

E-Debit Global Corp.  
Form 10-Q  
November 19, 2013

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

FORM 10-Q

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

For the quarterly period ended: September 30, 2013

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commissions file number 0-32051

E-DEBIT GLOBAL CORPORATION  
(Exact name of Registrant as specified in its charter)

COLORADO  
(State or other jurisdiction  
of incorporation or organization)

98-0233968  
(IRS Employer Identification No.)

#12, 3620 – 29th Avenue NE  
Calgary, Alberta Canada T1Y 5Z8  
Telephone (403) 290-0264  
(Issuer's telephone number)

(Former name, former address and former  
fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Edgar Filing: E-Debit Global Corp. - Form 10-Q

Non-accelerated filer

Smaller reporting company

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

---

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS

DURING THE PRECEDING FIVE YEARS

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of October 15, 2013, there were 320,046,834 outstanding shares of the Registrant's Common Stock, no par value and 81,518,410 shares of Preferred Stock, no par value.

---

E-DEBIT GLOBAL CORPORATION

INDEX TO THE FORM 10-Q

For the quarterly period ended September 30, 2013

	PAGE
<b>PART FINANCIAL INFORMATION</b>	
<b>I</b>	
ITEM 1.	UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
	Condensed Consolidated Balance Sheets 4
	Condensed Consolidated Statements of Operations 5
	Condensed Consolidated Statements of Comprehensive Income 7
	Condensed Consolidated Statements of Changes in Stockholders' Deficit 8
	Condensed Consolidated Statements of Cash Flows 9
	Notes to Condensed Financial Statements 10
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 23
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK. 29
ITEM 4.	CONTROLS AND PROCEDURES 29
<b>Part II OTHER INFORMATION</b>	
ITEM 1.	LEGAL PROCEEDINGS 30
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS 30
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES 30
ITEM 4.	MINE SAFETY DISCLOSURES 30
ITEM 5.	OTHER INFORMATION 30
ITEM 6.	EXHIBITS 30

## PART I - FINANCIAL INFORMATION

## ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

E-DEBIT GLOBAL CORPORATION  
Condensed Consolidated Balance Sheet

ASSETS	September 30, 2013 (Unaudited)	December 31, 2012 (Derived from audited financial statements)
<b>CURRENT ASSETS</b>		
Cash	\$15,181	\$46,898
Restricted cash	92,686	188,236
Accounts receivable net of allowance for doubtful accounts of \$22,468 and \$23,413	50,182	37,791
Other receivable – related parties	12,336	16,535
Inventory	64,978	68,628
Prepaid expense and deposit	2,361	9,022
<b>Total current assets</b>	<b>237,724</b>	<b>367,110</b>
Property and equipment, net of depreciation	149,774	225,190
Investment, at cost	40	20
Intangible Assets, net of amortization	10,447	43,926
<b>Total assets</b>	<b>\$397,985</b>	<b>\$636,246</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	562,795	396,988
Accrued liabilities	79,512	98,026
Loans payable	239,342	287,047
Indebtedness to related parties	1,468,382	1,517,601
Shareholder loans	297,265	292,741
<b>Total current liabilities</b>	<b>2,647,296</b>	<b>2,592,403</b>
<b>Total liabilities</b>	<b>2,647,296</b>	<b>2,592,403</b>
<b>COMMITMENTS AND CONTINGENCIES (Notes 1,4,9,10,11,12,15)</b>		
<b>STOCKHOLDERS' DEFICIT</b>		
Preferred stock – authorized 200,000,000 shares, no par value, 81,518,410 shares issued and outstanding at September 30, 2013 and 81,518,410 at December 31, 2012	1,475,493	1,475,493
Common stock - authorized 10,000,000,000 shares, no par value; 320,046,834 shares issued and outstanding at	2,212,392	2,212,392

Edgar Filing: E-Debit Global Corp. - Form 10-Q

September 30, 2013 and 320,046,834 at December 31, 2012

Additional paid-in capital	1,009,414	654,018
Accumulated other comprehensive income	165,883	86,207
Accumulated deficit	(7,112,493 )	(6,384,267 )
Total stockholders' deficit	(2,249,311 )	(1,956,157 )
Total liabilities and stockholders' Deficit	\$397,985	\$636,246

See accompanying notes to consolidated financial statements

E-DEBIT GLOBAL CORPORATION  
Condensed Consolidated Statements of Operations  
For the nine Months Ended September 30,  
(Unaudited)

	2013	2012
Revenue -		
Equipment and supplies	\$ 11,608	\$ 3,018
Residual and interchange income	765,532	1,761,765
Other	28,321	57,724
Total revenue	805,461	1,822,507
Cost of sales -		
Equipment and supplies	9,746	13,492
Residual and interchange costs	433,293	1,142,926
Other	347,702	438,294
Total cost of sales	790,741	1,594,712
Gross profit	14,720	227,795
Operating expenses -		
Depreciation and amortization	82,192	78,007
Consulting fees	115,897	129,237
Legal and accounting fees	57,424	54,957
Salaries and benefits	329,077	374,865
Travel, delivery and vehicle expenses	22,390	38,963
Other	168,513	273,019
Total operating expenses	775,493	949,048
(-Loss-) from operations	(760,773 )	(721,253 )
Other income (expense) -		
Interest expense	(95,085 )	(108,990 )
Gain on sale	107,548	263,418
Other income	20,084	10,079
Net (-loss-) before income taxes	(728,226 )	(556,746 )
Provision for income taxes	—	—
Net (-loss-)	\$(728,226 )	\$(556,746 )
Basic net (-loss-) per common share	\$0.00	\$(0.00 )
Weighted number of shares outstanding	320,046,834	147,573,788

See accompanying notes to consolidated financial statements





E-DEBIT GLOBAL CORPORATION  
Condensed Consolidated Statements of Operations  
For the three Months Ended September 30,  
(Unaudited)

	2013	2012
Revenue -		
Equipment and supplies	\$3,109	\$2,963
Residual and interchange income	247,106	591,496
Other	6,348	10,200
Total revenue	256,563	604,659
Cost of sales -		
Equipment and supplies	2,318	3,039
Residual and interchange costs	140,838	376,337
Other	103,167	130,021
Total cost of sales	246,323	509,397
Gross profit	10,240	95,262
Operating expenses -		
Depreciation and amortization	25,130	24,305
Consulting fees	38,041	39,692
Legal and accounting fees	8,764	9,872
Salaries and benefits	96,362	121,324
Travel, delivery and vehicle expenses	18,637	25,578
Other	57,713	81,813
Total operating expenses	244,647	302,584
(-Loss-) from operations	(234,407 )	(207,322 )
Other income (expense) -		
Interest expense	(30,346 )	(22,480 )
Other income	20,084	10,079
Net (-loss-) before income taxes	(244,669 )	(219,723 )
Provision for income taxes	—	—
Net (-loss-)	\$(244,669 )	\$(219,723 )
Basic net income (-loss-) per common share	\$0.00	\$(0.00 )
Weighted number of shares outstanding	320,046,834	252,222,677

See accompanying notes to consolidated financial statements



E-DEBIT GLOBAL CORPORATION  
 Condensed Consolidated Statements of Comprehensive Income  
 (Unaudited)

	Three Months Ended September 30, 2013		2012		Nine Months Ended September 30, 2013		2012	
Net (-loss-)	\$(244,669	)	\$(219,723	)	\$(728,226	)	\$(556,746	)
Other comprehensive income (-loss-), net of tax								
Foreign currency translation adjustment	(42,316	)	(47,560	)	79,676	)	(48,872	)
Other comprehensive income (-loss-), net of tax	(42,316	)	(47,560	)	79,676	)	(48,872	)
Comprehensive (-loss-)	\$(286,985	)	\$(267,283	)	\$(648,550	)	\$(605,618	)

See accompanying notes to consolidated financial statements

E-DEBIT GLOBAL CORPORATION  
Condensed Consolidated Statements of Changes in Stockholders' Deficit  
(Unaudited)

	Preferred Stock		Common Stock		Additional	Accumulated	Other	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in	comprehensiv	Income	(Deficit)	Stockholders'
					Capital				(Deficit)
Balance, December 31, 2012	81,518,410	\$1,475,493	320,046,834	\$2,212,392	\$654,018		\$86,207	\$(6,384,267)	\$(1,956,157)
Forgiveness of debt related parties	—	—	—	—	355,396		—	—	355,396
Other comprehensive income, net of tax	—	—	—	—	—		79,676	—	79,676
Net income for the nine months ended September 30, 2013	—	—	—	—	—		—	(728,226 )	(728,226 )
Balance, September 30, 2013	81,518,410	\$1,475,493	320,046,834	\$2,212,392	\$1,009,414		\$165,883	\$(7,112,493)	\$(2,249,311)

See accompanying notes to consolidated financial statements

E-DEBIT GLOBAL CORPORATION  
Condensed Consolidated Statement of Cash Flows  
For the nine Months Ended September 30,  
(Unaudited)

	2013	2012
Cash flows from operating activities:		
Net (loss) income from operations	\$(728,226 )	\$(556,746 )
Reconciling adjustments -		
Depreciation and amortization	82,192	78,007
Bad debt	10,521	-
Changes in operating assets and liabilities		
Restricted cash	95,550	(546,782 )
Accounts receivable	(8,192 )	1,784
Inventory	3,650	14,058
Prepaid expenses and other	6,661	15,410
Accounts payable and accrued liabilities	147,293	309,113
Net cash (used for) provided by operations	(390,551 )	(685,156 )
Cash flows from investing activities:		
Purchase of equipment	(6,859 )	—
Disposal of equipment	—	—
Net cash (used for) provided by investing activities	(6,859 )	—
Cash flows from financing activities:		
Indebtedness to related parties	230,833	584,560
Repayment to related parties	(102,956 )	(208,965 )
Proceeds from related parties	213,721	164,235
Proceeds from loans	—	126,003
Repayments of loans	(55,581 )	—
Net cash (used for) provided by financing activities	286,017	665,833
Foreign currency translation adjustment	79,676	(48,872 )
Net change in cash and cash equivalents	(31,717 )	(68,195 )
Cash at beginning of year	46,898	96,492
Cash at end of year	\$15,181	\$28,297
Supplemental schedules:		
Cash paid for interest	\$22,341	\$27,924
Cash paid for income taxes	\$—	\$—
Noncash investing and financing activities		
Shares issued for the settlement of debt	\$—	\$235,460
Forgiveness of debt – related party	\$355,396	\$—
Transfer fixed assets to inventory	\$21,184	\$—

See accompanying notes to consolidated financial statements



E-DEBIT GLOBAL CORPORATION  
Notes to Condensed Consolidated Financial Statements  
September 30, 2013 and 2012  
(Unaudited)

Note 1 – Basis of Presentation and Nature of Operations

The accompanying consolidated balance sheet as of December 31, 2012 has been derived from audited financial statements and the accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the interim reporting requirements of Regulation S-X. The accompanying interim consolidated financial statements included herein have been prepared by E-Debit Global Corporation (the “Corporation”) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q. In management's opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as allowed by such rules and regulations, and E-Debit Global Corporation believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the December 31, 2012 audited financial statements and the accompanying notes thereto contained in the Annual Report on Form 10-K filed with the Securities and Exchange Commission. While management believes the procedures followed in preparing these financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by E-Debit Global Corporation later in the year. The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. In management's opinion all adjustments necessary for a fair presentation of the Corporation's financial statements are reflected in the interim periods included.

Westsphere Asset Corporation, Inc. (Corporation) was incorporated in Colorado on July 21, 1998 as Newlink Networks TDS, Inc. and changed its name to Westsphere Asset Corporation Inc. on April 29, 1999. On April 2, 2010, the Corporation officially changed its name to E-Debit Global Corporation.

On September 18, 2012, the Corporation amended its articles of incorporation to increase its authorized capital to Ten Billion (10,000,000,000) shares of no par value common stock and Two Hundred Million (200,000,000) of no par value preferred stock.

The Corporation's primary business is the sale and operation of cash vending (ATM) and point of sale (POS) machines in Canada.

Reclassification

Certain amounts previously reported have been reclassified to conform to current presentation. Certain labels of accounts/classifications have been changed.

Note 2 – Recent Accounting Pronouncements

In July 2013, the FASB amended Accounting Standards Codification (“ASC”) 740, “Income Taxes.” The amendment provides guidance on the financial statement presentation of an unrecognized tax benefit, as either a reduction of a deferred tax asset or as a liability, when a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward exists. The amendments will be effective for interim and annual periods beginning after December 15,

2013 and may be applied on a retrospective basis. Early adoption is permitted. We do not anticipate that this adoption will have a significant effect on our financial position, results of operation or cash flows.



In March 2013, the Financial Accounting Standards Board ("FASB") issued new accounting guidance clarifying the accounting for the release of cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a non-profit activity or a business within a foreign entity. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2013. We do not anticipate that this adoption will have a significant impact on our financial position, results of operations or cash flows.

In February 2013, FASB issued new accounting guidance clarifying the accounting for obligations resulting from joint and several liability arrangements for which the total amount under the arrangement is fixed at the reporting date. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2013. We do not anticipate that this adoption will have a significant impact on our financial position, results of operations or cash flows.

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to our consolidated financial statements.

#### Note 3 – Fair Value Measurements

The carrying amounts of current assets and current liabilities approximate fair value because of the short-term nature or the current rates at which the Corporation could borrow funds with similar remaining maturities. These fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment, and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The Corporation does not hold or issue financial instruments for trading purposes, nor does it utilize derivative instruments.

The FASB ASC clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. It also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability.
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

#### Note 4 - Restricted cash

The Corporation relies on a contractual agreement with Moneris Solution Corporation to settle daily ATM vault cash disbursements throughout our ATM Network into our bank account. The ATM vault cash will be settled to the cash owners within 24 hours turn around.

## Note 5 - Accounts Receivable

Accounts receivable consists of amounts due from customers. The nature of the receivables consists of equipment sales, parts and accessories, and service provided. The Corporation considers accounts more than 180 days old to be past due, since the Corporation can withhold the transactions revenue owed to the customers should their receivables become past due. The account is deemed uncollectible and written off when the site locations are out of business and or in receivership. The Corporation uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance.

	September 30, 2013	December 31, 2012
Accounts Receivable		
Equipment	-	\$ 597
Services	1,455	-
Surcharge fee	5,889	6,873
Partial Dispense	10,119	12,733
Sale of ATM Contracts	19,413	30,153
GST refund	12,040	10,848
Other	23,734	-
	72,650	\$ 61,204
Less: Allowance for doubtful accounts	(22,468 )	(23,413 )
	\$ 50,182	\$ 37,791

The bad debt expense for the nine months ended September 30, 2013 and September 30, 2012 totaled \$0 and \$10,923, respectively. The bad debt is reflected in the accompanying consolidated Statements of Operations as Other operating expenses.

## Note 6 – Inventory

Inventory consists of the following elements:

	Quantity	Cost
December 31, 2012		
ATM	27	\$68,628
Parts and accessories	-	-
Total		\$68,628
September 30, 2013		
ATM	28	\$64,978
Parts and accessories	-	-
Total		\$64,978

Inventories are valued at the lesser of cost (on a first-in, first-out method) or net realizable value.

## Note 7 – Property and Equipment

Property and equipment in service consists of the following elements:

	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Depreciation Rate and Method
December 31, 2012 -				
Office furniture and equipment	\$ 62,380	\$ 38,947	\$ 23,433	20% DB
Computer hardware and software	180,349	142,516	37,833	30% DB
ATM machines	210,627	47,789	162,838	30% DB
Other	7,494	6,408	1,086	Var
	\$ 460,850	\$ 235,660	\$ 225,190	
September 30, 2013 -				
Office furniture and equipment	\$ 39,049	\$ 31,661	\$ 7,388	20% DB
Computer hardware and software	145,936	115,176	30,760	30% DB
ATM machines	161,306	49,942	111,364	30% DB
Other	8,180	7,918	262	Var
	\$ 354,471	\$ 204,697	\$ 149,774	

There are no leased ATMs included in the Corporation's property and equipment for the nine months ended September 30, 2013 and for the year ended December 31, 2012.

Depreciation and amortization have been provided in amounts sufficient to recover asset costs over their estimated useful lives. All components of property and equipment are being depreciated or amortized. Depreciation and amortization expense for the nine months ended September 30, 2013 and September 30, 2012 totaled \$82,192 and \$78,007, respectively.

Note 8 – Deferred Costs/Intangible Assets

On the 9th of November 2007, E-Debit contracted with ACI Worldwide through its wholly owned subsidiary Westsphere Systems Inc. (WSI) to provide its ACI 'Base 24 On Demand' (AOD) hosted solution for ATM and POS transaction acquiring where WSI shares responsibilities with ACI as the transaction processor. ACI hosts the processing environment which is set up to specific requirements as set out by WSI, which supports WSI ATM and POS devices, debit and credit transaction processing and card management requirement that is unique and scalable to WSI's current and future requirements and not shared with other ACI customers. ACI supplies software acquisition, operation and maintenance, facilities, operations and environment development and maintenance and disaster recovery infrastructure and services; whereby WSI supports, authorizes and distributes all settlements and revenues distributions through its account maintenance software developed by WSI and specific to ACI On Demand processing platform.

As a result Westsphere Systems Inc. processed all transactions through its association with ACI hosted transaction processing solution eliminating the costs, restrictions, and potential risks of relying on third party processors.

The Corporation capitalized costs related to development of software totaling \$168,690 in 2007. The Corporation is amortizing these costs over its expected life. E-Debit officially launched its switch in January 2009 and commenced rollover of ATMs to process all transactions through its association with ACI. The deferred costs were reclassified as intangible assets upon the completion of all the specific requirements including coding and testing in year 2009. The Corporation assessed the useful life of the intangible asset in relation to its five-year contract with ACI commencing November 2008. The Corporation also determined the technology may be outdated at the end of the term of the contract and an enhancement of the software may be required at that time.

Depreciation is calculated using a declining balance method.

Intangible assets consist of the following elements:

	Cost	Accumulated Amortization	Net Book Value	Depreciation Method
December 31, 2012 -				
License – ACI	\$ 168,690	\$ 134,953	\$ 33,737	Straight-line
Patent	15,076	14,416	660	Straight-line
License – Paragon	18,319	\$ 8,790	9,529	Straight-line
	\$ 202,085	\$ 158,159	\$ 43,926	
September 30, 2013 -				
License – ACI	\$ 162,906	\$ 154,763	\$ 8,143	Straight-line
Patent	15,255	15,255	—	Straight-line
License – Paragon	17,691	\$ 15,387	2,304	Straight-line
	\$ 195,852	\$ 185,405	\$ 10,447	

Depreciation and amortization have been provided in amounts sufficient to recover asset costs over their estimated useful lives. Depreciation and amortization expense for the nine months ended September 30, 2013 and September 30, 2012 totaled \$27,246 and \$27,910, respectively. This depreciation and amortization expense was part of the totals which are reflected in the accompanying consolidated statements of operations as Depreciation and amortization.

Expected future depreciation and amortization of the intangible assets are as follows:

Year Amount

2013 \$10,447

Note 9 – Loans Payable

In September 2007, Vencash entered into a loan agreement with an initial term of twelve months totaling \$97,063 (\$100,000 CDN) with an external arms-length investor, bearing interest at 12% per annum, with blended monthly payments of interest only of \$942 (\$1,000 CDN). The initial term may be automatically extended for further six (6) month terms (a “renewal period”) after the end of the initial term or terminated subject to mutual termination agreements. The investor must give a written notice not less than 90 days before the end of the initial term or renewal period, whichever the case may be, to not renew the loan agreement. Vencash must notify the investor not less than 60 days before the end of the initial term or renewal period, its intention to terminate the loan. Currently, no written notice has been received from the investor to Vencash or vice versa.

As of September 30, 2013, the balance is \$97,063 (\$100,000 CDN). This loan is included in the accompanying consolidated balance sheet as Loans payable.

In November 2007, Westsphere’s subsidiary Westsphere Systems Inc. (WSI) raised \$126,389 (\$131,000 CDN) through a loan agreement with an initial term of twenty-four months with an external arms-length investor, bearing interest at 12% per annum, with blended monthly payments of interest only of \$1,261 (\$1,310 CDN). The initial term may be automatically extended for further twelve month terms (a “renewal period”) after the end of the initial term or terminated subject to mutual termination agreements. The investor must give a written notice not less than 90 days before the end of the initial term or renewal period, whichever the case may be, to not renew the loan agreement. Vencash must notify the investor not less than 30 days before the end of the initial term or renewal period, its intention to terminate the loan. Currently, no written notice has been received from the investor to WSI or vice versa. The purpose of the loan was to fund the switch development project. In February 2010, the loan was reduced by \$62,212 (\$65,000 CDN) in exchange for 622,123 common shares at \$0.10 per share. In May 2012, the loan was reduced by \$981 (\$998 CDN) in offsetting against the expenses. In September 2012, the loan was reduced by \$59 (\$60 CDN) in offsetting against the expenses. In December 2012, WSI recorded an accrued interest of \$4,324 (\$4,547 CDN). In March 2013, WSI recorded an accrued interest of \$1,914 (\$1,947 CDN). In June 2013, WSI recorded an accrued interest of \$1,852 (\$1,947 CDN). In September 2013, WSI recorded an accrued interest of \$1,890 (\$1,947 CDN). As of September 30, 2013, the balance is \$73,117 (\$75,330 CDN). This loan is included in the accompanying consolidated balance sheet as loans payable.

On December 20, 2011 the Corporation and its subsidiaries jointly and severally entered into a Demand Loan Agreement and related GSA with an investor for a loan of \$196,643 (\$200,000 CDN) at a prime lending rate of Canadian Prime plus four (4%) percent. Under the GSA, this debt is collateralized by all of the Corporation’s assets. Upon demand the Corporation has forty-five (45) days to repay the Demand Loan and interest. On October 24, 2012, the loan was repaid by \$105,588 (\$107,390 CDN). On December 5, 2012, the loan was repaid by \$75,218 (\$76,503 CDN). In June 2013, the loan was repaid by \$15,837 (\$16,107 CDN). As of September 30, 2013, the balance is \$0. This loan is included in the accompanying consolidated balance sheet as Loans payable.

On August 15, 2012 the Corporation and its subsidiaries jointly and severally entered into a Demand Loan Agreement and related GSA with an arms-length third party investor for a loan of \$95,852 (\$100,000 CDN) at a prime lending rate of Canadian Prime plus four (4%) percent. Under the GSA, this debt is collateralized by all of the Corporation’s

assets. Upon demand the Corporation has forty-five (45) days to repay the Demand Loan and interest. In March 2013, E-Debit recorded an accrued interest of \$1,836 (\$1,868 CDN). In June 2013, E-Debit recorded an accrued interest of \$2,023 (\$2,070 CDN). In June 2013, the loan was repaid by \$31,743 (\$33,924 CDN). In September 2013, E-Debit recorded an accrued interest of \$1,194 (\$1,242 CDN). As of September 30, 2013, the balance is \$69,162 (\$71,256 CDN). This loan is included in the accompanying consolidated balance sheet as Loans payable.

Note 10 – Commitments and Contingencies

The Corporation leases real estate (office and warehouse space) under non-cancellable operating leases that expire on varying dates through 2014.

The Corporation leases additional real estate (office and warehouse space) for an “Initial Term” commencing June 1, 2010 on a month to month basis. The Corporation may renew the Lease on a monthly basis by giving notice to the Landlord.

The Corporation also has an obligation for an equipment lease through 2016.

The Corporation’s real estate leases are with an affiliated Corporation that is controlled by the Corporation’s president.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year are as follows:

	Real Estate	Other
2013	\$ 17,492	\$ 943
2014	\$ 11,742	\$ 4,434
2015	\$ —	\$ 4,434
2016	\$ —	\$ 2,217

  

	September 30, 2013	December 31, 2012
Rental expense	\$ 79,795	\$ 96,602

On May 28, 2004 Peter Gregory filed an action in the Ontario Superior Court of Justice against Vencash Capital Corporation. Peter Gregory was a former Vencash distributor and agent who filed the action related to a claim of wrongful dismissal from Vencash for \$260,000 (CDN). On July 30, 2004 Vencash filed a Statement of Defence and Counterclaim in the amount of \$1,600,000 for breach of contract, breach of confidence, breach of fiduciary duties, interference with economic relations, damages for inducing breach of contract, and punitive damages. The Corporation believes the claim by Gregory to be without merit. In January 2012, the Corporation received a copy of notice of garnishment from our bank institution against Vencash’s bank account for the total amount not to exceed \$31,649 CDN. The Corporation did not receive the notification for the judgement and this notice was rescinded by the bank upon delivery. As of September 2013 the Corporation has not been contacted further relating to the action initiated by Gregory. The Corporation is currently reviewing the related correspondence and is in consultation with legal counsel and upon completion of the review will respond to any further action initiated by Gregory in this regard.

On January 25, 2009, Victory ATM filed an action in the Nova Scotia Superior Court against Vencash Capital Corporation. Victory ATM was formerly a customer of Vencash distributor Bullion Investments Inc. and claimed that supplied vault cash to a contracted armoured car Corporation had been misappropriated for a total of approximately \$45,000 CDN. The Corporation has filed a statement of defense stating that Vencash had no care control or access to the vault cash supplied by Victory ATM and the only role that Vencash played was processing the Victory ATM transactions in their designated site locations. The Corporation believes the claim by Victory ATM to be without merit and has not accrued a liability for the claim. As of September 2013, our Nova Scotia legal counsel has advised that the plaintiff revived its action against Vencash Capital Corporation. The Corporation is currently reviewing the related correspondence and is in consultation with legal counsel and upon completion of the review will respond to any further action initiated by Victory ATM in this regard.





On December 11, 2012, Mainland Investments, Inc. and Research Driven Investor, LLC filed an action in the Alberta Court of Queen's Bench against E-Debit Global Corporation, E-Debit's officers, and various other parties. Mainland Investment Inc. and Research Driven Investor, LLC (RDI) (specialized investor relations firms) claimed for a total of \$150,000 CDN related to an alleged investor relations consulting agreement between RDI and the Corporation. On February 4, 2013, the Corporation and E-Debit's officers have filed a statement of defense denying that there had ever existed an agreement between RDI and E-Debit. The Corporation has a signed Investor Relations Consulting Agreement with Open Waters Investments Inc. (OWI) and deny that OWI ever had authority to enter into written or oral agreement with RDI on behalf of E-Debit, or that E-Debit ever contractually agreed to or represented that it had appointed RDI as its advisor. The Corporation believes the claim by Mainland Investments, and Research Drive Investor, LLC to be without merit and has not accrued a liability for the claim. As of September 2013, there has been no change in this action since last filing. The Corporation will respond to any further action initiated by Mainland Investments, Inc. and Research Driven Investor, LLC in this regard.

On December 14, 2012, Trans-Armored Canada Inc. filed an action in the Nova Scotia Superior Court against Westsphere Systems Inc. (WSI). Trans-Armored Canada Inc. (TAC) was formerly a contracted armoured car Corporation to deliver vault cash to site locations and claimed for a total outstanding debt of \$34,325 CDN. As set out in the 15th of August 2007 TAC/Vencash Agreement, the Corporation's President and Chief Executive Officer sits as a member of the board of directors and represents 50% of TAC's board of directors. The Corporation has released what it believes to be the full and final payment to TAC in May 2012 where the Corporation and TAC mutually agreed to offset the full amount of deposit due from TAC against the accounts payable owed to TAC. The Corporation believes the claim by Trans-Armored Canada Inc. to be without merit and has not accrued a liability for the claim. As of September 2013, there has been no change in this action since last filing. The Corporation will respond to any further action initiated by Trans-Armored Canada Inc. in this regard.

Since 2009, Interac, MasterCard and VISA have mandated a hardware and software security upgrade for ATMs, Debit Terminals and the Corporation's Switch.

Security upgrades are required under Interac, MasterCard, and VISA rules. These upgrades include the requirements to have:

- (a) EMV (Europay, MasterCard, VISA) certified chip card (the replacement technology for the historical magnetic stripe cards) software/readers, and
- (b) network approved encrypted PIN pad ("EPP") devices, installed on all ATMs and debit terminals: thereby providing the ability to accept EMV chip card transactions. This has required and will also require further upgrading the Corporation's Switch to process EMV chip card transactions, and adding additional encryption methods to Corporations managed ATMs and Debit terminals, Triple DES Encryption.

The Corporation's understanding of the deadlines mandated by Interac and MasterCard for conversion of ATMs and debit terminals (i.e. to read the EMV microchip on a card rather than a magnetic stripe) are as follows:

- (a) 50% of all ATMs had to upgraded with an EMV certified chip pin entry device by December 31, 2011 and 100% of ATMs must be upgraded by December 31, 2012;
- (b) 35% of debit terminals had to upgraded with an EMV certified chip pin entry device by December 31, 2010, 60% must be converted by December 31, 2012, and 100% must be upgraded by December 31, 2015.

VISA's rule changes do not require a switch to the new technology by any particular date. However, both MasterCard and VISA rules provide that after March 31, 2011, certain liabilities (i.e. in respect of transaction errors or frauds) will be reallocated to industry participants who are still accessing the MasterCard and VISA networks using non-upgraded equipment, cards or software.

In addition to the security upgrades to ATM and Debit Terminals, in order to access Interac, cards (i.e. the debit cards issued by financial institutions) had to be upgraded (i.e. reissued) to have EMV chips installed: 65% by December 31, 2011 and 100% by December 31, 2012.

The result of non-compliance can include penalties, fines, sanctions and contractual penalties by the applicable Network(s) and ultimately disconnection of the ATM and Debit Terminal device or card from the Network for failure to comply by the end dates. The Corporation will be investing maintenance capital and upgrading its IT department to meet these upgrade deadlines. The Corporation's customers who own their own equipment are encouraged to make the necessary changes to their equipment and in some cases the Corporation has the contractual right to make the necessary changes for the customer (and charge the customer for the cost of the change).

Management believes that the Corporation and/or its subsidiaries are in compliance 100% with EMV requirements.

#### Note 11 – Related Party transactions

##### Investment, at cost:

In October 2010, E-Debit sold 41 common shares (41%) of the issued and outstanding shares held in its wholly owned subsidiary, 1105725 Alberta Ltd. o/a Personal Financial Solutions (PFS) at \$1.00 per share. The common shares were sold to a number Corporation that is controlled by an officer of E-Debit. The purchaser agrees that the current outstanding advances made to the Corporation by E-Debit will remain outstanding and owed by the related party to E-Debit. As a result of the sale transaction, E-Debit remains a 10% shareholder in Personal Financial Solutions. PFS has had no active business activities for the last four years. The 10% or \$10 interest in Personal Financial Solutions is reflected in the accompanying consolidated balance sheet as investment, at cost.

In May 2011, E-Debit sold 90 common shares (90%) of the issued and outstanding shares held in its wholly owned subsidiary, Cash Direct Financial Services Ltd. (CDF) at \$1.00 per share. The common shares were sold to a number Corporation that is controlled by the president of E-Debit. The purchaser agreed that the current outstanding advances made to Cash Direct by the Corporation will remain outstanding and owed by the related party to E-Debit. As a result of the sale transaction, E-Debit remains a 10% shareholder in Cash Direct Financial Services. CDF commenced the sale of ATMs in 2012. The 10% or \$10 interest in Cash Direct Financial Services is reflected in the accompanying consolidated balance sheet as investment, at cost.

On December 13, 2012, Group Link Inc. ("Group Link") was incorporated under the laws of the Province of Alberta as the foundation of the re-establishment of our nationwide distribution network, which in the past allowed for our presence in the Canadian marketplace.

The Corporation was the majority shareholder of Group Link holding 55% of the issued and outstanding common stock of the Corporation. The Corporation's Chief Executive Officer is Group Link's Chief Executive Officer and Director and holds personally 15% of the issued and outstanding common stock of Group Link. E-Debit's Chief Operating Officer is a Director and personally holds 10% of the issued and outstanding common stock of Group Link. Group Link's President and Group Link's Chief Development Officer both are Directors of Group Link and each hold 10% of the issued and outstanding common stock of the Group Link.

In May 2013, E-Debit sold 45 common shares (45%) of the issued and outstanding shares held in its majority shareholder of Group Link Inc. at \$1.00 per share. The common shares were sold to Screenfin Inc. that is controlled by the Group Link's President. The purchaser agreed that the current outstanding advances made to Group Link by the Corporation will remain outstanding and owed to E-Debit. Terms and conditions of the sale leave E-Debit with a Perpetual Royalty Grant of three and six fourths (3.64%) percent of Group Link Inc. net sales as well as a Perpetual Group Link share position of 10% with Board of Director appointment of a minimum of twenty (20%) percent. As a result of the sale transaction, E-Debit remains a 10% shareholder in Group Link Inc. Group Link commenced its business activities in July 2013. The 10% or \$10 interest in Group Link Inc. is reflected in the accompanying consolidated balance sheet as investment, at cost.

In May 2013, E-Debit sold 90% of the issued and outstanding shares of all classes held in its wholly owned subsidiary, E-Debit International Inc. for \$90. The shares of all classes were sold to two outside investors: CPM Financial Services Inc. \$80 (80%) and Winsoft Technology Solutions Inc. \$10 (10%). The purchaser agreed that the current outstanding advances made to E-Debit International Inc. by the Corporation will remain outstanding and owed to E-Debit. E-Debit and the Purchaser agreed E-Debit debt shall be repaid after all other debt holders have been paid.

Terms and conditions of the sale leave E-Debit with a Perpetual Royalty Grant of three and two thirds (3.66%) percent of E-Debit International Inc. net sales. Winsoft will take an initial seven and quarter (7.25%) payment agreement of E-Debit International Inc. net sales until receipt of \$550,000 CDN at which time Winsoft will receive a Perpetual Royalty Grant of three and two thirds (3.66%) percent of E-Debit International Inc. net sales as well as a Perpetual Group Link share position of ten (10%) of the issued and outstanding shares of all classes of E-Debit International Inc. As a result of the sale transaction, E-Debit remains a 10% shareholder in E-Debit International Inc. The 10% or \$10 interest in E-Debit International Inc. is reflected in the accompanying consolidated balance sheet as investment, at cost.

Other receivable – related parties:

The other receivable – related parties was from the sale transaction of 41% of the subsidiary 1105725 Alberta Ltd. o/s Personal Financial Solutions (PFS) in October 2010 and sale transaction of 90% of the subsidiary Cash Direct Financial Services Ltd. (CDF) in May 2011, and sale transactions to E-Debit’s directors.

As of September 30, 2013 and December 31, 2012, the Corporation setup an allowance for doubtful collections of \$68,435 and \$52,746 respectively for the related parties’ receivables, as collection was unknown.

The following table summarizes the Corporation’s others receivable from related parties’ transactions as of September 30, 2013 and December 31, 2012:

	2013	2012
1105725 Alberta Ltd. o/a Personal Financial Solutions	\$ 38,785	\$ 40,162
Cash Direct Financial Services Ltd.	12,152	12,584
Trans Amored Canada	17,498	7,922
Accounts receivable – directors	12,336	8,613
	\$ 80,771	\$ 69,281
Less: Allowance for doubtful accounts	(68,435)	(52,746)
	\$ 12,336	\$ 16,535

The current outstanding advances are reflected in the accompanying consolidated balance sheet as other receivable – related parties and totaled \$12,336 and \$16,535, respectively, at September 30, 2013 and December 31, 2012.

Real estate leases:

The Corporation’s real estate leases are with an affiliated Corporation that is controlled by the Corporation’s president.

Edgar Filing: E-Debit Global Corp. - Form 10-Q

The Corporation leases real estate (office and warehouse space) under non-cancellable operating leases that expire on varying dates through 2014. The monthly lease payment is \$5,747 (\$5,971 CDN).

The Corporation leases additional real estate (office and warehouse space) for an “Initial Term” commencing June 1, 2010 on a month to month basis. The Corporation may renew the Lease on a monthly basis by giving notice to the Landlord. The monthly lease payment is \$2,984 (\$3,100 CDN).

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year are as follows:

	Real Estate	
2013	\$	17,492
2014	\$	11,742

  

	September 30, 2013	December 31, 2012
Rental expense	\$ 79,795	\$ 96,602

## Residual and interchange costs:

The following table summarizes the amounts paid by the Corporation for residual and interchange fees to related parties for the nine months ended September 30, 2013:

Payable to:	September 30, 2013
Three affiliated companies that are controlled by E-Debit's President.	\$ 13,207
An affiliated Corporation that is controlled by E-Debit's vice President.	\$ 8,730
An affiliated Corporation that is controlled by E-Debit's director.	\$ 1,725
An affiliated Corporation that is controlled by E-Debit's director.	\$ 176
Total	\$ 23,838

The residual and interchange paid to related parties are in accordance with the contracts with their distributorship. The above payments are reflected in the accompanying consolidated statements of operations as residual and interchange costs.

## Indebtedness to related parties:

The Corporation expensed \$23,749 (\$24,675 CDN) during the third quarter 2013 for consulting and management services to an affiliated Corporation that is controlled by the Corporation's president. This expense is reflected in the accompanying consolidated Statements of Operations as a Consulting fees.

In February 2011, the Corporation and its subsidiary, Westsphere Systems Inc., jointly signed the General Security Agreement (GSA) for the current debts owed to related parties and shareholders. The Corporation has requested that the related parties and shareholders individually or collectively advance loans up to one million five hundred thousand (\$1,500,000) dollars in Canadian Funds to the Corporation. The loans are due "On Demand" with initial thirty-six months (36) terms which can be renewed from the date initial funds were advanced. The interest rate is Eight (8%) percent per year and is payable quarterly. Under the GSA, these debts are collateralized by the Corporation's Accounts Receivables, Inventory, Equipment, Intangibles, Leasehold, Real and Immovable Property, and Proceeds.

In December 2011, the Corporation and its subsidiaries jointly and severally, signed a General Security Agreement (GSA) as well as loan agreements related to the loan from an investor for \$200,000. As a result the aforementioned GSA dated February 2011 was cancelled in order that this new loan and GSA could be filed in priority to other loans advance to the Corporation by related parties.

Upon completion of the first party claim related to the December loan and GSA the Corporation and its subsidiaries jointly and severally signed a GSA for the current debts owed to related parties and shareholders. The Corporation has requested that the related parties and shareholders individually or collectively advance loans up to one million seven hundred and fifty thousand (\$1,750,000) dollars in Canadian Funds to the Corporation. The loans are due "On Demand" with initial thirty-six months (36) terms which can be renewed from the date initial funds were advanced. The interest rate is Eight (8%) percent per year and is payable quarterly. Under the GSA, these debts are collateralized by the Corporation's Accounts Receivables, Inventory, Equipment, Intangibles, Leasehold, Real and Immovable Property, and Proceeds.



In May 2013, the Company's president assigned \$355,396 debt owed to an affiliated company that is controlled by the Company's president from the company wholly owned subsidiary, Westsphere Systems Inc. to E-Debit International Inc. The assignment of debt was considered as forgiveness of debt by related party and is reflected in the accompanying consolidated balance sheet as Additional paid-in capital.

Edgar Filing: E-Debit Global Corp. - Form 10-Q

The total amount owed to related parties (consist of indebtedness to related parties and shareholder loans) as of September 30, 2013 is \$1,765,647 (\$1,819,075 CDN). The remaining credit available to be drawn against related to this GSA and Line of Credit is \$0.

The following table summarizes the Corporation's indebtedness to related parties' transactions as of September 30, 2013 and December 31, 2012:

Payable to:	September 30, 2013	December 31, 2012	Terms/Maturities	Interest Rate
A loan advanced from E-Debit's President for working capital.	\$85,690	\$95,674	Demand loans	8% per annum
A loan advanced from an affiliated Corporation that is controlled by E-Debit's President for working capital.	796,317	867,701	Demand loans	8% per annum
A loan advanced from E-Debit's vice President for working capital.	11,443	8,521	Demand loans	8% per annum
A loan advanced from E-Debit's officers for working capital.	12,569	6,421	Demand loans	8% per annum
A loan advanced from E-Debit's directors for working capital.	98,319	89,353	Demand loans	8% per annum
A loan advanced from E-Debit's director for working capital.	240,103	208,926	Demand loans	No interest
Officers' and Directors' bonuses payable carried forward from year 2002	26,293	33,611	Demand loans	No interest
A loan advanced from an affiliated Corporation that is controlled by E-Debit's President for working capital.	197,648	207,394	Demand loans	No interest
<b>Total</b>	<b>\$1,468,382</b>	<b>\$1,517,601</b>		

The indebtedness to related parties as of September 30, 2013 consists of loans that are payable on demand by the related parties. The interest rate is Eight (8%) percent annually calculated and paid quarterly attached to the related party loans. There is no interest attached to a loan advanced from E-Debit's director of \$240,103, the Officers' and Directors' bonuses payable carried forward from year 2002 of \$26,293, and the loan advanced from an affiliated company that is controlled by E-Debit's President for working capital of \$197,648. The above obligations are reflected in the accompanying consolidated balance sheet as indebtedness to related parties.

The indebtedness to related parties as of December 31, 2012 consists of loans that are payable on demand by the related parties. The interest rate is Eight (8%) percent per year and is payable quarterly. There is no interest attached to a loan advanced from E-Debit's director of \$208,926, the Officers' and Directors' bonuses payable carried forward from year 2002 of \$33,611, and the loan advanced from an affiliated Corporation that is controlled by E-Debit's President for working capital of \$207,394 at December 31, 2012. The above obligations are reflected in the accompanying consolidated balance sheet as indebtedness to related parties.

Note 12 – Shareholder loans

In December 2011, the Corporation and its subsidiaries jointly and severally signed the General Security Agreement (GSA) for the current debts owed to related parties and shareholders. The Corporation has requested that the related parties and shareholders individually or collectively advance loans up to one million seven hundred and fifty thousand (\$1,750,000) dollars in Canadian Funds to the Corporation. The terms of loans are "On Demand" with initial thirty-six months (36) terms which can be renewed from the date initial funds were advanced. The interest rate is Eight (8%)

percent annually calculated and paid quarterly. Under the GSA, these debts are collateralized by the Corporation's Accounts Receivables, Inventory, Equipment, Intangibles, Leasehold, Real and Immovable Property, and Proceeds.

The following table summarizes the Corporation's shareholder loans transactions as of September 30, 2013 and December 31, 2012:

Payable to:	September 30, 2013	December 31, 2012	Terms/Maturities	Interest Rate
A loan advanced from E-Debit's vice President for working capital.	53,385	55,280	Demand loans	8% per annum
A loan advanced from E-Debit's directors for working capital.	152,156	142,481	Demand loans	8% per annum
A loan advanced from E-Debit's vice President for working capital.	43,193	44,726	Demand loans	12% per annum
A loan advanced from E-Debit's shareholder for working capital.	48,531	50,254	Demand loans	9% per annum
<b>Total</b>	<b>\$297,265</b>	<b>\$292,741</b>		

E-Debit's shareholder loans as of September 30, 2013 are related to cash advanced from E-Debit's vice president totaling \$53,385 and from directors totaling \$152,156 and have an interest rate of 8% per annum calculated and paid quarterly with no specific terms of repayment. The remaining balance of shareholder loans totaling \$91,724 consist of a loan advance from E-Debit's vice president totaling \$43,193 with an interest rate of 12% per annum and no specific terms of repayment, and a loan advance from a shareholder of \$48,531 with an interest rate of 9% per annum and no specific terms of repayment. The above obligations are reflected in the accompanying consolidated balance sheet as shareholder loans.

E-Debit's shareholder loans as of December 31, 2012 are related to cash advanced from E-Debit's vice president totaling \$55,280 and from directors totaling \$142,481 and have an interest rate of 8% per annum calculated and paid quarterly with no specific terms of repayment. The remaining balance of shareholder loans totaling \$94,980 consist of a loan advance from E-Debit's vice president totaling \$44,726 has an interest rate of 12% per annum with no specific terms of repayment, and a loan advance from a shareholder of \$50,254 has an interest rate of 9% per annum with no specific terms of repayment. The above obligations are reflected in the accompanying consolidated balance sheet as shareholder loans.

#### Note 13 – Other Revenue

In June 2013, the Company concluded the sales of a portion of the Company's eastern Canada ATMs site location contracts to an investor for a total of \$107,548 (\$110,032 CDN). This sale transaction is included in the accompanying consolidated income statement as Gain on sale.

#### Note 14 – Subsequent Events

The Company has evaluated events subsequent to September 30, 2013 and through the date the financial statements were available to be issued to assess the need for potential recognition or disclosure in this report. No events were noted that require recognition or disclosure in these financial statements.

#### Note 15 – Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Corporation as a going concern. The Corporation has recurring net losses from operations, and had a working capital deficit and a stockholders' deficit at September 30, 2013 and December 31, 2012. These conditions raise substantial doubt as to the Corporation's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the

outcome of this uncertainty. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Corporation be unable to continue as a going concern.

Management recognizes that the Corporation must generate additional resources to enable it to continue operations. Management intends to raise additional funds through debt financing and equity financing or through other means that it deems necessary, with a view to moving forward and sustaining a prolonged growth in its strategy phases. However, no assurance can be given that the Corporation will be successful in raising additional capital. Management's plans also include restructuring and reorganizing its subsidiaries to save costs. Furthermore, management is in the process of negotiations with a third party investor to potentially sell part or all of the Corporation's ATM estate. In addition, there is no demand for payment on the accounts payable to related parties of \$1,468,382 and shareholder loans of \$297,265 as these liabilities are owed to internal officers and directors. Further, even if the Corporation raises additional capital, there can be no assurance that the Corporation will achieve profitability or positive cash flow. If management is unable to raise additional capital and expected significant revenues do not result in positive cash flow, the Corporation will not be able to meet its obligations and may have to cease operations.

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

Current Corporate Structure – September 30, 2013

E-DEBIT GLOBAL CORPORATION

Subsidiaries CDN	Subsidiaries CDN	Subsidiaries US
Vencash Payment Solutions Inc. 100% “Active”	Westsphere Capital Group Ltd. 100% “Inactive”	Vencash Financial Systems Inc. (US) 100% “Inactive”
Westsphere Systems Inc. 100% “Active”	Vencash Capital Corporation 100% “Inactive”	

Active = with business activity

Inactive = no business activity

## Plan of Operations

### Results of Operations – Three Month Period

During the three (3) month period of operations ended September 30, 2013, E-Debit and its subsidiaries generated a net loss of \$244,669, while a net loss of \$219,723 was realized for the same period from the previous year. The increase in net loss of \$24,946 over the same period from the previous year was mainly caused by a decrease in gross profit of \$85,022. The increase in net loss is partially offset against a decrease in salaries and benefits of \$24,962, a decrease in other operating expense of \$24,100, and an increase in other income of \$10,005 over the same period from the previous year.

The decrease in gross profit of \$85,022 was primarily caused by a decrease in residual and interchange income of \$344,390. The decrease is partially offset against a decrease in residual and interchange costs of \$235,499 and a decrease in other cost of sales of \$26,854.

The decrease in residual and interchange income was mainly caused by the sale of a majority of the Corporation's ATMs site location contracts to an investor during the year 2012 and in June 2013.

The decrease in salaries and benefits was caused by an elimination of two positions during year 2012: a sales consultant and a receptionist.

The decrease in other operating expense was mainly caused by a decrease in office supplies of \$8,560 and a decrease in telephone expense of \$15,367.

The increase in other income was mainly due to the administration fee of \$9,607 charge to an investor for the shares certificates.

At this date, 128 ATMs are being processed by WSI's switch. The number of ATMs being processed during the year 2013 has been decreased as compared to 382 ATMs processed in the prior year. The decrease is mainly caused by the sale of a majority of the Corporation's ATMs site location contracts to an investor during the year 2012 and in June 2013.

### Results of Operations – Nine Month Period

During the nine (9) month period of operations ended September 30, 2013, E-Debit and its subsidiaries generated a net loss of \$728,226, while a net loss of \$556,746 was realized for the same period from the previous year. The increase in net loss of \$171,480 over the same period from the previous year was mainly caused by a decrease in gross profit of \$213,075 and a decrease in gain on sale of \$155,870. The increase in net loss is partially offset against a decrease in consulting fees of \$13,340, a decrease in salaries and benefits of \$45,788, a decrease in other operating expense of \$104,506, a decrease in interest expense of \$13,905, and an increase in other income of \$10,005 over the same period from the previous year.

The decrease in gross profit of \$213,075 was primarily caused by a decrease in residual and interchange income of \$996,233. The decrease is partially offset against a decrease in residual and interchange costs of \$709,633 and a decrease in other cost of sales of \$90,592.

The decrease in residual and interchange income was mainly caused by the sale of a majority of the Corporation's ATMs site location contracts to an investor during the year 2012 and in June 2013.



The decrease in gain on sale was mainly caused by the decrease in the sale of ATMs site location contracts to an investor during the nine (9) month period operations ended September 30, 2013 over the same period from the previous year.

The decrease in consulting fees was caused by a decrease adjustment in the monthly consulting fee contract effective May 2012.

The decrease in salaries and benefits was caused by an elimination of two positions during year 2012: a sales consultant and a receptionist.

The decrease in other operating expense was mainly caused by a decrease in bad debt expense of \$21,811, a decrease in office supplies of \$25,609, a decrease in website maintenance of \$19,699, and a decrease in telephone expense of \$25,000.

The decrease in interest expense was mainly due to the decrease in interest – related parties of \$7,731, and the decrease in interest of loans payable of \$6,266. The decrease in interest expense is partially offset against an increase in interest and penalty payable to various suppliers for the long overdue invoices of \$3,801.

The increase in other income was mainly due to the administration fee of \$9,607 charge to an investor for the shares certificates.

In October 2013, the Corporation is in the process of restructuring and reorganization of its subsidiaries to save costs and ensuring the Corporation's ability to continue as a going concern.

E-Debit and its subsidiaries currently do not generate sufficient revenues to meet overhead needs. This is due to E-Debit switch operations which were launched in January 2009 and commencing rollover of ATMs to process all transactions. The switch operations currently do not generate sufficient revenue to cover its expenses. In addition, E-Debit continues to experience a steady decrease in gross profit mainly due to the sale of the majority of ATMs site location contracts during the year 2012 and in June 2013. Management recognizes that the Corporation must generate additional resources to enable it to continue operations. Management intends to raise additional funds through debt financing and equity financing or through other means that it deems necessary, with a view to moving forward and sustaining a prolonged growth in its strategy phases. However, no assurance can be given that the Corporation will be successful in raising additional capital.

The Corporation believes that the Corporations subsidiaries upon restructuring, reorganization and consolidation combined with continued investment from related parties and outside investors will continue to produce sufficient ongoing funding to meet its current and future financial requirements. The completion of the reorganization and restructuring is expecting to be completed by the fourth quarter 2013.

In order to meet its growth plan, E-Debit will continue to be dependent on equity funds raised, joint venture arrangements and/or loan proceeds. However, no assurance can be given that the Corporation will be successful in raising additional capital. Further, even if the Corporation raises additional capital, there can be no assurance that the Corporation will achieve profitability or positive cash flow. If management is unable to raise additional capital and expected significant revenues do not result in positive cash flow, the Corporation will not be able to meet its obligations and may have to cease operations.

#### Changes in Financial Position

During the nine (9) month period ending September 30, 2013, total assets decreased from \$636,246 to \$397,985. The decrease is primarily due to a decrease in cash of \$31,717, a decrease in restricted cash of \$95,550, a decrease in property and equipment, net of depreciation of \$75,416, and a decrease in intangible assets, net of amortization of \$33,479.

The decrease in restricted cash was mainly caused by the surcharge and interchange settlement owed to customers as of September 30, 2013 over the same period from the previous year.

The decrease in property and equipment, net of depreciation and intangible assets, net of amortization was caused by the depreciation and amortization expense for the nine (9) month period ending September 30, 2013.

As of September 30, 2013, E-Debit's current liabilities consisted of accounts payable of \$562,795, accrued liabilities of \$79,512, loans payable of \$239,342, indebtedness to related parties of \$1,468,382, and shareholder loans of \$297,265.

Accounts payable and accrued liabilities include a payable of \$27,491 for the return of surcharge and interchange; the return of switch vault cash of \$95,591; legal and accounting fees of \$67,775; switch and hosting fees of \$239,974; contingent expense of \$30,719; accrued vacation payable of \$9,398; investors deposits of \$51,943; and \$119,416 due for consulting services, office expenses and various other general fees and charges.

In September 2007, Vencash entered into a loan agreement with an initial term of twelve months totaling \$97,063 (\$100,000 CDN) with an external arms-length investor, bearing interest at 12% per annum, with blended monthly payments of interest only of \$942 (\$1,000 CDN). The initial term may be automatically extended for further six (6) month terms (a “renewal period”) after the end of the initial term or terminated subject to mutual termination agreements. The investor must give a written notice not less than 90 days before the end of the initial term or renewal period, whichever the case may be, to not renew the loan agreement. Vencash must notify the investor not less than 60 days before the end of the initial term or renewal period, its intention to terminate the loan. Currently, no written notice has been received from the investor to Vencash or vice versa.

As of September 30, 2013, the balance is \$97,063 (\$100,000 CDN). This loan is included in the accompanying consolidated balance sheet as Loans payable.

In November 2007, Westsphere’s subsidiary Westsphere Systems Inc. (WSI) raised \$126,389 (\$131,000 CDN) through a loan agreement with an initial term of twenty-four months with an external arms-length investor, bearing interest at 12% per annum, with blended monthly payments of interest only of \$1,261 (\$1,310 CDN). The initial term may be automatically extended for further twelve month terms (a “renewal period”) after the end of the initial term or terminated subject to mutual termination agreements. The investor must give a written notice not less than 90 days before the end of the initial term or renewal period, whichever the case may be, to not renew the loan agreement. Vencash must notify the investor not less than 30 days before the end of the initial term or renewal period, its intention to terminate the loan. Currently, no written notice has been received from the investor to WSI or vice versa. The purpose of the loan was to fund the switch development project. In February 2010, the loan was reduced by \$62,212 (\$65,000 CDN) in exchange for 622,123 common shares at \$0.10 per share. In May 2012, the loan was reduced by \$981 (\$998 CDN) in offsetting against the expenses. In September 2012, the loan was reduced by \$59 (\$60 CDN) in offsetting against the expenses. In December 2012, WSI recorded an accrued interest of \$4,324 (\$4,547 CDN). In March 2013, WSI recorded an accrued interest of \$1,914 (\$1,947 CDN). In June 2013, WSI recorded an accrued interest of \$1,852 (\$1,947 CDN). In September 2013, WSI recorded an accrued interest of \$1,890 (\$1,947 CDN). As of September 30, 2013, the balance is \$73,117 (\$75,330 CDN). This loan is included in the accompanying consolidated balance sheet as loans payable.

On December 20, 2011 the Corporation and its subsidiaries jointly and severally entered into a Demand Loan Agreement and related GSA with an investor for a loan of \$196,643 (\$200,000 CDN) at a prime lending rate of Canadian Prime plus four (4%) percent. Under the GSA, this debt is collateralized by all of the Corporation’s assets. Upon demand the Corporation has forty-five (45) days to repay the Demand Loan and interest. On October 24, 2012, the loan was repaid by \$105,588 (\$107,390 CDN). On December 5, 2012, the loan was repaid by \$75,218 (\$76,503 CDN). In June 2013, the loan was repaid by \$15,837 (\$16,107 CDN). As of September 30, 2013, the balance is \$0. This loan is included in the accompanying consolidated balance sheet as Loans payable.

On August 15, 2012 the Corporation and its subsidiaries jointly and severally entered into a Demand Loan Agreement and related GSA with an arms-length third party investor for a loan of \$95,852 (\$100,000 CDN) at a prime lending rate of Canadian Prime plus four (4%) percent. Under the GSA, this debt is collateralized by all of the Corporation’s assets. Upon demand the Corporation has forty-five (45) days to repay the Demand Loan and interest. In March 2013, E-Debit recorded an accrued interest of \$1,836 (\$1,868 CDN). In June 2013, E-Debit recorded an accrued interest of \$2,023 (\$2,070 CDN). In June 2013, the loan was repaid by \$31,743 (\$33,924 CDN). In September 2013, E-Debit recorded an accrued interest of \$1,194 (\$1,242 CDN). As of September 30, 2013, the balance is \$69,162 (\$71,256 CDN). This loan is included in the accompanying consolidated balance sheet as Loans payable.



Edgar Filing: E-Debit Global Corp. - Form 10-Q

The following table summarizes the Corporation's indebtedness to related parties' transactions as of September 30, 2013 and December 31, 2012:

Payable to:	September 30, 2013	December 31, 2012	Terms/Maturities	Interest Rate
A loan advanced from E-Debit's President for working capital.	\$85,690	\$95,674	Demand loans	8% per annum
A loan advanced from an affiliated Corporation that is controlled by E-Debit's President for working capital.	796,317	867,701	Demand loans	8% per annum
A loan advanced from E-Debit's vice President for working capital.	11,443	8,521	Demand loans	8% per annum
A loan advanced from E-Debit's officers for working capital.	12,569	6,421	Demand loans	8% per annum
A loan advanced from E-Debit's directors for working capital.	98,319	89,353	Demand loans	8% per annum
A loan advanced from E-Debit's director for working capital.	240,103	208,926	Demand loans	No interest
Officers' and Directors' bonuses payable carried forward from year 2002	26,293	33,611	Demand loans	No interest
A loan advanced from an affiliated Corporation that is controlled by E-Debit's President for working capital.	197,648	207,394	Demand loans	No interest
<b>Total</b>	<b>\$1,468,382</b>	<b>\$1,517,601</b>		

The indebtedness to related parties as of September 30, 2013 consists of loans that are payable on demand by the related parties. The interest rate is Eight (8%) percent annually calculated and paid quarterly attached to the related party loans. There is no interest attached to a loan advanced from E-Debit's director of \$240,103, the Officers' and Directors' bonuses payable carried forward from year 2002 of \$26,293, and the loan advanced from an affiliated company that is controlled by E-Debit's President for working capital of \$197,648. The above obligations are reflected in the accompanying consolidated balance sheet as indebtedness to related parties.

The indebtedness to related parties as of December 31, 2012 consists of loans that are payable on demand by the related parties. The interest rate is Eight (8%) percent per year and is payable quarterly. There is no interest attached to a loan advanced from E-Debit's director of \$208,926, the Officers' and Directors' bonuses payable carried forward from year 2002 of \$33,611, and the loan advanced from an affiliated Corporation that is controlled by E-Debit's President for working capital of \$207,394 at December 31, 2012. The above obligations are reflected in the accompanying consolidated balance sheet as indebtedness to related parties.

The following table summarizes the Corporation's shareholder loans transactions as of September 30, 2013 and December 31, 2012:

Payable to:	September 30, 2013	December 31, 2012	Terms/Maturities	Interest Rate
A loan advanced from E-Debit's vice President for working capital.	53,385	55,280	Demand loans	8% per annum
A loan advanced from E-Debit's directors for working capital.	152,156	142,481	Demand loans	8% per annum
A loan advanced from E-Debit's vice President for working capital.	43,193	44,726	Demand loans	12% per annum

Edgar Filing: E-Debit Global Corp. - Form 10-Q

A loan advanced from E-Debit's  
shareholder for working capital.

	48,531	50,254	Demand loans	9% per annum
Total	\$297,265	\$292,741		

E-Debit's shareholder loans as of September 30, 2013 are related to cash advanced from E-Debit's vice president totaling \$53,385 and from directors totaling \$152,156 and have an interest rate of 8% per annum calculated and paid quarterly with no specific terms of repayment. The remaining balance of shareholder loans totaling \$91,724 consist of a loan advance from E-Debit's vice president totaling \$43,193 with an interest rate of 12% per annum and no specific terms of repayment, and a loan advance from a shareholder of \$48,531 with an interest rate of 9% per annum and no specific terms of repayment. The above obligations are reflected in the accompanying consolidated balance sheet as shareholder loans.

E-Debit's shareholder loans as of December 31, 2012 are related to cash advanced from E-Debit's vice president totaling \$55,280 and from directors totaling \$142,481 and have an interest rate of 8% per annum calculated and paid quarterly with no specific terms of repayment. The remaining balance of shareholder loans totaling \$94,980 consist of a loan advance from E-Debit's vice president totaling \$44,726 has an interest rate of 12% per annum with no specific terms of repayment, and a loan advance from a shareholder of \$50,254 has an interest rate of 9% per annum with no specific terms of repayment. The above obligations are reflected in the accompanying consolidated balance sheet as shareholder loans.

Shareholders' deficit as of September 30, 2013 was negative \$2,249,311, including an accumulated loss from operations of \$7,112,493, as compared to shareholders deficit of \$1,956,157 as of December 31, 2012. The increase in shareholders' deficit of \$293,154 was primarily due to the current year net loss of \$728,226, an increase in additional paid-in capital of \$355,396, and an increase in accumulated other comprehensive income of \$79,676.

As of September 30, 2013, E-Debit raised \$213,721 cash advance from directors and officers to support the switch operations and general and administrative costs.

Total issued and outstanding share capital as of October 15, 2013 was 320,046,834 common shares and 81,518,410 preferred shares.

## Liquidity and Capital Resources

### Summary of Working Capital and Stockholders' Equity

As of September 30, 2013, the Corporation had a working capital deficit of \$2,409,572 and Stockholders' Deficit of \$2,249,311 compared with a working capital deficit of \$2,225,293 and Stockholders' Deficit of \$1,956,157 as of December 31, 2012. The Corporation's working capital deficit has increased principally as a result of a decrease in cash of \$31,717, a decrease in restricted cash of \$95,550, and an increase in accounts payable and accrued liabilities of \$147,293. The increase in working capital deficit is partially offset against the decrease in loans payable of \$47,705 and a decrease in indebtedness to related parties of \$49,219.

Stockholders' Deficit increased as a result of a net loss of \$728,226, an increase in additional paid-in capital from related parties of \$355,396 and an increase in accumulated other comprehensive income of \$79,676 for the nine (9) months ended September 30, 2013.

The Corporation's consolidated operations during the nine (9) month period resulted in the use of net cash of \$390,551, compared to the use of net cash in the amount of \$685,156 during the same period from the previous year. The decrease in the use of net cash flow from operations was primarily the result of the decrease in restricted cash of \$642,332. The decrease in the use of net cash flow from operations is partially offset against the difference in net loss from operations of \$171,480 and a decrease in changes in accounts payable and accrued liabilities of 161,820.



Edgar Filing: E-Debit Global Corp. - Form 10-Q

Investing activities during the nine (9) month period resulted in the use of net cash of \$6,859 which was primarily caused by the purchase of equipment to support the switch operations.

Financing activities during the nine (9) month period resulted in the provision of net cash of \$286,017 which was primarily caused by the proceeds from related parties of \$213,721, the cash advances from directors and officers to support the switch operations and general and administrative costs of \$230,833. The provision of net cash is partially offset against a repayment of loans to directors and officers of \$102,956 and repayment of loans payable of \$55,581.

## Liquidity

E-Debit and its subsidiaries currently do not generate sufficient revenues to meet overhead needs. This is due to E-Debit switch operations which was launched in January 2009 and commencing rollover of ATMs to process all transactions. The switch operations currently do not generate sufficient revenue to cover its expenses. The shortages of funds, recurring losses, and stockholders' deficit raise substantial doubt as to the Corporation's ability to continue as a going concern.

Management recognizes that the Corporation must generate additional resources to enable it to continue operations. Management intends to raise additional funds through debt financing and equity financing or through other means that it deems necessary, with a view to moving forward and sustaining a prolonged growth in its strategy phases. Furthermore, the management is in the process of negotiations with the third party investor potentially purchasing part or all of the Corporation's ATM estate. In addition, there is no demand for payment on the accounts payable to related parties of \$1,468,382 and shareholder loans of \$297,265 as these liabilities are owed to internal officers and directors.

In order to meet its growth plan, E-Debit will continue to be dependent on equity funds raised, joint venture arrangements and/or loan proceeds. However, no assurance can be given that the Corporation will be successful in raising additional capital. Further, even if the Corporation raises additional capital, there can be no assurance that the Corporation will achieve profitability or positive cash flow. If management is unable to raise additional capital and expected significant revenues do not result in positive cash flow, the Corporation will not be able to meet its obligations and may have to cease operations.

## Capital Resources

The primary capital resources of E-Debit are its consolidated business operations as well as equity funds raised, joint venture arrangements and/or loan proceeds.

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

N/A

## ITEM 4. CONTROLS AND PROCEDURES

The Corporation's Chief Executive Officer, Mr. Douglas Mac Donald, and its Chief Financial Officer, Mr. Kim Law, have implemented the Corporation's disclosure controls and procedures to ensure that material information relating to the Corporation is made known to Mr. Mac Donald and Mr. Law. These executive officers have evaluated the effectiveness of the Corporation's disclosure controls and procedures as of September 30, 2013 (the "Evaluation Date").

Based on such evaluation, Messrs. Mac Donald and Law have concluded that, as of the Evaluation Date, the Corporation's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Corporation that is required to be included in our reports filed or submitted under the Securities Exchange Act of 1934. Moreover, there were no significant changes in internal controls or in other factors that have materially affected or are reasonably likely to materially affect the Corporation's internal controls over financial reporting during the nine months ended September 30, 2013.



PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no changes since the filing of the 10K on December 31, 2012.

ITEM 1A. RISK FACTORS

N/A

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

N/A

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) The following exhibits are filed with this report.

- 31.1 Certification by Chief Executive Officer pursuant to Sarbanes Oxley Section 302.
- 31.2 Certification by Chief Financial Officer pursuant to Sarbanes Oxley Section 302.
- 32.1 Certification by Chief Executive Officer pursuant to 18 U.S. C. Section 1350
- 32.2 Certification by Chief Financial Officer pursuant to 18 U.S. C. Section 1350
- 101 Interactive Data Files

SIGNATURES

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

E-DEBIT GLOBAL CORPORATION

By: /s/ Douglas MacDonald  
Name: Douglas MacDonald  
Title: President  
Date: November 19, 2013

By: /s/ Kim Law  
Name: Kim Law  
Title: Principal Financial Officer and Accounting Officer  
Date: November 19, 2013

