EVOLVE ONE INC
Form 10QSB
November 17, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2005

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

For the transition period from _____ to _____

Commission File Number: 000-26415

EVOLVE ONE, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	13-3876100
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

P.O. BOX 859 TALLEVAST, FL 34270
(Address of principal executive offices)

(561) 988-0819
(Issuer's telephone number)

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 [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. Yes [X] No [ ].

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 49,536,836 shares of common stock as of November 16, 2005.

EVOLVE ONE, INC.

Form 10-QSB for the period ended September 30, 2005

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this quarterly report on Form 10-QSB contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Readers should carefully review this quarterly report in its entirety, including but not limited to our financial statements and the notes thereto. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

When used in this quarterly report, the terms "Evolve One," " we," "our," and "us" refers to Evolve One, Inc. a Delaware corporation, and our subsidiaries.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EVOLVE ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2005

(UNAUDITED)

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 3,165
Marketable equity securities, net	1,500
Inventory	61,824
Total Current Assets	66,489
PROPERTY AND EQUIPMENT, NET	6,695
OTHER ASSETS	
Other assets	3,991
Total Other Assets	3,991
TOTAL ASSETS	$ 77,175

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Bank overdraft	$ 1,425
Accounts payable	57,784
Total Current Liabilities	59,209
COMMITMENTS AND CONTINGENCIES	-
STOCKHOLDERS' EQUITY	
Cumulative convertible preferred stock, $0.0001 par value, 10,000,000 shares authorized, none issued and outstanding	-
Common stock, $0.00001 par value, 1,000,000,000 shares authorized, 48,382,432 shares issued and outstanding	484
Additional paid in capital	7,956,264
Accumulated deficit	(7,933,832)
Accumulated other comprehensive loss	(4,950)
Total Stockholders' Equity	17,966

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 77,175

See accompanying notes to condensed consolidated financial statements.

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EVOLVE ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended September 30, 2005	For the Three Months Ended September 30, 2004	For the Nine Months Ended September 30, 2005
SALES AND REVENUE	$ -	$ -	$ -
COST OF SALES	-	-	-
GROSS PROFIT	-	-	-
OPERATING EXPENSES			
Selling, general and administrative expenses ..	228,010	273,584	365,440
Total Operating Expenses	228,010	273,584	365,440
OTHER INCOME (EXPENSE)			
Loss from sale of marketable equities	-	(5,024)	-
Investment income	-	1	-
Unrealized gain (loss) on marketable securities	-	(793)	-
Total Other Income (Expense)	-	(5,816)	-
LOSS FROM CONTINUING OPERATIONS	(228,010)	(279,400)	(365,440)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	(105,385)	-	(742,325)
NET LOSS	$ (333,395)	$ (279,400)	$ (1,107,765)
LOSS PER COMMON SHARE - BASIC AND DILUTED			
Loss from continuing operations	$ -	$ (0.01)	$ (0.01)
Income (loss) from discontinued operations	-	-	(0.02)
Net loss per share	$ -	$ (0.01)	$ (0.03)
Weighted average number of shares outstanding			

during the period - basic and diluted	48,382,432	24,770,432	35,442,681

See accompanying notes to condensed consolidated financial statements.

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EVOLVE ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss from continuing operations	$ (365,440)
Net income (loss) from discontinued operations	(742,325)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	35,081
Loss on marketable equity securities	-
Unrealized loss on marketable equity securities	-
Provision for uncollectible accounts receivable	940
Provision for uncollectible note receivable	10,000
Loss on impairment of property and equipment	130,776
Stock issued for services	377,000
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	-
Inventory	24,885
Other assets	20,150
Increase (decrease) in:	
Accounts payable	(6,951)
Other accrued liabilities	-
Accrued salaries	-
Net Cash Used In Operating Activities	(515,884)
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	-
Intangibles	-
Loan receivable - Onspan Networking, Inc., Net	-
Interest receivable - Onspan Networking, Inc.	-
Proceeds from sale of marketable equity securities	-
Net Cash Provided By Investing Activities	-
CASH FLOWS FROM FINANCING ACTIVITIES:	
Cash overdraft	1,425
Exercise of stock options	20,700
Proceeds from sale of common stock	220,000
Proceeds from loan payable	100,000
Net Cash Provided By Financing Activities	342,125

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(173,759)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	176,924
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,165

See accompanying notes to condensed consolidated financial statements.

EVOLVE ONE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30, 2005
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for income taxes	$ -
Cash paid for interest expense	$ -

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

During 2005, a stockholder converted $100,000 in loans payable to common stock.

See accompanying notes to condensed consolidated financial statements.

EVOLVE ONE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2005
(UNAUDITED)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) ORGANIZATION

Evolve One, Inc. (the "Company" or "EONE") is a diversified holding company that develops and operates Internet and direct retail marketing companies. The Company's operating subsidiaries have all been classified as discontinued operations. These include

A1DiscountProducts.com, StogiesOnline.com, Inc. ("Stogies") (www.CigarCigar.com), an online distributor of brand name premium cigars and accessories, AuctionStore.com Inc. ("Auctionstore") (www.Auctionstore.com), is an eBay(R) Trading Assistant and Interent-basded seller of consigned merchandise whose primary medium of sales is through eBay(R), AuctionStore Franchise Corp. ("Franchise"), a recently formed subsidiary that will market and service AuctionStore franchises and International Internet Venture I, LLC (Ventures") which from time to time has owned an equity interest in several companies, some of which are classified as trading securities and some of which are classified as available-for-sale securities. EONE was incorporated in Delaware on June 21, 1994 (See Note 9).

The financial statements included in this report have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting and include all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation. These financial statements have not been audited.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations for interim reporting. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading. However, these financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report for the year ended December 31, 2004, which is included in the Company's Form 10-KSB for the year ended December 31, 2004. The financial data for the interim periods presented may not necessarily reflect the results to be anticipated for the complete year. Certain reclassifications of the amounts presented for the comparative period have been made to conform to the current presentation.

(B) ACCOUNTING ESTIMATES

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

(C) NET EARNINGS (LOSS) PER SHARE

Basic net earnings (loss) per share is computed by dividing net earnings (loss) by the weighted-average number of shares outstanding. Diluted net earnings (loss) per share includes the dilutive effect of stock options. The calculation of diluted weighted average shares outstanding for the quarters ending September 30, 2005 and 2004 excludes 98,096,000 and 24,000 common shares respectively, issuable pursuant to outstanding options. These shares were excluded because their effect was anti-dilutive.

(D) STOCK-BASED COMPENSATION

The Company granted stock options to directors and employees that are more fully described in Note 5. The Company accounts for its stock options using the intrinsic value method under Accounting Principles Board Opinion ("APB") No. 25, "Accounting For Stock Issued To Employees."

(E) PRINCIPLES OF CONSOLIDATION

The accompanying condensed consolidated financial statements include the accounts of EONE, Inc, and its subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation.

(F) REVENUE RECOGNITION

Revenue from sales of cigars, perfume and cologne and auction items over the Internet is recognized upon shipment. Provision is made at the time the related revenue is recognized for estimated product returns.

NOTE 2 MARKETABLE EQUITY SECURITIES

SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities," requires that all applicable investments be classified as trading securities, available-for-sale securities or held-to-maturity securities. The Company has classified certain of its investments as trading securities which are reported at fair value, which is defined to be the last closing price for the listed securities. The unrealized gains and losses which the Company recognizes from its trading securities are included in earnings. The Company also has investments classified as available-for-sale, which are also required to be reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity (net of the effect of income taxes). Fair value is also defined to be the last closing price for the listed security. Due to the size of certain of the Company's investments and their limited trading volume, there can be no assurance that the Company will realize the value which is required to be used by SFAS No. 115.

The amortized cost of equity securities as shown in the accompanying balance sheet and their estimated market value at September 30, 2005 are as follows:

Available-for-sale securities:	
Cost	$ 6,450
Unrealized loss	(4,950)
Marketable equity securities classified as current	$ 1,500

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Losses from trading securities that were included in earnings for the nine months ended September 30, 2005 and 2004 were as follows:

	2005	2004
Realized loss	$ -	$ (54,074)
Unrealized loss	$ -	$ (1,487)

The change in unrealized gains (losses) from available-for-sale securities included as a component of equity for the nine months ended September 30, 2005 and 2004 were as follows:

	2005	2004
Net unrealized gain	$ -	$ 113,335
Decrease in deferred tax asset	-	42,600
Allowance deferred taxes	-	(42,600)
Unrealized gain	$ -	$ 113,335

On June 19, 2003, Onspan Networking, Inc. granted 67,500 stock options to Evolve One, Inc. under a revolving note agreement. The options have an exercise price of $.10 per share. Onspan Networking, Inc. also granted on June 19, 2003, 607,500 stock options to Evolve One, Inc. in the same note agreement. These options have an exercise price of $.30 per share. The Company currently has excluded these "options" on common stock from the assets of the Company, as the underlying stock, due to market conditions, are not readily convertible to cash. If conditions are satisfied and the underlying stock becomes marketable, the "options" would be reclassified as a derivative and recorded at fair value as an adjustment through current period results of operations.

NOTE 3 OTHER COMPREHENSIVE INCOME (LOSS)

The following represents a reconciliation of other comprehensive loss for the nine months ended September 30, 2005:

Accumulated other comprehensive loss at December 31, 2004	$(4,950)
Unrealized gain from marketable equity securities	-
Net accumulated other comprehensive loss	$(4,950)

NOTE 4 LOAN PAYABLE

On March 22, 2005 the Company entered into a subscription agreement with one of its directors, Robert Sands for the sale of 20 units of Evolve One, Inc, for an aggregate price of $100,000. Each unit has a cost of $5,000 and consists of 100,000 shares of Common Stock at $.05, and one option consisting of 100,000 shares of common stock exercisable at $.25 cents per share, which will expire in 3 years. The Company rejected the subscription agreement and recorded the proceeds as a loan payable at March 31, 2005. The loan is unsecured, non-interest bearing and due on demand. During June 2005, the loan was converted into common stock (See Note 5).

NOTE 5 CAPITAL STOCK

On March 15, 2005, Evolve One entered into a Management Agreement with Diversifax Inc. ("Diversifax"). Irwin Horowitz, a principal shareholder and Chief Executive officer of Evolve One, is also a principal shareholder and Chief Executive Officer of Diversifax. Under the terms of the agreement, Diversifax will make available to Evolve One its facilities at 39 Stringham Avenue, Valley Stream, New York; the services on a part-time basis of 7 persons presently employed by Diversifax for approximately 100 hours per week; equipment, hardware and software of Diversifax; and related utilities and overhead functions at that facility. The term of the agreement is for six months and may be terminated prior to the conclusion of its term on ten days' prior written notice by either party, or the agreement may be renewed for a successive six-month term.

In consideration for the management services and facilities provided by Diversifax during the initial six-month term, Evolve One will issue to Diversifax 2,900,000 shares of its common stock. In addition, in the event the market price of the common stock of Evolve One on the six-month anniversary date is below $0.15 per share, Evolve One will issue to Diversifax additional shares of its common stock so that the common shares provided to Diversifax plus such additional shares of common stock will be equal in value to $435,000. In addition, Diversifax will receive 10% of the total amount of the monies received as a result of their efforts with regard to auctions being completed for accounts they have introduced to AuctionStore.com, Evolve One's wholly-owned subsidiary.

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EVOLVE ONE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2005

(UNAUDITED)

Payment of the percentage fee will be made in cash or stock as determined by Diversifax. As of September 30, 2005, the Company recorded an expense of $377,000.

On June 20, 2005, Evolve One completed subscription arrangements with four accredited investors and one unaccredited family member of the chief executive officer of the Company for a total of $320,000. Pursuant to the subscription arrangements, the Company issued 19,200,000 shares and an equal number of warrants exercisable at $0.15 per share for a term ending in May 2008. Members of management invested $200,000 of this amount and received 12,000,000 shares and warrants to purchase 12,000,000 shares. No commissions or fees were paid in connection with the issuance. Inasmuch as the investors were all members of management and accredited investors or, in one instance, was a relative of a member of management, the shares were exempt from registration under the Securities Act of 1933 by virtue of Section 4(2) of that Act.

NOTE 6 STOCK OPTIONS

In November 1999, the Board of Directors approved the establishment of Evolve One, Inc. Stock Option Plan (the "Plan") to provide incentives to attract future employees and retain existing key employees with the Company. The Company has reserved 100,000 shares of common stock for the grant of qualified incentive options or non-qualified options to employees and directors of the Company or its parents or subsidiaries, and to non-employee directors, consultants and advisors and other persons who may perform significant services for or on behalf of the Company under the Plan. These options were granted in accordance with employment agreements. Prices for incentive stock options must provide for an exercise price of not less than 100% of the fair market value of the common stock on the date the options are granted unless the eligible employee owns more than 10% of the Company's common stock for which the exercise price must be at least 110% of such fair market value. Non-statutory options must provide for an exercise price of not less than 85% of the fair market value. The Plan was approved by the shareholders at a meeting on November 11, 1999.

The Company applied Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for the incentive stock options granted to employees under its stock option plan in its statements of operations. During 2005, the Company amended its stock option Plan to increase the number of shares covered by the Plan from 8,000,000 to 100,000,000 shares of common stock.

A summary of the status of the Company's stock options as of September 30, 2005 and the changes during the nine months ended September 30, 2005 and the year ended December 31, 2004 is presented below:

	Shares	Weighted Average Price
Beginning Balance, January 1, 2004	128,000	$.0005
Options granted	2,920,000	.0549
Options exercised	-	-
Options cancelled	-	-
Ending Balance, December 31, 2004	3,048,000	.0554

Options granted	76,000,000	.30
Options exercised	(152,000)	.14
Options cancelled	-	-
Ending Balance, September 30, 2005	78,896,000	$.29
Options exercisable at period end	78,896,000	
Weighted average fair value of options granted to employees during the year ...	.30	.131

During the nine months ended September 30, 2005, the Company granted 76,000,000 stock options to employees. The Company granted 2,920,000 stock options to certain employees during the year ended December 31, 2004. The Company applies APB Opinion No. 25 and related interpretations in accounting for stock options issued to employees. Had compensation cost been determined based on the fair market value at the grant date, consistent with SFAS 123, the Company's net income (loss) would have changed to the pro-forma amounts indicated below.

		For the Nine Months Ended September 30, 2005	For the Nine Months Ended September 30, 2004
Net loss available to common stockholders	As Reported	$ (1,107,765)	$(842,538)
	Pro Forma	$(14,574,436)	$(842,538)
Basic and diluted loss per share	As Reported	(0.03)	(0.02)
	Pro Forma	(0.41)	(0.02)

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EVOLVE ONE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2005

(UNAUDITED)

Range of Exercise Price	Number Outstanding at September 30, 2005	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at September 30, 2005	Weighte Average Exercis Price
$.000125 - .5625	78,896,000	7.5	.29	76,896,000	.29

Range of Exercise Price	Number Outstanding at December 31, 2004	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2004	Weighte Average Exercis Price

$.000125 - .5625	3,048,000	4.93	.0526	3,048,000	.05

NOTE 7 COMMITMENTS AND CONTINGENCIES

During 2005, Messrs. Schultheis and Tabin entered into separate Separation and Severance Agreements with the Company pursuant to which they provided their resignations and also agreed to the termination of their prior employment agreements with the Company. Both of them received options to purchase 10,000,000 shares of common stock at an exercise price of $0.30 per share expiring January 26, 2013, and both were paid the sum of $6,144 to defray health insurance premiums for the ensuing six months.

On January 26, 2005, Irwin Horowitz, a director of the Company was elected as President and Chief Executive Officer of Evolve One. Mr. Horowitz has entered into an employment agreement with the Company pursuant to which he will receive an annual salary of $12,000 per year, reimbursement of his expenses, including travel and lodging costs until such as time as he relocates his principal residence to the location of the Company's offices, and an automobile allowance of up to $1,500 on a monthly basis. In addition, the Company granted to Mr. Horowitz an option to purchase up to 50,000,000 shares of common stock exercisable at $0.30 per share and expiring January 26, 2013.

During April 2005, the Company entered into an employment agreement with an individual as the Director of Franchising. The agreement calls for the individual to receive a salary of $ 52,000, 3,000,000 stock options exercisable at $0.075 for a period of three years and 3,000,000 stock options exercisable at $0.15 for a period of three years.

NOTE 8 RELATED PARTY TRANSACTIONS

See Notes 4, 5, 6 and 7.

NOTE 9 DISCONTINUED OPERATIONS

During October 2005, the Company determined that its business model was unprofitable and decided to discontinue its operations. Discontinued operations for the nine month periods ended September 30, 2005 and 2004 are as follows:

	2005	2004
Sales	$ 114,904	$ 494,953
Cost of goods sold	(81,192)	(324,466)
Operating expenses	(776,037)	-
Net income (loss) from discontinued operations	$(742,325)	$ 170,487

NOTE 10 GOING CONCERN

As reflected in the accompanying consolidated financial statements, the Company has ceased its continuing operations, incurred losses since its inception, used cash in operations during the nine months ended September 30, 2005 of $515,884 and has an accumulated deficit of $7,933,832. This raises substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management believes that actions presently being taken to obtain additional funding and implement its business plan provide the opportunity for the Company to continue as a going concern.

NOTE 11 SUBSEQUENT EVENT

On November 9, 2005, the Board of Directors issued 1,154,404 shares for services provided by Diversifax subsequent to the termination of the agreement on September 15, 2005 (See Note 5). As of September 30, 2005, two weeks had been accrued for services rendered for the period then ended, and will be subsequently adjusted to reflect the value of the shares issued.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis of our financial condition and results of operations should be read with the unaudited condensed consolidated financial statements and related notes contained in this report.

Results of Operations

During fiscal 2005 our operations have consisted of two Internet based businesses within the United States, Stogies and AuctionStore. Stogies was an online distributor and retailer of brand name premium cigars. AuctionStore, was an eBay(R) Trading Assistant and Internet-based seller of consigned merchandise whose primary medium of sales is eBay(R). Stogies became operational in November 1998, and AuctionStore became operational in December 2004. Our Stogies segment generated revenues from the sale of cigars and cigar accessories. Our AuctionStore.com segment, which was formed during the third quarter of fiscal 2004, generated revenues from selling items that are generated from individuals, charity fund donation drives and business liquidations. In May 2005 we formed a new subsidiary, AuctionStore Franchise Corp., to market and service franchises of AuctionStore.com., and we engaged an expert in franchise development and marketing. Effective December 31, 2004, we discontinued operations of our A1Discount Perfume operating line of business as discussed in Note 1 of the Notes to Condensed Consolidated Financial Statements (unaudited) appearing elsewhere in this report. While we reported sales from these operations of $114,904 for the nine months ended September 30, 2005, as a result of competition in the marketplace and a lack of sufficient working capital, during October 2005 we determined that our business model was unprofitable and decided to discontinue the balance of our operations. Because this decision to discontinue our operations was made prior to the filing of this quarterly report, our financial statements contained in this report give accounting effect to the discontinued operations even though the decision was made after September

30, 2005. As a result, our net income (loss) from these discontinued operations, which includes all revenues during the periods presented less the costs of goods sold and operating expenses attributable to those revenues, is reported on our income statement under Income (Loss) from Discontinued Operations. Accordingly, we did not report any revenues for the three and nine months ended September 30, 2005 or 2004 on the Condensed Consolidated Statement of Operations (unaudited) appearing elsewhere herein. See Note 9 to the Condensed Consolidated Financial Statements (unaudited) appearing elsewhere herein. Subsequent to September 30, 2005 we are continuing to sell our remaining inventory. The proceeds from such sales, as well as the costs of the goods sold and operating expenses related to these discontinued operations, will be reported in future periods as Income (Loss) from Discontinued Operations.

For the nine months ended September 30, 2005, we had a loss from continuing operations of $365,440 as compared to $1,013,025 for the nine months ended September 30, 2004. The losses from continuing operations for these periods represent expenses associated with the ongoing administration of our company, the majority of which are non-cash expenses which represent the value of stock issued to an affiliate of our CEO through which management services and facilities are provided to us.

As a result of the discontinuation of our operations we intend to seek to acquire assets or shares of an entity actively engaged in business which generates revenues, in exchange for our securities. Our purpose is to seek, investigate and, if such investigation warrants, acquire an interest in business opportunities presented to it by persons or firms who or which desire to seek the perceived advantages our company may offer. We will not restrict our search to any specific business, industry, or geographical location and we may participate in a business venture of virtually any kind or nature. This discussion of the proposed business is purposefully general and is not meant to

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be restrictive of our virtually unlimited discretion to search for and enter into potential business opportunities. Management anticipates that it may be able to participate in only one potential business venture because we have nominal assets and limited financial resources. This lack of diversification should be considered a substantial risk to our stockholders because it will not permit us to offset potential losses from one venture against gains from another.

We may seek a business opportunity with entities which have recently commenced operations, or which wish to utilize the public marketplace in order to raise additional capital in order to expand into new products or markets, to develop a new product or service, or for other corporate purposes. We may acquire assets and establish wholly-owned subsidiaries in various businesses or acquire existing businesses as subsidiaries. We anticipate that the selection of a business opportunity in which to participate will be complex and extremely risky. Due to general economic conditions, rapid technological advances being made in some industries and shortages of available capital, management believes that there are numerous firms seeking the perceived benefits of a publicly registered corporation. These perceived benefits may include facilitating or improving the terms on which additional equity financing may be sought, providing liquidity for incentive stock options or similar benefits to key employees, providing liquidity (subject to restrictions of applicable statutes), for all stockholders and other factors. Potentially, available business opportunities may occur in many different industries and at various stages of development, all of which will make the task of comparative investigation and analysis of such business opportunities extremely difficult and complex.

The analysis of new business opportunities will be undertaken by, or under the supervision of, Dr. Horowitz our CEO, who may not be considered a professional business analyst. Dr. Horowitz will be the key person in the search, review and negotiation with potential acquisition or merger candidates. We intend to concentrate on identifying preliminary prospective business opportunities which may be brought to our attention through present associations of our officers and directors, or by our stockholders. In analyzing prospective business opportunities, we will consider such matters as the available technical, financial and managerial resources; working capital and other financial requirements; history of operations, if any; prospects for the future; nature of present and expected competition; the quality and experience of management services which may be available and the depth of that management; the potential for further research, development, or exploration; specific risk factors not now foreseeable but which then may be anticipated to impact our proposed activities; the potential for growth or expansion; the potential for profit; the perceived public recognition of acceptance of products, services, or trades; name identification; and other relevant factors. We will not acquire or merge with any company for which audited financial statements cannot be obtained within the time period prescribed by applicable rules of the Securities and Exchange Commission which is presently four business days from the closing date of the transaction. This requirement for readily available audited financial statement may require us to preclude a transaction with a potential candidate which might otherwise be beneficial to our stockholders.

We will not restrict our search for any specific kind of company, but may acquire a venture which is in its preliminary or development stage, which is already in operation, or in essentially any stage of its corporate life. It is impossible to predict at this time the status of any business in which we may become engaged, in that such business may need to seek additional capital, may desire to have its shares publicly traded, or may seek other perceived advantages which we may offer. However, we do not intend to obtain funds in one or more private placements to finance the operation of any acquired business opportunity until such time as we have successfully consummated such a merger or acquisition.

We anticipate that we will incur nominal expenses in the implementation of our business plan described herein. Because we have no capital with which to pay these anticipated expenses, these expenses will be paid by Dr. Horowitz with his personal funds as interest-free loans. However, the only opportunity to have these loans repaid will be from a prospective merger or acquisition candidate. Repayment of any loans made on our behalf will not impede, or be made conditional in any manner, to consummation of a proposed transaction.

In implementing a structure for a particular business acquisition, we may become a party to a merger, consolidation, reorganization, joint venture, or licensing agreement with another corporation or entity. We may also acquire stock or assets of an existing business. On the consummation of a transaction, it is probable that our present management and stockholders will no longer be in control of our company. In addition, our directors may, as part of the terms of the acquisition transaction, resign and be replaced by new directors without a vote of our stockholders or may sell their stock. Any terms of sale of the shares presently held by officers and/or directors will be also afforded to all other stockholders on similar terms and conditions. Any and all such sales will only be made in compliance with federal and applicable state securities laws.

We anticipate that any securities issued in any such reorganization would be issued in reliance upon exemption from registration under applicable federal and state securities laws. In some circumstances, however, as a negotiated element of a transaction, we may agree to register all or a part of such securities immediately after the transaction is consummated or at specified times thereafter. If such registration occurs, of which there can be no assurance, it will be undertaken by the surviving entity after we have successfully consummated a merger or acquisition and we are no longer considered a "shell" company. Until such time as this occurs, we will not attempt to register any additional securities. The issuance of substantial additional securities and their potential sale into any trading market which may develop in our securities may have a depressive effect on the value of our securities in the future, if such a market develops, of which there is no assurance.

While the actual terms of a transaction to which we may be a party cannot be predicted, it may be expected that the parties to the business transaction will find it desirable to avoid the creation of a taxable event and thereby structure the acquisition in a so-called "tax-free" reorganization under Sections 368(a)(1) or 351 of the Internal Revenue Code. In order to obtain tax-free treatment, it may be necessary for the owners of the acquired business to own 80% or more of the voting stock of the surviving entity. In such event, our stockholders, would retain less than 20% of the issued and outstanding shares of the surviving entity, which would result in significant dilution in the equity of such stockholders.

We will participate in a business opportunity only after the negotiation and execution of appropriate written agreements. Although the terms of such agreements cannot be predicted, generally such agreements will require some specific representations and warranties by all of the parties thereto, will specify certain events of default, will detail the terms of closing and the conditions which must be satisfied by each of the parties prior to and after such closing, will outline the manner of bearing costs, including costs associated with our attorneys and accountants, will set forth remedies on default and will include miscellaneous other terms.

We do not intend to make any loans to any prospective acquisition or merger candidates or to unaffiliated third parties. We do not intend to provide our stockholders with any complete disclosure documents, including audited financial statements, concerning an acquisition or merger candidate and its business prior to the consummation of any acquisition or merger transaction, so stockholders will be dependent upon the judgment of Dr. Horowitz and our Board of Directors regarding the fairness of any transaction.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations and otherwise operate on an ongoing basis. We had working capital of $7,280 at September 30, 2005, a decrease of $200,537 from December 31, 2004. The working capital change consists primarily of a decrease of $(173,759) in cash and a decrease in inventory of $(24,885).

Net cash used in operating activities for the nine months ended September 30, 2005 was $515,884 as compared to $311,170 for the nine months ended September 30, 2004. This increase of $204,714, or approximately 66%, is primarily attributable to:

- a decrease in our net loss from continuing operations of $647,585 which was offset by an increase in our net loss from discontinued operations of $912,812,
- an increase of $10,940 in provisions for uncollectible accounts receivable and note receivable,
- an increase of $130,776 in loss on impairment of property and

equipment related to a one-time write down of certain computer equipment, and

- an increase of $377,000 in stock-based compensation representing the current portion of the value of the shares of our common stock issued to a company controlled by our CEO as compensation for management services and the provision of facilities to us,

which were primarily offset by:

- a decrease of $37,209 in depreciation and amortization,
- a decrease of $55,561 in losses on marketable equity securities,
- a decrease of $19,086 in accounts receivable,
- a decrease of $216,586 in inventory,
- a decrease of $21,209 in other assets,
- a decrease of $39,663 in accounts payable,
- a decrease of $1,816 in other accrued liabilities, and
- a decrease of $192,449 in accrued salaries.

Net cash provided by investing activities was $0 for the nine months ended September 30, 2005 as compared to $667,693 for the nine months ended September 30, 2004. Net cash provided by financing activities for the nine months ended September 30, 2005 was $342,125 as compared to $0 for the nine months ended September 30, 2004. The increase in the 2005 period represents $1,425 benefit from the cash overdraft, $20,700 received from the exercise of stock options and $100,000 received as a loan from one of our directors as further described in Note 4 of the Notes to Condensed Consolidated Financial Statements (unaudited) appearing elsewhere herein and $220,000 in net proceeds from the sale of our equity securities as described in Note 5 of the Notes to Condensed Consolidated Financial Statements (unaudited) appearing elsewhere herein.

At September 30, 2005 we had cash and cash equivalents of $3,165 and an accumulated deficit of $7,933,832. The report from our independent registered public accounting firm on our audited financial statements at December 31, 2004 contains an explanatory paragraph regarding doubt as to our ability to continue as a going concern as a result of our significant recurring losses from operations since inception. As discussed earlier in this report, in October 2005 we discontinued our operations and are now seeking to acquire assets or shares of an entity actively engaged in business which generates revenues, in exchange for our securities. We cannot predict when, if ever, we will be successful in this venture and, accordingly, we may be required to cease operations at any

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time. We do not have sufficient working capital to pay our operating costs for the next 12 months. As described later in this report under Part II, Item 5. Other Events, an entity affiliated with our CEO and principal stockholder is providing management services and facilities to us under an oral agreement and we will pay for these services and facilities through the issuance of shares of our common stock. We entered into this arrangement to preserve what cash is currently available to us. We will, however, require additional funds to pay our legal, accounting and other fees associated with our company and its filing obligations under federal securities laws, as well as to pay our other accounts payable generated in the ordinary course of our business. We have no commitments from any party to provide such funds to us and are dependent upon proceeds we may receive from the sale of our inventory to generate cash. If such sales do not generate sufficient cash to satisfy these obligations, or we are unable to obtain additional capital as necessary until such time as we are able to conclude a business combination, we will be unable to satisfy our obligations and otherwise continue to meet our reporting obligations under federal securities laws. In that event, our stock would no longer be quoted on the OTC

Bulletin Board and our ability to consummate a business combination with upon terms and conditions which would be beneficial to our existing stockholders would be adversely affected.

Critical Accounting Policies

We have identified the policies outlined below as critical to our business operations and an understanding of our results of operations. The listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for management's judgment in their application. The impact and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis or Plan of Operations where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see the Notes to Condensed Consolidated Financial Statements appearing elsewhere herein. Our preparation of the financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates.

New Accounting Standards

In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 03-01, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." EITF 03-01 provides guidance on other-than-temporary impairment models for marketable debt and equity securities accounted for under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," and non-marketable equity securities accounted for under the cost method. The EITF developed a basic three-step model to evaluate whether an investment is other-than-temporarily impaired. In September 2004, the FASB issued FASB Staff Position EITF 03-01-1, which delays the effective date until additional guidance is issued for the application of the recognition and measurement provisions of EITF 03-01 to investments in securities that are impaired; however, the disclosure requirements are effective for annual periods ending after June 15, 2004. The adoption of the disclosure provisions of EITF 03-01 did not have a material effect on our results of operations or financial condition.

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In November 2004, the Financial Accounting Standards Board ("FASB") issued SFAS 151, Inventory Costs--An Amendment Of ARB No. 43, Chapter 4. The Statement Amends The Guidance Of ARB No. 43, Chapter 4, Inventory Pricing, by clarifying that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and by requiring the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. It does not appear that this Statement will have a material effect on our financial position, operations or cash flows when it becomes effective in 2006.

In December 2004, the FASB issued SFAS No. 123R "Share-Based Payment" ("SFAS 123R"), a revision to SFAS No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123"), and superseding APB Opinion No. 25 "Accounting for Stock Issued to Employees" and its related implementation guidance. SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, including obtaining employee services in share-based payment transactions. SFAS 123R applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. Adoption of the provisions of SFAS 123R were effective as of the beginning of the first interim or annual reporting period that began after December 15, 2005. We are currently in the process of evaluating the potential impact that the adoption of SFAS 123R will have on our consolidated financial position and results of operations.

In December 2004, the FASB issued SFAS 153, "Exchanges of Non-monetary Assets, an amendment of APB 29, Accounting for Non-monetary Transactions." The amendments made by SFAS 153 are based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for non-monetary exchanges of similar productive assets and replace it with a broader exception for exchanges of non-monetary assets that do not have commercial substance. Previously, APB 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. APB 29 provided an exception to its basic measurement principle (fair value) for exchanges of similar productive assets. The FASB believes that exception required that some non-monetary exchanges, although commercially substantive, be recorded on a carryover basis. By focusing the exception on exchanges that lack commercial substance, the FASB believes SFAS 153 produces financial reporting that more faithfully represents the economics of the transactions. SFAS 153 was effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for non-monetary asset exchanges occurring in fiscal period beginning after the date of issuance. The provisions of this Statement shall be applied prospectively. We do not believe that SFAS 153 will have a material impact on our consolidated financial statements.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated on a straight-line basis over the estimated useful lives of such assets. Changes in circumstances such as technological advances, changes to our business model or changes in our capital strategy could result in the actual useful lives differing from our estimates. In those cases where the we determine that the useful life of property, plant and equipment should be shortened, we will depreciate the net book value in excess of the estimated salvage value over its revised remaining useful life.

Deferred Tax Assets

We record a valuation allowance to reduce the carrying value of our deferred tax assets to an amount that is more likely than not to be realized. While we have considered future taxable income and prudent and feasible tax planning strategies in assessing the need for the valuation allowance, should we determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the carrying value of the deferred tax assets would be charged to income in the period in which such determination was made.

Investments

Investments are classified as either available-for-sale or trading securities and are held for resale in anticipation of short-term market movements or until such securities are registered or are otherwise unrestricted. At September 30, 2005, investments consisted of common stock and options to acquire common stock held for resale.

Trading account assets, consisting of marketable equity securities, are stated at fair value. Unrealized gains or losses on trading securities are recognized in the statement of operations on a monthly basis based on changes in the fair value of the security as quoted on national or inter-dealer stock exchanges.

Available-for-sale assets, which are also required to be reported at fair value, with unrealized gains and losses excluded from earnings, are reported as a separate component of stockholders' equity (net of the effect of income taxes).

ITEM 3. CONTROLS AND PROCEDURES

Our management, which includes our CEO who is our sole officer, has conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-14(c) promulgated under the Securities and Exchange Act of 1934, as amended) as of a date (the "Evaluation Date") as of the end of the period covered by this report. Based upon that evaluation, our CEO has concluded that our disclosure controls and procedures are effective for timely gathering, analyzing and disclosing the information we are required to disclose in our reports filed under the Securities Exchange Act of 1934, as amended. There have been no significant changes made in our internal controls or in other factors that could significantly affect our internal controls subsequent to the end of the period covered by this report based on such evaluation.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On November 9, 2005 we issued Diversifax 1,154,404 shares of our common stock to Diversifax Inc. as compensation for its management services and facility usage from the period of September 16, 2005 through September 30, 2005 under the terms of an oral agreement described below under Item 5. The securities were issued in a transaction exempt from registration under the Securities Act of 1933 in reliance on Section 4(2) of that act and the recipient was an accredited investor.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

On March 15, 2005, we entered into a six month Management Agreement with Diversifax Inc. to provide us management services and facilities. Dr. Irwin Horowitz, a principal shareholder and Chief Executive officer of our company, is also a principal shareholder and Chief Executive Officer of Diversifax. As consideration we issued Diversifax 2,900,000 shares of our common stock. In addition, in the event the market price of our common stock on the six-month anniversary date was below $0.15 per share, we agreed to issue Diversifax additional shares of our common stock so that the common shares provided to Diversifax plus such additional shares of common stock would be equal in value to $435,000. The agreement terminated on September 15, 2005 under its terms and as the market price of our common stock exceeded $0.15 per share we were not obligated to issue Diversifax any additional shares of our common stock. Diversifax has continued to provide services to us after September 15, 2005 under an oral agreement and, as set forth in Item 1 above, we issued Diversifax an additional 1,154,404 shares of our common stock as compensation for these services from period of September 16, 2005 through September 30, 2005. We will continue to utilize these services under an oral agreement for the foreseeable future and will compensate Diversifax for these services in an amount of shares of our common stock equal to $72,500 per month based upon the fair market value of our stock on the date of issuance.

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Rule 13a-14(a)/15d-14(a) certification of President
31.2	Rule 13a-14(a)/15d-14(a) certification of principal accounting officer
32.1	Section 1350 certification

SIGNATURES

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

EVOLVE ONE, INC.

By: /s/ Irwin Horowitz
Irwin Horowitz, President and CEO,
principal executive officer and
principal accounting officer

Dated: November 16, 2005