ACCESS POWER INC
Form 10QSB
April 30, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-QSB

/X/ Quarterly Report Under Section 13 or 15(d) of
The Securities Exchange Act of 1934
For the Quarterly Period Ended March 31, 2001

/_/ Transition Report Under Section 13 or 15(d) of The Exchange Act

Commission File Number 000-____________

Access Power, Inc.

(Exact Name of Small Business Issuer as Specified in its Charter)

Florida	59-3420985
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10033 Sawgrass Dr., W, Ponte Vedra Beach, FL	32082
(Address of principal executive office)	(Zip Code)

Issuer's telephone number, including area code: (904) 273-2980

At April 24, 2002, there were issued and outstanding 113,356,149 shares of Common Stock.

Transitional Small Business Disclosure Format (check one): Yes __ No X

Part I. Financial Information

Item 1 Financial Statements

ACCESS POWER, INC.
(A Development Stage Company)

Balance Sheets

As of March 31, 2002 and December 31, 2001

Assets

	March 2002 (unaudi
Current assets:	
Cash	
Certificate of deposit	
Accounts receivable	
Prepaid expenses	
Total current assets	
Property and equipment, net	
Other assets	
Total assets	$

Liabilities and Stockholders' Equity (Deficit)

Current liabilities:	
Accounts payable and accrued expenses	$ 3,
Current portion of long-term debt	
Total current liabilities	3,
Convertible debentures	
Total liabilities	3,
Stockholders' equity (deficit):	
Common stock, $.001 par value, authorized 500,000,000 shares, issued and outstanding 110,196,553 and 94,118,595 shares as of March 31, 2002 and Decmber 31, 2001	
Notes receivable, stockholders	
Preferred stock, $.001 par value, authorized 10,000,000 shares, issued and outstanding 0 shares in 2002 and 2001	
Additional paid in capital	13,
Deficit accumulated during the development stage	(16,
	(2,
Commitments	
Total liabilities and stockholders' equity (deficit)	$

ACCESS POWER, INC.
(A Development Stage Company)

Statements of Operations

(unaudited)

For the three months ended March 31, 2002 and 2001 and the cumulative period from October 10, 1996 (date of inception) through March 31, 2002

	2002	2001 (Restated)
Revenue:		
Product sales	$ -	$ -
Services	298	7,907
Total revenue	298	7,907
Costs and expenses:		
Cost of services	-	325,497
Cost of sales	-	-
Product development and marketing	750	274,425
General and administrative	305,641	558,788
Total costs and expenses	306,391	1,158,710
Loss from operations	(306,093)	(1,150,803)
Other income (expense):		
Interest income	-	-
Interest expense	-	(184,481)
Loss on disposal of equipment	-	-
Total other income (expense)	-	(184,481)
Net loss	$ (306,043)	$(1,335,284)
Net loss per share	$ (0.00)	$ (0.02)
Weighted average number of shares	100,438,081	73,735,381

ACCESS POWER, INC.
(A Development Stage Company)

Statements of Cash Flows

For the three months ended March 31, 2002 and 2001 and the cumulative period from October 10, 1996 (date of inception) through March 31, 2001

	2002	2001 (Restate
Cash flows from operating activities:		
Net loss	$ (306,093)	$ (1,33
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	40,581	7
Loss on disposal of property and equipment	-	
Stock issued for services	46,036	3
Stock issued for interest	-	
Value of beneficial conversion feature of debenture	-	18
Value of warrants in excess of exercise price	-	
Change in operating assets and liabilities:		
Accounts receivable	193	1
Accounts payable and accrued expenses	7,234	(8
Other assets	-	(7
Forfeited Payroll Liability	125,000	
Net cash used in operating activities	(87,049)	(1,18
Cash flows from investing activities:		
Purchase of certificate of deposit	-	
Proceeds from sale of property and equipment	2,660	
Purchase of property and equipment	(4,931)	1
Note receivable, stockholders	-	3
Net cash provided by (used) in investing activities	(2,271)	5
Cash flows from financing activities:		
Proceeds from issuance of stock	87,119	1,10
Proceeds from issuance of notes payable	-	19
Principal payments on notes payable	-	(11
Net cash provided by financing activities	87,119	1,18
Net change in cash	(2,201)	5
Cash, at beginning of period	2,786	1
Cash at end of period	$ 585	$ 7

A. Basis of Presentation

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed and omitted pursuant to such rules and regulations, although management believes the disclosures are adequate to make the information presented not misleading. These interim financial statements should be read in conjunction with the Company's annual report and most recent financial statements included in its report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission. The interim financial information included herein is unaudited; however, such information reflects all the adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results of operations and cash flows for the interim periods. The results of operations for the three months ended March 31, 2001 are not necessarily indicative of the results to be expected for the full year.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion of the financial condition and results of operations should be read in conjunction with the Financial Statements and Notes appearing elsewhere in this 10-QSB report.

Cautionary Statement for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

The statements contained in the section captioned Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent the Company's present expectations or beliefs concerning future events. The Company cautions that such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the uncertainty as to the Company's ability to obtain financing on acceptable terms to finance the Company's operations and growth strategy, acceptance of the Company's technology and services in the market place, telecommunications industry trends towards solutions not addressed by the Company's business, increasing competition in the information technology services market, the ability to hire, train and retain sufficient qualified personnel, and the ability to develop and implement operational and financial systems to manage the Company's growth.

Overview and Plan of Operation

Formed in 1996, Access Power, Inc. provides collaboration services to the consumer and business markets and has been a pioneer provider of global Internet-based communications for voice and multi-media applications, integrating the Internet and traditional telephony. As of March 1, 2002 the Company retained 6 full time, and 1 part time, employees. In addition, certain aspects of Access Power's software development efforts are outsourced.

The Company's consumer-oriented web portal, FreeWebCall.com(TM), offers a suite of PC-to-PC collaboration services including audio, text chat, video conferencing, document sharing and program sharing. The offering of PC-to-Phone services, offered through FreeWebCall.com and e-button(TM), to new customers, has recently been suspended in response to market conditions.

Access Power's products have historically been consumer-oriented, with relatively limited product offerings aimed at the business segment. PowerConferenceCall(TM), scheduled for launch during the second quarter of 2002, is a business-oriented audio conferencing service that utilizes and enhances the public switched telephone network (PSTN), bridging multiple lines together, managing audio quality and providing conferencing features not available on the traditional PSTN. The introduction of PowerConferenceCall marks a focused expansion into the business-oriented segment of the collaboration industry. This service will initially focus on audio conferencing with Internet-based account and service management; longer term, we believe that the growth of the market will continue to shift to more elaborate product suites that will draw increasingly upon Internet-based features, such as video, whiteboards, application sharing and possibly including even the audio component of the conference. We will promote and service this shift through an evolving integration of voice and data communications technologies, drawing upon our background in the Internet-based communications consumer-based business.

PowerConferenceCall will normally used by business customers who pay for the service primarily on a per minute per line basis. Feature sets apply to how the call can be managed by participants (e.g., self-muting) and hosts (e.g., recording segments of the call). Calls can be scheduled, which enables certain features, such as system notifications and reminders, or they can be initiated on demand, using pre-assigned toll-free numbers and access codes. The business segment of the collaboration market is substantial, well-established and is growing rapidly. As a result there is a considerable base of well-established competitors. These competitors fall primarily into two groups: 1) Traditional telephone companies who also provide conferencing services; 2) Conference Service Providers who specialize in conferencing services. Our strategy is to compete with both groups on the basis of ease of use, features and overall value, proactively selling our services to small and medium sized business in selected business services markets that we believe are most likely to respond to our value proposition.

We intend to establish ourselves in this market segment with differentiated teleconferencing services. There are however risks that are specific to this business opportunity. These are elaborated below.

We may not be able to compete effectively against our major competitors who have substantially greater capital resources and brand recognition.

The industry is highly competitive, and many of our competitors have greater capital resources and brand recognition. To compete successfully with telecommunications and teleconferencing providers, we must competitively price and maintain high quality services. This is an established market with a considerable number of well-established competitors who have been providing these services in some cases for many years. Prospective customers are very likely currently working with a competitor and it may be difficult to present a compelling reason for them to shift their business to PowerConferenceCall. In addition, there are few regulatory barriers to entry in this market, so competitive intensity can be expected to increase over time.

We may be forced to lower prices in response to competitive or market pressures.

In a highly-competitive market such as this, prices may fall over time and they could fall precipitously. Beyond competitive pressures, the market itself is developing new Internet-based technologies and customers may seek less costly methods of collaborating. Current audio-based teleconferencing are carried over conventional circuit-switched analog and digital telephone lines. The use of the Internet to transmit long distance voice, video, and data and to develop new types of communication services represents possible changes in demand and pricing. There is risk that we may not be able to adequately address and exploit these Internet opportunities, especially since the magnitude and nature of change are not yet clear in the marketplace. We must therefore price competitively and be responsive to and anticipate these pricing and technology shifts.

Other technological innovations could render our proposed services obsolete.

We expect technical innovations to foster new developments in teleconferencing services, such as more developed Internet telephony and more sophisticated computers, telephones, private branch exchanges, customer-owned facilities, virtual private networks, and centralized office switching equipment. Major telecommunications companies could decide to offer lower-cost teleconferencing services in an attempt to obtain greater market share in other product areas. These innovations and developments could render our proposed PowerConferenceCall service offerings uneconomic as currently defined. We must therefore attempt to anticipate these changes and be prepared to adapt our service.

We may not be able to successfully establish a critical mass of customers.

Access Power does not currently have a significant promotional budget to support the product launch, relying instead upon a direct sales campaign. Traditionally, the success rate of such direct selling efforts is low. To be successful, we must be aggressive in establishing a base of target customers necessary to achieve profitability.

We may not be able to successfully develop and integrate new technologies required to support conferencing services.

Providing PowerConferenceCall service requires the configuration and integration of new technologies, including hardware and software development. To the extent problems are encountered with these new technologies, the product launch could be significantly hampered. In addition, portions of the software development effort are outsourced, creating a dependency on the outsourced entity. In addition, we depend upon our software systems and communications hardware to conduct our conferencing business. Infrastructures such as these are vulnerable to damage or interruption from many factors, including natural disasters, power loss, telecommunication failures, loss of Internet access, physical and electronic vandalism or terrorism, computer viruses and hardware defects.

We may not be able to develop new service offerings and hire and train appropriate staff to market and manage growth.

If we do not develop new services and employ an innovative staff that can capably manage our growth, we could adversely impact our business development, operating results, and financial condition. The expansion of our business into audio teleconferencing could strain our current management resources. To deliver and support these new services, we will need to provide additional training for current employees and compete in the market for new employees, especially those who are skilled in the delivery of business conferencing sevices and providing high quality customer service. To be successful, we must attract and retain sufficiently qualified staff to support our existing business and our expansion into PSTN -based conferencing services.

Our plans to expand may be discontinued if we are unable to obtain sufficient financing.

Without sufficient financing, we may not be able to fully implement our expansion into PowerConferenceCall. Available equity financings may be dilutive to our shareholders and debt financing may impose restrictive covenants on the way we operate our business. In addition, there is substantial liability to vendors and employees from historical operations in the Internet-based consumer segment of the collaboration market. If we cannot or do not obtain adequate funds from operations or additional sources of financing, we may experience operational difficulties and the loss of customers.

Financial Results of Operations for Period Ended March 31, 2002 Compared to Period Ended March 31, 2001

Revenues and Costs of Revenues.

Revenues decreased $7,907 to virtually zero due to the decreased demand for the PC-to-Phone services. The offering of PC-to-Phone services portion of FreeWebCall to new customers was subsequently suspended (in March, 2002). FreeWebCall.com PC-to-PC service continues to operate without charge to subscribers.

A new product, PowerConferenceCall, is scheduled for launch in the second quarter of 2002; this product is aimed at the business segment of the virtual collaboration market. In this market, revenue is typically generated solely from the subscriber without any reliance upon sponsor-based revenue streams. (See additional information on this product under this Part I, Item 2.

Expenses.

Operating Expenses decreased from $1,159,000 to about $306,391. This reflects a general decrease in spending relating to the decline in business from traditional consumer-based services.

Cost of Services and Product Development as well as Marketing expenses were virtually eliminated from about $325,000 and $275,000 respectively a year earlier, reflecting management's decision to re-focus the business on PowerConferenceCall, which is being developed jointly by existing Company staff and with sub-contractors who have agreed to defer compensation until such time as revenues are generated.

General and Administrative expense declined from $559,000 to $306,000, reflecting generally reduced spending as the business is re-focused. Depreciation and Amortization declined from $77,000 to $40,000 reflecting the sale of certain assets in 2001. Payroll compensation (paid and accrued) declined from about $245,000 to $153,000 reflecting fewer staff.

Interest expense was about $185,000 in 2001 reflecting interest costs associated with the conversion of Debentures. There was no interest expense in the first quarter of 2002.

Liquidity and Capital Resources

Since our inception, we have financed our operations through the proceeds from the issuance of equity securities and loans from stockholders and others. To date, we have raised approximately $4,340,000 from the sale of common stock and preferred stock, and have borrowed approximately $3,958,000 from investors and stockholders. Funds from these sources have been used as working capital to fund the build-out of our network and for internal operations, including the purchases of capital equipment.

We generated negative cash flow from operating activities for the period from inception (October 10, 1996) through December 31, 2001. We realized negative cash from operating activities for the year ended December 31, 2001, of ($1,531,733) compared to negative cash from operating activities of ($3,145,019) for the year 2000. Investing activities for the period from inception through December 31, 2001 consisted primarily of equipment purchases to build out the network.

The timing and amount of our capital requirements will depend on a number of factors, including demand for our products and services. At December 31, 2001, we had $3.2 million in accounts payable and accrued expenses. We signed an amended and restated investment agreement with Grandview Court, LLC, a Cayman Islands limited liability company, on September 19, 2001, for the future issuance and purchase of shares of our common stock. The investment agreement establishes what is sometimes referred to as an equity line of credit.

We raised $75,000 in January 1999 from the sales of a total of 75 shares of Series A Preferred Stock for $1,000 per share. In connection with one of these sales, we also issued 27,777 shares of common stock as a finder's fee and recognized expense of $7,500 and an increase to capital stock of the same amount. We received $150,000 as a good faith deposit with the letter of intent and issued 1,500,000 shares of common stock in return to the investor. We issued 512,000 shares of common stock in exchange for a debt repayment and the interest due thereon in April 1999. We issued 2,630,000 shares of common stock upon the exercise of employee stock options for $1,257,100 in June 1999. We issued $1,000,000 of 6% convertible debentures in September of 1999 and $200,000 of 6% convertible debentures in December of 1999. We issued $800,000 of 6% convertible debentures in January of 2000, $2,500,000 of 6% convertible debentures in February of 2000, $200,000 of 6% convertible debentures in August of 2000, and $100,000 of 6% convertible debentures in September of 2000. We issued 19,237,000 shares of common stock in January 2001 and 4,297,500 shares of common stock in February 2001, both for cash.

We issued 650,000 shares of common stock in March 2001 in settlement of a lawsuit. We issued 1,500,000 shares in May 2001 to secure investor relations services. In September 2001, we agreed to transfer all rights to the shares to the service provider. We also issued options for 200,000 shares to the provider.

In December, 2001, we issued 816,550 shares of common stock to Grandview Court, LLP for an aggregate of $16,333, pursuant to the equity line of credit executed in September, 2001. Our financing activities for the twelve months ended December 31, 2001 provided a net total of $1,368,046.

Our financing activities for the three months ended March 31, 2002, provided a net total of $87,119, pursuant to the afore-mentioned equity line of credit. Cash at the end of that period was $585. As of April 24, 2002, we had cash of $135 and working capital of ($3,180,000).

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Access Power is a party to two legal proceedings arising in the course of its business. These proceedings are described below. Management recognizes the uncertainties of litigation and the possibility that one or more adverse rulings could materially impact operating results. However, although no assurances can be given, Access Power believes, based on the nature of and Access Power's understanding of the facts and circumstances which give rise to such actions and claims, that the ultimate resolution of these items, are not likely to have a materially adverse effect on Access Power's financial position.

In February of 2002, Sunrise International Leasing Corporation (the Plaintiff) filed suit in Hennepin County District Court in the State of Minnesota against Access Power (the Defendant). The Plaintiff is a leasing organization, which leased equipment to Defendant. Plaintiff alleges that Defendant defaulted on its lease payments and is seeking the return of the leased equipment, along with $54,645.55 plus expenses. Defendant is currently in negotiations with the Plaintiff in this matter.

In February of 2002 Business Telecom, Inc (the Plaintiff) filed suit in St. Johns County District Court in the State of Florida against Access Power (the Defendant). The Plaintiff is a telecommunications service provider. The Plaintiff is seeking $608,708.52 plus interest and court costs for services related to a 1999 agreement between the parties. The Defendant believes it has strong legal and factual defenses, and intends to vigorously contest the claim.

Item 2. Changes in Securities and Use of Proceeds

During the period January - March, 2002, the Company raised $87,118 by issuing 5,761,600 shares of common stock to Grandview Court, LLC, a Cayman Islands limited liability company, pursuant to a Registration Statement that became effective December 6, 2001.

On February 27, 2002, 1,316,958 shares were issued to Maguire Land Corp. for lease expense accrued in 2001.

On March 1, 2002, 2,000,000 shares were issued to Bradley W. Benton, appointed President and CFO on February 1, 2002, as part of his negotiated compensation structure.

On March 1, 2002, 7,000,000 shares were issued to Officers as follows:

Name	Title	Stock Issued
Glenn A. Smith	CEO	2,000,000
Maurice Matovich	COO	2,000,000
Tod Smith	CIO & General Counsel	2,000,000
Ron Tregaskis	CTO	1,000,000

These 7 million shares represent an attempt to more favorably position the company's future by improving the capitalization of these Officers and facilitating the transition of the business to the new PowerConferenceCall service. In support of this forward-looking positioning, Glenn A. Smith, CEO, has forfeited the approximately $125,000 of accrued but unpaid payroll due him as of the date of the stock issuance. This amount exceeds the market value of the issued 7 million shares as of April 24, 2002.

Item 5. Other Information

Bradley W. Benton joined Access Power on February 1, 2002 as President and Chief Financial Officer. Mr. Benton led 2 telecommunications-based businesses; one as Executive Director for an AT&T business unit; another as National Director with PricewaterhouseCoopers' outsourcing practice; he also has extensive experience managing consulting engagements as a Principal Consultant for PricewaterhouseCoopers in the Customer Relationship Management industry. Additionally, he has held several senior financial management positions, including Controller and CFO responsibilities for AT&T's emerging cellular business. His focus is on implementing the new PowerConferenceCall service.

Howard L. Kaskel served as the Chief Financial Officer for Access Power from 1998 through January 2002, as a limited partner with Tatum CFO Partners, LLP, a partnership of career chief financial officers. Mr. Kaskel resiged on January 25, 2002.

Ron Tregaskis was appointed Chief Technology Officer on February 26, 2002, expanding his role with the company since joining in 1997.

Item 6. Exhibits and Reports on Form 8-K

(a) No Exhibits are being filed.
(b) No Reports on Form 8-K were filed during this period

SIGNATURES

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

ACCESS POWER, INC.

By:
/s/ Glenn A. Smith Date: April 26,2002
Glenn A. Smith
President

/s/ Bradley W. Benton Date: April 26,2002
Bradley W. Benton
Chief Financial Officer
(principal financial and accounting officer)