

Edgar Filing: FOUNTAIN PHARMACEUTICALS INC - Form 10QSB

FOUNTAIN PHARMACEUTICALS INC
Form 10QSB
May 20, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarter Period Ended
March 31, 2002

Commission File No. 0-18399

FOUNTAIN PHARMACEUTICALS, INC.

(Exact name of Registrant as specified in its Charter)

Delaware

62-1386759

(State or jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

505 South Westland Avenue, Suite D, Tampa, Florida

33606

(Address of Principal Executive Office)

(Zip Code)

Registrant's telephone number, including area code: (813) 248-0089

Former name, former address and former fiscal year,
if changed since last report: N/A

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 a 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

The number of shares outstanding of the Registrant's Class A Common Stock, \$.001 par value, as of May 17, 2002 was 5,875,796.

The number of shares outstanding of the Registrant's Class B Common Stock, \$.001 par value, as of May 17, 2002 was 104,505.

PART I - FINANCIAL INFORMATION

Edgar Filing: FOUNTAIN PHARMACEUTICALS INC - Form 10QSB

Item 1: Financial Statements

Balance Sheet as of March 31, 2002	3
Statement of Operations for the three and six month periods ended March 31, 2002 and March 31, 2001	4
Statement of Changes in Stockholders' Deficit for the period from September 30, 2001 through March 31, 2002	5
Statement of Cash Flows for the six month periods ended March 31, 2002 and March 31, 2001	6
Notes to the financial statements	7

2

FOUNTAIN PHARMACEUTICALS, INC. BALANCE SHEET MARCH 31, 2002

ASSETS

Current assets:
Cash

Total assets

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:
6% Convertible Debenture

Total liabilities

Stockholders' deficit:

Series A preferred stock, par value \$.001, 2,000,000 shares authorized, issued and outstanding (liquidation preference \$2,498,000 in excess of par
Common stock, par value \$.001, 50,000,000 shares authorized 5,875,796 shares issued and outstanding
Class B common stock, par value \$.001, 50,000,000 shares authorized, 104,505 shares issued and outstanding
Additional paid-in capital
Accumulated deficit

Total stockholders' deficit

Total liabilities and stockholders' deficit

See Notes to Financial Statements.

FOUNTAIN PHARMACEUTICALS, INC.
STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTH PERIODS ENDED MARCH 31, 2002 AND 2001

	Three Months Ended		Six Months
	12/31/2001	12/31/2000	3/31/2002
Revenue	\$ -	\$ 190,250	\$ -
Cost of sales	-	20,836	-
Gross profit	-	169,414	-
Operating expenses			
Research & development	-	62,758	-
General & administrative expenses	38,764	100,100	52,844
Selling expenses	-	139,952	-
Depreciation & amortization	-	14,389	-
Total operating expenses	38,764	317,199	52,844
Loss before other income (expenses)	(38,764)	(147,785)	(52,844)
Other income (expenses)			
Interest income	-	6,452	-
Interest expense	-	(77,763)	(22,667)
Other	-	3,615	-
Total other income (expense)	-	(67,696)	(22,667)
Loss before extraordinary item	(38,764)	(215,481)	(75,511)
Gain on extinguishment of debt (no applicable income taxes)	-	-	1,477,401
Net income (loss)	\$ (38,764)	\$ (215,481)	\$ 1,401,890
Basic net income (loss) per share:			
Loss before extraordinary item	\$ (0.01)	\$ (0.09)	\$ (0.02)
Extraordinary gain	0.00	0.00	0.35
Net income (loss)	(\$0.01)	(\$0.09)	\$0.33
Diluted net income (loss) per share:			
Loss before extraordinary item	\$ (0.01)	\$ (0.09)	\$ (0.01)
Extraordinary gain	0.00	0.00	0.27
Net income (loss)	\$ (0.01)	\$ (0.09)	\$ 0.26

Edgar Filing: FOUNTAIN PHARMACEUTICALS INC - Form 10QSB

	=====	=====	=====
Weighted average:			
Basic number of shares outstanding	5,980,301	2,380,301	4,180,301
Diluted number of shares outstanding	5,980,301	2,380,301	5,446,704

See Notes to Financial Statements.

4

FOUNTAIN PHARMACEUTICALS, INC.
STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE PERIOD FROM SEPTEMBER 30, 2001 THROUGH MARCH 31, 2002

	Preferred Stock		Common Stock		Class B Common Stock		Addit Paid Capi
	Shares	Amount	Shares	Amount	Shares	Amount	
Balance, September 30, 2001	2,000,000	\$2,000	2,375,796	\$2,376	4,505	\$ 5	\$17,09
Issuance of stock	-	-	3,500,000	3,500	100,000	100	17
Net income for the quarter	-	-	-	-	-	-	-
Balances, December 31, 2001	2,000,000	2,000	5,875,796	5,876	104,505	105	17,27
Net loss for the quarter	-	-	-	-	-	-	-
Balances, March 31, 2002	2,000,000	\$2,000	5,875,796	\$5,876	104,505	\$105	\$17,27

See Notes to Financial Statements.

5

FOUNTAIN PHARMACEUTICALS, INC.
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED MARCH 31, 2002 AND 2001

	Six Months En
	----- 2002 -----
Cash flows from operating activities:	
Net income (loss)	\$ 1,401,890
Adjustments to reconcile net income (loss) to net cash flows from operating activities:	
Gain on extinguishment of debt	(1,477,401)

4

Edgar Filing: FOUNTAIN PHARMACEUTICALS INC - Form 10QSB

Gain on sale of furniture and equipment	-
Depreciation expense	-
Amortization expense	-
Increase (decrease) in cash due to changes in	
Accounts receivable	-
Inventory	-
Prepaid expenses and other assets	3,659
Accounts payable and other accrued expenses	(143,166)

Net cash flows from operating activities	(215,018)

Cash flows from investing activities:	
Patent costs incurred	-
Proceeds from sale of furniture and equipment	-

Net cash flows from investing activities	-

Cash flows from financing activities:	
Proceeds from issuance of 6% convertible debenture	100,000
Proceeds from sale of common stock	180,000
Officer and director loans	-
Repayment of note payable, bank	-

Net cash flows from financing activities	280,000

Change in cash	64,982
Cash, beginning of period	3,333

Cash, end of period	\$ 68,315
	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for interest	\$ -
	=====

See Notes to Financial Statements.

6

FOUNTAIN PHARMACEUTICALS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED MARCH 31, 2002
(UNAUDITED)

1. Unaudited interim financial statements

The interim financial statements of Fountain Pharmaceuticals, Inc. (the "Company") which are included herein are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. In the opinion of management, these interim financial statements include all the necessary adjustments to fairly present the

Edgar Filing: FOUNTAIN PHARMACEUTICALS INC - Form 10QSB

results of the interim periods, and all such adjustments are of a normal recurring nature. The interim financial statements should be read in conjunction with the audited financial statements for the two years ended September 30, 2001 included in the Company's Annual Report on Form 10-KSB for the year then ended. The report of the Company's independent auditors for the year ended September 30, 2001 contains an explanatory paragraph as to the substantial doubt of the Company's ability to continue as a going concern. No adjustments have been made to the accompanying financial statements to give effect to this uncertainty.

The interim results reflected in the accompanying financial statements are not indicative of the results of operations for a full fiscal year.

2. Issuance of Stock and Extraordinary Gain on Extinguishment of Debt:

On December 31, 2001, Park Street Acquisition Corporation (Park Street), a Florida corporation, acquired 3,500,000 shares of the Company's Class A common stock and 100,000 shares of Class B common stock from the Company for \$180,000. The proceeds of this sale were utilized to pay all of the Company's outstanding liabilities at December 31, 2001. Simultaneously, Park Street acquired 2,000,000 shares of Class A Preferred Stock from Fountain Holdings, LLC ("Holdings") and all Common Stock Purchase Warrants (the "Warrants") in the name of Holdings to purchase shares of the Company's Class A Common Stock. The aggregate purchase price paid to Holdings was \$20,000, allocated \$8,000 towards the purchase of the Preferred Stock and \$12,000 towards the purchase of the warrants. As a result of these transactions, Park Street became the "control person" of Fountain Pharmaceuticals, Inc ("Fountain") as that term is defined in the Securities Act of 1933, as amended. In connection with these transactions, the Board of Directors of the Company nominated Brendon K. Rennert to the Board of Directors and all former officers and directors delivered their letters of resignation to the Company. Mr. Rennert was named CEO, President and Secretary of the Company.

In connection with the acquisitions by Park Street, the related party unsecured lender released and discharged the Company from its obligations due pursuant to the unsecured line of credit, and from any other debt or obligation owing himself or related entities by the Company. As a result the Company has recognized an extraordinary gain of \$1,477,401 for the extinguishment of the debt and related accrued interest.

Subsequent to closing, Park Street and the Company agreed to retire the Warrants. In May 2002, Park Street also agreed to return the Preferred Stock to the Company, at which time, no Preferred Stock will be issued and outstanding.

7

FOUNTAIN PHARMACEUTICALS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED MARCH 31, 2002
(UNAUDITED)

3. Management's plans regarding operations and subsequent events:

As discussed in further detail in the Company's Annual Report on Form 10-KSB and its first quarter report on Form 10-QSB, the Company

Edgar Filing: FOUNTAIN PHARMACEUTICALS INC - Form 10QSB

suspended operations in July 2001. Operations subsequent to that, consisting only of expenses necessary to maintain the public shell, have primarily been funded through related party borrowings (subsequently forgiven) through December 31, 2001, the issuance of common stock discussed in Note 2, and \$100,000 generated through the issuance of debentures. On February 20, 2002 the Company issued a 6% Subordinated Convertible Debenture due May 31, 2002 in the principal amount of \$100,000 through the issuance of debentures. On February 20, 2002 the Company issued a 6% Subordinated Convertible Debenture due May 31, 2002 in the principal amount of \$100,000. This Debenture is convertible into the Company's common stock at \$1.00 per share.

Since the Company no longer has assets except the Company's public shell, it no longer has the ability to generate revenue; therefore, the Company is not in the position to continue as a going concern.

The Company's Board of Directors is currently pursuing candidates with potential business interest with which to merge. The Company has reached an agreement to acquire all of the issued and outstanding shares of SiriCOMM, Inc. As of the date hereof the Company has 5,980,301 shares of common stock outstanding, including 104,505 shares of Class B common stock. In accordance with the terms of the agreement with SiriCOMM, Inc., the Company is obligated to issue the equivalent of 577,391,565 pre-split shares or 9,623,193 post-split shares to the SiriCOMM shareholders. In addition, the Company has agreed to issue the equivalent of 116,228,160 pre-split or 1,937,136 post-split shares to retire \$500,000 of convertible debentures issued by SiriCOMM. Accordingly, after the effective date of the amendment and the closing with SiriCOMM, the new combined entity will have approximately 11,660,003 shares of common stock issued and outstanding. The shareholders and debenture holders of SiriCOMM will own 99% of the Company upon the consummation of the transaction. There can be no assurance that any such transactions will be successfully completed by the Company.

8

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Background

Fountain Pharmaceuticals, Inc. (the "Company"), incorporated in the State of Delaware on March 23, 1989, was organized to develop and commercialize certain proprietary compound encapsulation technologies for use in health care, agricultural, veterinary and consumer market items using technologies developed privately and assigned to the Company. These technologies involved development of man-made spheres composed of soybean lipids that were engineered to entrap pharmaceuticals or other biologically active molecules within the membranes of the soybean lipids, hence a compound delivery encapsulation system known as "Solvent Dilution Micro Carriers" ("SDMC's"). The SDMC's were principally intended for use in connection with dermal applications, solubilization of compounds, parenteral and oral formulations and non-pressurized aerosol preparations. The Company developed a number of proprietary products utilizing its SDMC technologies. These included non-regulated consumer goods and dermatologic products consisting of sunscreens, lotions and moisturizers. Following several years of continued developmental efforts, the Company was able to secure patents on several aspects of its technologies in the United States and Europe and initiate certain marketing programs.

As a result of significant increases in marketing costs associated with

Edgar Filing: FOUNTAIN PHARMACEUTICALS INC - Form 10QSB

the expansion of existing product lines and the introduction of new products during fiscal year ended September 30, 1998, which were not offset by sales revenues during the period, the Company substantially utilized its working capital resources. In order to provide working capital, the Company entered into a secured credit arrangement ("Secured Credit Agreement") with Mr. Schuchert as of December 31, 1998. The credit agreement provided for a two-year line of credit of up to \$1,500,000 subject to the Company satisfying certain agreed upon quarterly operating budget guidelines.

As a result of additional costs associated with the development and marketing of two new product lines during fiscal year ended September 30, 1999, the Company fully utilized the \$1,500,000 line of credit. During fiscal years ended September 30, 2000 and 2001, Mr. Schuchert made additional unsecured advances to the Company, the terms of which were never memorialized in writing.

The Company continued to incur losses and had a working capital deficit at June 21, 2001. Through June 21, 2001 these losses had been principally funded through sales of preferred stock (\$2,500,000) to an entity controlled by the Company's then current Chairman of the Board (Mr. Joseph S. Schuchert, Jr.) and advances of \$2,716,500 from Mr. Schuchert which included a secured line of credit of \$1,500,000 ("Secured Credit Agreement"). On June 21, 2001, Mr. Schuchert notified the Company that it was in default under the Secured Credit Agreement dated December 31, 1998. Mr. Schuchert requested immediate payment of the \$1,500,000 principal and accrued interest due under the Secured Credit Agreement and, in the event such payments were not forthcoming on or before July 2, 2001, notice was given that Mr. Schuchert would take action to take possession of the Company's assets and other collateral as defined in the Secured Credit Agreement.

9

As the Company was not in a financial position to make the required payment, the Company's Board of Directors voted on June 28, 2001 to comply with the agreement and transfer the assets of the Company at the close of business on July 6, 2001 to Mr. Schuchert. As a result, the secured debt was satisfied through this transfer of assets, although the unsecured facility remained outstanding. On December 31, 2001, in connection with the sale by affiliates of Mr. Schuchert of all securities in the Company, Mr. Schuchert released and discharged the Company from all of its obligations due him and Fountain Holdings. As of December 31, 2001, the outstanding principal balance due Mr. Schuchert was \$1,256,809 plus estimated accrued interest of \$225,000,

As the Company had no significant assets subsequent to July 6, 2001, it no longer had the ability to generate revenue to pay its unsecured liabilities; therefore, the Company was not in the position to continue as a going concern. Accordingly, the Company's Board of Directors suspended operations. Through December 30, 2001, the Company's Board of Director's retained only one employee, the Interim Chief Financial Officer/Director of Finance and Administration, who assisted in the transfer of assets to Mr. Schuchert.

On December 31, 2001, Park Street Acquisition Corporation, a Florida corporation, acquired 3,500,000 shares of the Company's Class A common stock, 100,000 shares of Class B common stock from the Company for \$180,000. The proceeds of this sale were utilized to pay all of the Company's outstanding liabilities at December 31, 2001. Simultaneously, Park Street acquired 2,000,000 shares of Class A Preferred Stock from Fountain Holdings, LLC.

As a result of these transactions, Park Street became the "control person" of Fountain Pharmaceuticals, as that term is defined in the Securities Act of 1933, as amended. In connection with these transactions, the Board of Directors of the Company nominated Brendon K. Rennert to the Board of Directors

Edgar Filing: FOUNTAIN PHARMACEUTICALS INC - Form 10QSB

and all former officers and directors delivered their letters of resignation to the Company. Mr. Rennert was named CEO, President and Secretary of the Company.

Anticipated Merger

The Company has negotiated a Securities Exchange Agreement with the shareholders of SiriCOMM, Inc., pursuant to which the Company will issue the equivalent of 577,391,565 shares of its common stock to the SiriCOMM shareholders. Additionally, pursuant to the Securities Exchange Agreement, the Company has agreed to issue the equivalent of 116,228,160 shares of its common stock to retire \$500,000 of convertible debentures issued by SiriCOMM, Inc.

In order to consummate the acquisition of SiriCOMM, Inc. the Company has mailed an Information Statement to its shareholders in connection with a proposed action by written consent to authorize and approve an amendment and restatement of the Company's Certificate of Incorporation which:

10

- o changes the name of the Company to "SiriCOMM, Inc.";
- o combines the outstanding shares of common stock into a single class of common stock;
- o reverse splits the outstanding shares of the Company's common stock one-for-sixty ("Reverse Split");
- o decreases the par value of the Company's common stock resulting from the Reverse Split from \$.06 to \$.001;
- o increases the number of shares of common stock the Company is authorized to issued from 916,667 to 50,000,000; and
- o increases the number of shares of preferred stock, \$.001 par value, the Company is authorized to issue from 2,000,000 to 5,000,000.

In response to comments from the Securities and Exchange Commission ("SEC"), the Company has elected to postpone taking the corporate actions described above. The Company intends to refile a revised Preliminary Information Statement on Schedule 14C as soon as possible instituting these actions and completing the acquisition of SiriCOMM, but the corporate actions will not be taken until the SEC completes its review process of the amended 14C filing and until 20 days after a Definitive Information Statement is filed with the SEC and mailed to our shareholders.

Based upon the 5,980,301 shares of common stock (including the shares of Class B common stock) outstanding on the Record Date (April 12, 2002), the Reverse Split would decrease the outstanding shares of common stock by 98.3% or to approximately 99,672 shares. Upon the completion of the acquisition of SiriCOMM, there will be approximately 11,660,003 shares of post-split common stock issued and outstanding. In addition, at closing, Mr. Rennert will resign as the Company's sole officer and director and SiriCOMM appointees will be appointed as officers and directors of the Company.

SiriCOMM, Inc. is a broadband wireless service provider serving the marine and highway transportation industries. SiriCOMM has integrated multiple technologies including satellite communications, the Internet (and intranets), wireless networking and productivity enhancing software. SiriCOMM's patent pending network architecture enables subscribers to transmit data at speeds 20 to 100 times faster than other wireless solutions. Moreover, SiriCOMM's unique

Edgar Filing: FOUNTAIN PHARMACEUTICALS INC - Form 10QSB

software solutions leverage this ultra high-speed data network to deliver significant cost reduction and productivity improvement opportunities to users.

From its central hub server co-located at the satellite teleport, SiriCOMM receives and transmits data on a "point to broadcast" high-speed network between multiple wireless local area networks installed in strategic locations. For a flat, low monthly fee, subscribers have access to a suite of productively software, the Internet, e-mail, proprietary company intranet information, etc. The network supports multiple user devices to include 802.11b-compatible PalmOS(TM) wireless handheld devices from the most mobile subscribers.

11

Results of Operations

Three Months ended March 31, 2002 compared with the Three Months ended March 31, 2001

During the three months ended March 31, 2002, the Company had no revenues compared to revenues of \$190,250 for the three months ended March 31, 2001. The Company's lack of revenues for the quarter ended March 31, 2002 was a result of the transfer of the Company's assets to Mr. Schuchert as of July 6, 2001 and resultant suspension of the Company's operations on that date. The Company had a net loss of \$38,764 for the quarter ended March 31, 2002 compared to a net loss of \$215,481 for the quarter ended March 31, 2001. This decrease in losses is directly attributable to the Company's decision to suspend operations on July 6, 2001.

During the quarter ended March 31, 2002, the Company incurred operating expenses of \$38,764, representing a decrease of \$278,435 or approximately 88% over operating expenses of \$317,199 for the prior quarter ending March 31, 2001. This decrease in operating expenses was primarily due to reduction in personnel, legal fees, clinical research studies, and sales and marketing expenses, coupled with the suspension of operations in July 2001.

During the quarter ended March 31, 2002, the Company incurred no interest expense compared to an interest expense of \$77,763 for the prior quarter ending March 31, 2001. This decrease in interest expense is associated with the forgiveness of the secured and unsecured lines of credit provided to the Company by Mr. Schuchert. (See "Liquidity and Capital Resources.")

Six Months ended March 31, 2002 compared with the Six Months ended March 31, 2001

During the six months ended March 31, 2002 the Company had no revenues compared to revenues of \$382,261 for the six months ended March 31, 2001. The Company's lack of revenues for the six months ended March 31, 2002 was a result of the transfer of the Company's assets to Mr. Schuchert as of July 6, 2001 and resultant suspension of the Company's operations on that date. The Company had a net income of \$1,401,890 for the six months ended March 31, 2002 compared to a net loss of \$469,395 for the six months ended March 31, 2001. This increase of \$1,871,285 is primarily a result of the forgiveness of debt by a related party (\$1,477,401) partially offset by losses resulting from the Company's decision to suspend operations as of July 6, 2001.

During the six months ended March 31, 2002 the Company incurred operating expenses of \$52,844, representing a decrease of \$597,209 or 92% over operating expenses of \$650,053 for the six months ending March 31, 2001. This decrease in operating expenses was primarily due to reduction in personnel, legal fees, clinical research studies, and sales and marketing expenses coupled

Edgar Filing: FOUNTAIN PHARMACEUTICALS INC - Form 10QSB

with the suspension of operations in July 2001.

12

During the six months ended March 31, 2002, the Company incurred interest expense of \$22,667, an 86% decrease over interest expense of \$160,806 for the prior six months ending March 31, 2001. This decrease in interest expense is associated with the forgiveness of the secured and unsecured lines of credit provided to the Company by Mr. Schuchert. (See "Liquidity and Capital Resources")

Liquidity and Capital Resources

In order to provide working capital, the Company entered into a secured credit arrangement with Mr. Schuchert as of December 31, 1998. The Secured Credit Agreement provided for a secured line of credit of up to \$1,500,000, which was due on December 31, 2000, 180 days from written demand of Mr. Schuchert as lender, or upon an event of default under the agreement. The facility was secured by all of the assets of the Company (subject to any existing liens). Additional funds were advanced in 1999, 2000, and 2001 on an unsecured basis.

On June 21, 2001, Mr. Schuchert notified the Company that it was in default under the Secured Credit Agreement dated December 31, 1998. Mr. Schuchert requested immediate payment of the \$1,500,000 principal and accrued interest due and, in the event such payments were not forthcoming Mr. Schuchert would take action to take possession of the Company's assets and other collateral as defined in the Secured Credit Agreement. As the Company was not in a financial position to make the required payment, the Company's Board of Directors voted on June 28, 2001 to comply with the agreement and transfer the assets of the Company at the close of business on July 6, 2001 to Mr. Schuchert. As a result, the secured debt was satisfied through this transfer of assets, although the unsecured facility remained outstanding.

As the Company had no significant assets subsequent to July 6, 2001, it no longer had the ability to generate revenue to pay its unsecured liabilities; therefore, the Company was not in the position to continue as a going concern. Accordingly, the Company's Board of Directors suspended operations.

On December 31, 2001, Park Street acquired 3,500,000 shares of the Company's Class A Common Stock and 100,000 shares of Class B Common Stock from the Company for \$180,000. The proceeds of this sale were utilized to pay all of the Company's outstanding liabilities at December 31, 2001. Simultaneously, Park Street acquired 2,000,000 shares of Class A Preferred Stock from Fountain Holdings, LLC.

As a result of these transactions, Park Street became the "control person" of the Company, as that term is defined in the Securities Act of 1933, as amended. In connection with these transactions, the Board of Directors of the Company nominated Brendon K. Rennert to the Board of Directors and all former officers and directors delivered their letters of resignation to the Company. Mr. Rennert was named CEO, President and Secretary of the Company.

As of December 31, 2001, in connection with the secured line of credit, Mr. Schuchert was entitled to purchase an aggregate of 2,993,395 shares of the Company's Common Stock upon exercise of warrants. Mr. Schuchert sold these warrants to Park Street for \$12,000. Simultaneously therewith, the Company and Park Street agreed to retire these warrants.

13

Edgar Filing: FOUNTAIN PHARMACEUTICALS INC - Form 10QSB

In connection with the acquisitions by Park Street, Mr. Schuchert released and discharged the Company from its obligations due to him pursuant to the credit agreement dated as of December 31, 1998, and from any other debt or obligation owed Mr. Schuchert or his affiliates by the Company.

During the three months ending March 31, 2002, the Company has financed its operation primarily through the sale of convertible debentures. On February 20, 2002, the Company issued a 6% Subordinated Convertible Debenture due May 31, 2002 in the principal amount of \$100,000. This Debenture is convertible into the Company's common stock at \$1.00 per share.

As of May 17, 2002, the Company remains a "shell" company. The Company plans to complete the acquisition of SiriCOMM during June 2002. SiriCOMM is a broadband wireless applications service provider servicing the marine and highway transportation industries.

Forward Looking Statements. This report contains certain forward-looking statements that are based on current expectations. In light of the important factors that can materially affect results, including those set forth above and elsewhere in this report, the inclusion of forward-looking information herein should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. The Company may encounter competitive, technological, financial and business challenges making it more difficult than expected to continue to market its products and services; competitive conditions within the industry may change adversely; the Company may be unable to retain existing key management personnel; the Company's forecasts may not accurately anticipate market demand; and there may be other material adverse changes in the Company's operations or business. Certain important factors affecting the forward looking statements made herein include, but are not limited to (i) accurately forecasting capital expenditures and (ii) obtaining new sources of external financing. Assumptions relating to budgeting, marketing, product development and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause the Company to alter its capital expenditure or other budgets, which may in turn affect the Company's financial position and results of operations.

14

PART II - OTHER INFORMATION

Item 1: Legal Proceedings

None

Item 2: Changes in Securities and Use of Proceeds

(a) None

(b) None

(c) None

(d) Not Applicable

Item 3.: Defaults upon Senior Securities

None

Edgar Filing: FOUNTAIN PHARMACEUTICALS INC - Form 10QSB

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

On or about April 25, 2002, the Company mailed an Information Statement to its shareholders of record on April 12, 2002 in connection with the Company's proposed acquisition of SiriCOMM. The Company's sole officer, director and majority shareholder has, by written consent, authorized and approved:

- o changing the name of the Company to "SiriCOMM, Inc.";
- o combining the outstanding shares of common stock into a single class of common stock;
- o reverse splitting the outstanding shares of the Company's common stock one-for-sixty ("Reverse Split");
- o decreasing the par value of the Company's common stock resulting from the Reverse Split from \$.06 to \$.001;
- o increasing the number of shares of common stock the Company is authorized to issued from 916,667 to 50,000,000;
- o increasing the number of shares of preferred stock, \$.001 par value, the Company is authorized to issue from 2,000,000 to 5,000,000; and
- o the adoption of the Company's 2002 Equity Incentive Plan.

15

In response to comments from the Securities and Exchange Commission ("SEC"), the Company has elected to postpone taking the corporate actions described above. The Company intends to refile a revised Preliminary Information Statement on Schedule 14C as soon as possible instituting these actions and completing the acquisition of SiriCOMM, but the corporate actions will not be taken until the SEC completes its review process of the amended 14C filing and until 20 days after a Definitive Information Statement is filed with the SEC and mailed to our shareholders.

Item 5.: Other Information

As discussed above, the Company has reached an agreement to acquire all of the issued and outstanding shares of SiriCOMM. As of the date hereof there are 5,980,301 shares of common stock outstanding, including 104,505 shares of Class B common stock. In accordance with the terms of the agreement with SiriCOMM, the Company is obligated to issue the equivalent of 577,391,565 pre-split shares or 9,623,193 post-split shares to the SiriCOMM shareholders. In addition, the Company has agreed to issue the equivalent of 116,228,160 pre-split or 1,937,136 post-split shares to retire \$500,000 of convertible debentures issued by SiriCOMM. Accordingly, after the effective date of the amendment and the closing with SiriCOMM, the new combined entity will have approximately 11,660,003 shares of common stock issued and outstanding. The shareholders and debenture-holders of SiriCOMM will own 99% of the Company upon the consummation of the transaction.

Item 6: Exhibits and Reports on Form 8-K

- (a) The following exhibits are filed as part of this report:
 - 4.1 Form of 6% Subordinated Convertible Debenture due May 31, 2002.

Edgar Filing: FOUNTAIN PHARMACEUTICALS INC - Form 10QSB

(b) Reports on Form 8-K

A Current Report on Form 8-K was filed on January 11, 2002 to report the Change of Control of the Company whereby Brendon K. Rennert and Park Street Acquisition Corporation became "control persons" of the Company.

16

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 17, 2002

FOUNTAIN PHARMACEUTICALS, INC.

By: /s/ Brendon K. Rennert

Brendon K. Rennert, President and
Principal Executive and Financial Officer

17