have been recorded at their carrying values in the Company's accounts.

2. Liquidity and future operations:

The Company has sustained net losses and negative cash flows from operations since its inception. At March 31, 2002, the Company has negative working capital of $633,938. The Company's ability to meet its obligations in the ordinary course of business is dependent upon its ability to establish profitable operations or to obtain additional funding through public or private equity financing, collaborative or other arrangements with corporate sources, or other sources. Management is seeking to increase revenues through continued marketing of its services; however additional funding will be required.

Management is working to obtain sufficient working capital from external sources in order to continue operations. There is however no assurance that the aforementioned events, including the receipt of additional funding, will occur and be successful.

3. Basis of Presentation:

The unaudited consolidated financial statements of the Company at March 31, 2002 and for the three month period then ended include the accounts of the Company and its wholly-owned subsidiaries and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim statements under the rules and regulations of the Securities and Exchange Commission ("SEC"). Accounting policies used in fiscal 2002 are consistent with those used in fiscal 2001. The results of operations for the three months ended March 31, 2002 are not necessarily indicative of the results for the entire fiscal year ending December 31, 2002. These interim financial statements should be read in conjunction with the financial statements for the fiscal year ended December 31, 2001 and the notes thereto included in the Company's Form 10-KSB filed with the SEC on March 29, 2002.

4. Foreign currency:

The functional currency of the operations of the Company's wholly-owned Canadian operating subsidiaries is the Canadian dollar. Assets and liabilities measured in Canadian dollars are translated into United States dollars using exchange rates in effect at the balance sheets date with revenue and expense transactions translated using average exchange rates prevailing during the period. Exchange gains and losses arising on this translation are excluded from the determination of income and reported as foreign currency translation adjustment (which is included in the comprehensive income (loss)) in stockholders' equity.

5. Net loss per share:

The Company computes net loss per share in accordance with SFAS No. 128, Earnings per Share, and SEC Staff Accounting Bulletin ("SAB") No. 98. Under the provisions of SFAS No. 128 and SAB No. 98, basic loss per share is computed using the weighted average number of common stock outstanding during the periods, and gives retroactive effect to the shares issued on the recapitalization described in note 1. Diluted loss per share is computed using the weighted average number of common and potentially dilutive common stock outstanding during the period. As the Company generated net losses in each of the periods presented, basic and diluted net loss per share are the same as any exercise of options or warrants would be anti-dilutive.

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FORGE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2002

6. Comprehensive income (loss):

Effective January 1, 1999, the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income" SFAS No. 130 which establishes standards for reporting comprehensive income (loss) and its components in financial statements. Other comprehensive income, as defined, includes all changes in equity (net assets) during a period from non-owner sources. Comprehensive loss for each of the periods presented is as follows:

	2002	2001
Net loss	$214,118	$300,335
Other comprehensive (income) / loss:	(4,070)	(23,683)

Foreign currency translation adjustment		
Comprehensive loss	$210,048	$276,652

FORGE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2002

7. Subsequent Events:

On May 2, 2002, at the annual meeting of the shareholders of emailthatpays.com, Inc., a Florida corporation ("email"), the shareholders approved the merger of email with and into the Company, a wholly owned subsidiary of email incorporated in the State of Delaware. On May 13, 2002, an Agreement and Plan of Merger between email and the Company was executed by an authorized signatory of each corporation and Articles of Merger was filed with the Delaware Secretary of State. The effect of the foregoing was to:

(1) change the name from emailthatpays.com, Inc. to Forge, Inc.;
(2) change emails state of incorporation from Florida to Delaware; and
(3) effect a reverse stock split of email's outstanding common stock by establishing an exchange ratio of one share of the Company's common stock for 20 shares of email's common stock.

Effective May 13, 2002, the Company's trading symbol on Nasdaq's Over-the-Counter Bulletin Board changed from EMTP to FGRA.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-Looking Statements

This Report includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about us and about our subsidiary companies, including, among other things:

- development of an e-commerce market;
- our ability to successfully execute our business model;
- our ability to obtain additional funding;
- growth in demand for Internet products and services; and
- adoption of the Internet as an advertising medium.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Report might not occur.

Results of Operations
For the Three Months Ending March 31, 2002 and 2001

Revenue

We earn revenues by delivering online direct marketing, promotional, and informational offers and by developing and implementing integrated marketing and advertising strategies. We charge our advertisers based upon a number of criteria including offers delivered, qualified leads generated, online transactions executed and marketing services performed.

Revenue consists of the gross value of our billings to clients and includes the price of the advertising that we purchase from offline and online suppliers. Under marketing services contracts, we recognize the cost of the advertising we purchase for our clients as an expense and the payments we receive from our clients for this advertising as revenue. Under these arrangements, we are ultimately responsible for payment to suppliers for the cost of the advertising that we purchase.

We believe that our revenues will be subject to seasonal fluctuations as a result of general patterns of retail advertising, which are typically higher during the second and fourth calendar quarters. In addition, expenditures by advertisers tend to be cyclical, reflecting overall economic conditions and consumer buying patterns.

To date, the vast majority of our revenue has been generated from the provision of integrated marketing and advertising strategies as our email delivery system, relational database program and Canadian email marketing sales offices were not fully operational until February 2000. With increased focus, time and expenditure being directed to these online services, we anticipate proportionate increases in revenue, both in absolute and percentage terms. However, if these services do not continue to achieve market acceptance, we cannot assure you that we will generate business at a sufficient level to support our continued operations.

Total revenue for the three months ending March 31, 2002 was $547,871, an increase of 136% over the quarter ending March 31, 2001. The increase over last year reflects increased spending by existing clients and an expansion into creative services and production.

Cost of revenue

Cost of revenue represents the cost of advertising purchased for clients. The increase over last year corresponds to our increased revenue. As well, our expansion into creative services and production involved less direct costs and resulted in an increase in our overall margin.

Operating Expenses

Over the last two years we have substantially reduced our operating costs through consolidation of our two western Canada offices into one location, closure of our eastern Canada sales office, controlled use of professional services and reduction of our internal technological staff, outsource the maintenance and storage of our technological facilities and utilize IT professionals on a project-by-project contract basis. On an on-going basis we do not anticipate reducing our operating expenses any further.

The increase in salary costs from $184,965 for the three months ending March 31, 2001 to $209,470 for the three months ending March 31, 2002 reflects new staff additions and an increase in employee benefits. Other operating expenses also reflect an increase in advertising and promotions due to a one time cost associated with the re-branding of the operating entities.

The decrease in stock-based compensation is due to the vested options being fully amortized and recognized as at December 31, 2001.

Liquidity and Capital Resources

We have sustained net losses and negative cash flows from operations since our inception. At March 31, 2002, we have negative working capital of $633,938. Advances from a company controlled by a principal stockholder are funding our current operations. Our ability to meet our current obligations is dependent upon these advances.

We need to raise funds in order to continue operations and implement our strategies of client realization and servicing, expansion and maintenance of products, brand awareness, technological advancement and infrastructure development. We cannot assure you that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available on acceptable terms, our ability to continue operations, implement our strategies, take advantage of unanticipated opportunities, or otherwise respond to competitive pressures will be significantly limited.

Net cash used in operating activities was $52,060 and $253,636 for the three months ending March 31, 2002 and 2001, respectively. Cash used in operations was primarily the result of the net losses of $214,118 and $300,335, for the three months ending March 31, 2002 and 2001, respectively.

Net cash used in investing activities was $7,459 and $12,740 for the three months ending March 31, 2002 and 2001, respectively and relates to purchases of property and equipment.

Net cash provided by financing activities was $35,132 and $266,376 for the three months ending March 31, 2002 and 2001, respectively. Cash provided by financing activities for the period ending March 31, 2002 consists of a increase in bank indebtedness of $9,053 and increased advances from related parties of $26,962. Cash provided by financing activities for the three months ending March 31, 2001 consists of an increase in bank indebtedness of $84,609 and $185,542 in increased advances from related parties.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities and Use of Proceeds.

On February 11, 2002 a former employee exercised options granted to him under the terms of the 1999 Equity Compensation Plan and purchased 93,750 shares of common stock at a price of $0.005 per share.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EMAILTHATPAYS.COM, INC.

Dated: May 14, 2002

By: /s/ Daniel Hunter
Daniel Hunter
Chief Executive Officer

Principal Accounting and Financial
Officer, Director